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Decision 04-07-026

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of San Diego Gas & Electric Company (U 902 E) for a Certificate of Public Convenience and Necessity for the Miguel – Mission 230kV #2 Project.	Application 02-07-022 (Filed July 12, 2002)

OPINION CERTIFYING FINAL ENVIRONMENTAL IMPACT REPORT AND GRANTING A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY FOR THE MIGUEL MISSION PROJECT

I. Summary

This order certifies the Final Environmental Impact Report (FEIR) as the Environmental Impact Report (EIR) for the transmission line facilities that is the subject of this application. We certify the EIR for use by responsible agencies in considering subsequent approvals for the project, or for portions thereof.

This order also grants a certificate of public convenience and necessity (CPCN) to San Diego Gas & Electric Company (SDG&E) for the project proposed in the Application dated July 21, 2002.

II. Overview and Procedural Background

SDGE filed this application on July 12, 2002, seeking a CPCN to construct additional transmission and distribution capacity to meet electricity demand in its territory. The project would run through the cities of San Diego and Santee and in unincorporated areas of San Diego County. The project would include (1) the installation of a new 230 kV circuit on modified steel lattice structures within the existing 35-mile SDG&E ROW located between the Miguel and

Mission substations; (2) relocation of the existing 138 kV and 69 kV circuit onto a new alignment of poles within the existing ROW; and (3) modification of the Miguel Substation and the Mission Substation to accommodate the new 230 kV circuit. These facilities, for which a CPCN is required, are part of a number of activities whose purpose is to enable the transmission of power from new generation resources and the importation of 560 megawatts (MW) to areas north of the Miguel substation. The larger project, for which the economic benefit and costs are given hereinafter, includes apart from the facilities listed above, a second 500/230 kV transformer bank and 500 kV series capacitors at Imperial Valley Substation, a 500/230 kV transformer bank and gas insulated 500 kV switchgear at Miguel Substation and the reconductoring of a 138 kV transmission line connected to Miguel Substation.[1] SDG&E states the facilities are needed to improve regional and statewide reliability and operational flexibility. This project is referred to as the Miguel Mission Project.

The California Environmental Quality Act (CEQA)[2] requires the Commission to consider the environmental consequences of its discretionary decisions. Accordingly, the Commission has employed environmental consultants to prepare an EIR evaluating the proposed project and project alternatives. The purpose of the report is to identify potentially significant environmental effects associated with the proposed project, and propose

[1] The project activities covered by SDG&E's CPCN application require CEQA review pursuant to General Order (GO) 131-D and are studied in the EIR. The substation and reconductoring activities do not require CEQA review under GO 131-D.

[2] The CEQA statute appears at Cal. Pub. Res. Code § 21000 *et seq.*

mitigation measures and project alternatives that would minimize environmental consequences.

The Commission held a pre-hearing conference in this proceeding on February 4, 2004, at which parties discussed the scope of issues and whether hearings would be required. Subsequently, the Assigned Commissioner and administrative law judge (ALJ) issued a scoping memo and ruling summarizing the issues and requiring certain cost information from SDG&E and the California Independent System Operator (CAISO). Commission staff issued a draft EIR (DEIR) on April 1, 2004, and received 30 sets of comments on May 17, 2004.[3] Commission staff incorporated those comments into the FEIR and considered them in preparing final recommendations.

After SDG&E filed this application, the Commission considered the project as part of a review of regional transmission constraints in Investigation (I.) 00-11-001, the Commission's transmission planning proceeding. In that docket, we issued D.03-02-069, which found a need for the Miguel Mission Project, set a cost cap for the project and addressed project construction "milestones." The primary task in this proceeding is to resolve matters

[3] The comments were filed by SDG&E, Border Generation, California Department of Transportation, Padre Dam Municipal Water District, Institute de Informatica, Dalour Younan, San Diego County Water Authority, John Moods Helix Water District, Federal Aviation Administration, City of Santee, San Diego Board of Supervisors, U.S. Fish & Wildlife Service, California Department of Fish & Game, Barona Band of Mission Indians, San Diego Regional Chamber of Commerce, Barratt American, Inc., Bob Meijer, Michael Bortoli, Lonna & Mike Perry, Mary England, John Bruhn, Santee Citizens for Safe Power, Arten and Elaine Watt, J. Michael Cowell, Linda Kirk, Ruth Jones, Katherine Marsh, Kevin Marsh, and Bob and Gail Crawford.

concerning environmental quality in compliance with CEQA. This order also addresses the cost cap and milestones adopted in D.03-02-069.

III. Public Participation in EIR Review Process

During the course of the CEQA review, the Commission provided various opportunities for public involvement, as required by CEQA, and took advantage of the insights and ideas of community members. The Commission issued a "notice of preparation" (NOP) of an EIR on September 5, 2003, and distributed it to the State Clearinghouse, city, county, state and federal agencies, affected state and federal legislators, local elected officials, and members of the public adjacent to the proposed transmission line route. Interested parties had 30 days to submit comments regarding the scope of the EIR. The Commission received e-mails and letters from 63 members of the public in response to the NOP.

The Commission held two scoping meetings prior to developing project alternatives to study and mitigation measures to consider. These meetings provide the Commission with input from the public regarding the proper scope and content of the EIR. The Commission held these scoping meetings on September 15, 2003, in the Spring Valley Branch Library in Spring Valley and on September 16, 2003, in the Santee City Hall in Santee. Approximately 34 people attended the scoping meetings. Among the parties who submitted written or verbal comments were individuals, the City of San Diego, the City of Santee, the County of San Diego Department of Parks and Recreation, the County of San Diego Department of Planning and Land Use, the Otay Water District, the Padre Dam Municipal Water District, the Miramar Marine Corps Air Station, the Cajon Valley School District, and two community groups called Preserve Wild Santee and Santee Citizens for Safe Power. These organizations and a number of

individuals raised a variety of concerns, which are described in more detail in the final EIR:

- The need for the project and whether SDG&E had justified constructing the project;

- Impacts on the quality of life, including health risks associated with EMF exposure, visual impacts, effects on local property values and potential conflicts with other community uses such as fire protection, traffic, and recreation;

- Impacts on the natural environment including local habitat, plants and wildlife especially in identified upland and wetland areas;

- Project alternatives, including undergrounding, route modifications, and pole design; and

- Environmental decision-making process, including the fairness of the process, the need for good information about project status and the need to conduct a thorough environmental evaluation.

Commission staff subsequently issued a scoping report summarizing issues and concerns identified by the public and various agencies during the scoping process. The Commission made the report available for review at local EIR Information Repositories and on the Internet. The report determined that CEQA requires the Commission to conduct an EIR. Commission staff subsequently engaged the services of an environmental consultant and supervised its work on a DEIR.

The Commission notified the project mailing list on April 1, 2004 of the availability of the DEIR. In May 2004, the Commission held four public participation hearings and informational meetings in the project corridor. Two

were held in the City of Santee, one in the City of El Cajon and one in the City of Spring Valley. The purpose of the meetings was to describe the proposed project, the findings of the DEIR, and how to participate in the Commission's decision-making processes. Members of the public spoke at the meetings, mostly in favor of project undergrounding.

The public review period for the DEIR ended on May 17, 2004 when the Commission received comments from 30 parties and members of the public. The FEIR considers these comments. The comments in favor of the project mostly raised concerns with the need to relieve regional congestion and associated CAISO costs, the costs of delaying construction and the limited benefits associated with undergrounding alternatives. Comments critical of the project raised concerns with the impact of EMF levels on health, the loss of property values, the visual impact of overhead lines in residential areas, noise from overhead lines and the effects of the project on natural habitat and wildlife, among other things.

IV. The Proposed Project

The Miguel Mission Project would begin at the Miguel Substation in Bonita and terminate at the existing Mission Substation outside the community of Tierrasanta in San Diego County. The project would run along an existing right of way located in portions of the City of San Diego, the City of Santee, unincorporated areas of San Diego County and the Marine Corps Air Station Miramar property. The project would traverse hills, valleys, mesas and ravines. It would run through commercial and industrial neighborhoods, residential developments, county and regional parks, a wildlife refuge and golf courses.

The proposed project includes the following major elements:

- Installation of a 35 mile, single circuit 230 kV transmission circuit between Miguel Substation and Mission Substation. The existing 138 kV/69 kV steel lattice tower structures would be replaced or modified to accommodate the larger 230 kV circuit for approximately 24 miles between the Miguel Substation and Fanita Junction;

- Relocation of existing 138 kV and 69 kV circuits onto a newly constructed alignment of wood and steel pole structures within the existing SDG&E right-of-way between Miguel Substation and Fanita Junction; and

- Modifications to the Miguel and Mission Substations to accommodate the new 230 kV transmission line, including the installation of new circuit breakers, switches and controls, new concrete foundations for equipment, and new steel support structures.

V. Summary of EIR and EIR Alternative Projects

The Commission staff determined that CEQA requires the development of an EIR for this project. CEQA guidelines require that a project EIR "shall describe a reasonable range of alternatives to the project, or to the location of the project, which would feasibly attain most of the basic objectives of the project but would avoid or substantially lessen any of the significant effects of the project." (CEQA Guidelines Section 1512(a).) The EIR studies the proposed project, five route alternatives and the No Project alternative, as required by CEQA. It then compares each alternative with the proposed project applying several environmental criteria to that comparative analysis.

A. Project Alternatives

The EIR developed alternatives on the basis of comments and suggestions by the general public, and federal and state agencies. The EIR

preparers developed additional alternatives and the proposals included in SDG&E's PEA. Of 16 identified alternatives, the EIR follows the CEQA screening process for alternatives and eliminates 11 on the basis that they are in some way not feasible, inconsistent with project objectives, or would not mitigate environmental impacts. Consistent with CEQA guidelines, the EIR does not discount any alternative on the basis of costs or other economic factors (CEQA Guidelines Section 16126.6(b)). Among the alternatives rejected were demand-side management, renewable generation resources, and certain routing options.

The EIR includes a detailed analysis of the remaining five alternatives. These five project alternatives to be studied in the EIR were chosen on the basis that each is technically and legally feasible, consistent with the objectives of the project, and either avoid or reduce potentially significant environmental effects. They are as follows:

1. **Jamacha Valley 138 kV/69 kV Underground Alternative**
   The Jamacha Underground Alternative would underground 3.5 miles of circuit from Willow Glen Drive to new wood or steel poles in the exiting right of way. The project would eliminate the need for any new poles through the Jamacha Valley and would reduce the final number of overhead conductors from nine to six (three for the existing 230 kV line and three for the new 230 kV line).

2. **Jamacha Valley Overhead A Alternative**
   The Jamacha Valley Overhead A Alternative (Jamacha Valley A Alternative) would locate the 138 kV and 69 kV circuits on new steel poles on the east side of the right of way, downslope from the location of the proposed project along Herrick Center at Steele Canyon Road and Jamul Drive to Hillsdale Road.

3. **Jamacha Valley Overhead B Alternative**
   The Jamacha Valley Overhead B Alternative (Jamacha

Valley B Alternative) would replace 12 existing steel lattice structures and 126 proposed steel lattice structures with steel mono-poles.

4. **City of Santee 138 kV/69kV Underground Alternative**
The City of Santee 138/69 kV Underground Alternative (Santee Underground Alternative) would eliminate the need to install three 138 kV wood and steel poles and eliminate two existing 138 kV wood poles. Instead, the existing circuits would be relocated underground for approximately .6 miles outside the Miguel Mission right of way and .75 miles along the length of Princess Joann Road. An existing 138 kV circuit would be relocated underground along Princess Joann Road to Magnolia Avenue.

5. **City of Santee 230 kV Overhead Northern Right of Way Boundary Alternative**
The City of Santee 230 kV Overhead Northern Right of Way Boundary Alternative (Santee Overhead Alternative) would site the 230 kV circuits along the northern side of the existing right of way near Princess Joann Road.

B. Environmental Impacts Analysis

The EIR analyzes and compares each alternative route by considering several types of environmental impacts:

- Air quality
- Biological resources
- Cultural resources
- Geology, soils and paleontology
- Hydrology and water quality
- Land use and recreation
- Noise and vibration
- Public health and safety
- Public services and utilities
- Socioeconomic impacts
- Transportation and traffic
- Visual resources

The EIR does not consider project or mitigation costs and does not analyze the impacts of EMFs on human health. The EIR suggests an alternate route, called the "environmentally preferred route," by comparing SDG&E's proposed project to the alternatives through the Jamacha Valley, on the one hand, and the City of Santee, on the other, as discussed below.

Jamacha Valley Routes. The EIR compares the proposed project with three alternatives considered for the area around Jamacha Valley: Jamacha Valley 138 kV/69 kV Undergrounding Alternative, Jamacha Valley Overhead A Alternative, and Jamacha Valley B Alternative. Table A of the EIR shows a summary comparison of the proposed project and three alternatives for various environmental impacts. For this portion of the route, the EIR identifies the Jamacha Valley 138 kV/69 kV Undergrounding Alternative as being preferred (primarily) because it reduces visual impacts.

City of Santee Routes. The EIR compares the proposed project with two alternatives considered for the area around the City of Santee: the Santee 138 kV/69 kV Underground Alternative and the Santee 230 kV Overhead Northern ROW Boundary Alternative. Table B of the EIR shows a summary comparison of the project for various environmental impacts. The EIR concludes that the Santee 138 kV/69 kV Undergrounding Alternative is preferred because it would provide mitigation to visual impacts.

No Project Alternative. The EIR also considered the impacts of not building the Miguel Mission Project or some variation of it. The EIR finds that not building the project would require SDG&E or another entity to augment existing facilities with new transmission or generation capacity to compensate for existing system limitations. It notes the possibility that without the project, some

generation projects may have to be cancelled if new transmission capacity were not available and that new generation capacity could be necessary to compensate for existing transmission system limitations and projected loads. However, it would be speculative to predict specific developments at this time. It refers to the likelihood of increased congestion fees imposed by the CAISO on SDG&E customers if the project is not built.

The "Environmentally Preferred Route." The EIR recommends that if the project is approved, the proposed project should be modified to include the Santee 138 kV/69 kV Undergrounding Alternative and the Jamacha Valley 138 kV/69 kV Underground Alternative. The EIR suggests that the proposed project would be modified to include the following segments:

Segment	EIR-Proposed Route
Jamacha Valley 138 kV/69 kV	Underground Alternative
City of Santee	Santee 138 kV/69 kV Underground Alternative

SDG&E Proposed Project Vs. the EIR-Proposed Route.

Comparison of Environmental Impacts Proposed Project and Jamacha Valley Underground Alternative

Issue Area	SDG&E Proposed Project	EIR-Proposed Route
Air Quality	**Preferred**	
Biological Resources		**Preferred**
Cultural Resources	**Preferred**	
Geology, Soils, and Paleontology		**Preferred**
Hydrology and Water Quality		**Preferred**
Land Use	**Preferred**	
Noise and Vibration	**Preferred**	
Public Health and Safety	**Preferred**	

Issue Area	SDG&E Proposed Project	EIR-Proposed Route
Public Services and Utilities	**Preferred**	
Socio-Economic	**No preference**	**No preference**
Transportation and Traffic	**Preferred**	
Visual Resources		**Preferred**

Table One (Source: Modified Table E-1 from DEIR)—

The environmental review conducted for the proposed SDG&E Miguel to Mission 230kv project examined twelve potential environment impacts. More often than not, the SDG&E proposed project is environmentally favored to the so-called "environmentally preferred route" (see Jamacha Valley example, Table One). In fact, the SDG&E proposed project is actually preferred in seven of twelve categories for the Jamacha Valley alternative, while the "environmentally preferred route" is preferred in only four. For the City of Santee, the SDG&E proposed project is preferred in four of the categories, while the "environmentally preferred route" is preferred in only two categories (see Table E-2, Miguel to Mission DEIR).

In addition, neither the proposed project nor the "environmentally preferred route" would create impacts that cannot be mitigated to less than significant. Even without mitigation measures, the proposed project would not create class one impacts (most severe) to any of the environmental criteria analyzed in the EIR.

Proposed Transmission Project Visual Impacts		Impact Class[a]
1:	Short-term visibility of construction activities and equipment – all project areas	Class III
2:	Long-term visibility of upgraded/new 230 kV structures – all project areas	Class II / III
3:	Long-term visibility of new 138 kV/69 kV mono-pole structures	Class II / III

Proposed Transmission Project Visual Impacts	Impact Class[a]
4: Long-term visibility of new 230 kV conductors – from KOPs 11, 13 (Cottonwood residential neighborhood)	Class II / III
5: Long-term damage to landscape resources from maintenance activities	Class II

Table Two (Source Table E-5, Executive Summary to FEIR)

The DEIR determines that the undergrounding option is environmentally preferred because undergrounding the 138 kV and 69 kV circuits in the Jamacha Valley and City of Santee areas would "reduce" or "substantially eliminate" impacts to visual resources. Determination of potential visual impacts is, at best, qualitative, and there are no class one visual impacts from the proposed project (see Table Two above). Nevertheless, the DEIR favors the undergrounding alternative and suggests that there are greater long term and permanent impacts with visual resources associated with the proposed project.

Yet, it is important to note that the "environmentally preferred route" delineated in the DEIR would not remove all of the transmission lines from SDG&E's existing transmission corridor, and would not eliminate all tower structures from the sections of the right-of-way where the 138 kV and 69 kV circuits would be undergrounded. The DEIR indicates that the construction of new or relocated overhead transmission line circuits would alter the existing visual setting of the project area over the project's lifetime but would not significantly deteriorate any scenic area or other visual resources, or significantly impact any sensitive visual receptors. As such, the net environmental benefits from undergrounding the existing 138kv and 69kv transmission lines (for both the Jamacha Valley and City of Santee sections) only to replace them with the new 230kv transmission line would be minimal.

C. Electric and Magnetic Fields

The Commission's CEQA review does not consider electric and magnetic fields (EMF) or their impacts on health and the environment. The Commission thus far has not established an EMF standard because the scientific community does not agree on existence or degree of health risks associated with EMF. However, recognizing that there is a great deal of public interest and concern regarding potential health effects from exposure to EMF from power lines, the EIR provides information regarding EMF associated with electric utility facilities and the potential effects of the proposed project and alternatives related to public health and safety.

In 1991, the Commission initiated an investigation, I.91-01-012, into EMFs associated with electric power facilities. In D.93-11-013 in that proceeding, we found that, while EMF studies available at that time did not conclude that an EMF health hazard exists, it was appropriate to adopt several EMF policies and programs because of public concern and scientific uncertainty. We required that utilities undertake no-cost EMF mitigation measures and that they implement low-cost mitigation measures to the extent approved through a project's certification process. We defined "low-cost" to be in the range of 4% of the total project cost but specified that this 4% benchmark is not an absolute cap. We found that, to be implemented, a mitigation measure should achieve some noticeable reduction in EMF but declined to adopt a specific goal for EMF reduction. We instructed that workshops be held and that the utilities develop EMF design guidelines for new transmission facilities. We adopted several EMF measurement, education, and research programs and chose the California Department of Health Services (DHS) to manage the education and research programs. The proposed project would use a line configuration that will reduce

the overall EMF levels near populated areas as part of the low-cost, no-cost EMF mitigation measure.

D. Statement of Overriding Considerations and Recommended Mitigation Measures

CEQA requires that agency approval of SDG&E's proposed project or an alternative may require modifications or mitigations to avoid significant effects on the environment. If specified considerations make the mitigation measures or alternatives identified in the FEIR infeasible, they must be identified and the agency must explain how benefits of the project outweigh significant effects on the environment.

The EIR identified potential environmental impacts for the proposed project and various alternatives in the areas of air quality, biological resources, cultural resources, land use and recreations, hydrology and water quality, visual resources, transportation and traffic, public services and utilities, public health and safety, geology, and noise and vibration. There are mitigation measures recommended in the EIR for the proposed project that are adopted as part of our approval of the proposed project. The adoption and implementation of these mitigation measures was assumed in the determination of impact levels in the EIR. With mitigation, it was concluded that all potential environmental effects could be mitigated to less than significant levels. Therefore, implementation of these mitigation measures is a condition of the approval of this project.

In addition to the mitigation measures, the EIR assumes that the additional mitigation measures proposed by SDG&E in its Proponent's Environmental Assessment will be implemented as part of the project description. These measures, called Applicant Proposed Measures, and those additional mitigation measures recommended by the EIR would reduce impacts

to an acceptable level. The Commission assures compliance according to the associated Mitigation Monitoring, Compliance and Reporting Program.

The EIR concludes that neither the proposed project nor the recommended preferred alternative route will have a significant impact that cannot be mitigated if the project is built in conformance with the EIR and PEA. Therefore, we do not need to justify the project with a statement of overriding considerations in order to approve the project.

E. Adequacy and Certification of the FEIR

The lead agency must certify the FEIR before a project may be approved. Certification consists of two steps. First, the agency must conclude that the document has been completed in compliance with CEQA, and second, the agency must have reviewed and considered the FEIR prior to approving the project. Additionally, the lead agency must find that the FEIR reflects its independent judgment (Pub. Res. Code § 21082.1(c)(3).)

The FEIR must contain specific information according to the CEQA Guidelines, Sections 15120 through 15132 (CEQA Guidelines).[4] The various elements of the FEIR satisfy these CEQA requirements. The FEIR consists of the DEIR, with revisions in response to comments and other information received. The FEIR contains the comments received on the DEIR and individual responses to these comments.

The Commission must conclude that the FEIR is in compliance with CEQA before finally approving SDG&E's request for a CPCN. The basic purpose is to ensure that the environmental document is a comprehensive, accurate, and

[4] Cal. Admin. Code §§ 15122-131.

unbiased tool to be used by the lead agency and other decision-makers in addressing the merits of the project. The document should embody "an interdisciplinary approach that will ensure the integrated use of the natural and social sciences and the consideration of qualitative as well as quantitative factors."[5] It must be prepared in a clear format and in plain language.[6] It must be analytical rather than encyclopedic, and emphasize alternatives over unnecessary description of the project.[7] Most importantly, it must be "organized and written in such a manner that [it] will be meaningful and useful to decision-makers and the public."[8]

The FEIR meets these tests. It is a comprehensive, detailed, and complete document that clearly discusses the advantages and disadvantages of the environmentally superior routes, SDG&E's proposed route, and various alternatives. We find that the FEIR is a competent and comprehensive informational document, as required by CEQA.

We herein certify the FEIR for the Miguel Mission Project.

F. Adopted Miguel Mission Project

This decision approves the proposal made by SDG&E to install a 35-mile 230 kv transmission circuit between Miguel Substation and Mission Substation. Between Miguel Substation and Fanita Junction (24 miles), existing138kv / 69kv steel lattice tower structures would be replaced or modified

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[5] *Id.*, § 15142

[6] *Id.*, §§ 15006 (q) and (r), 15120, 15140.

[7] *Id.*, §§ 15006, 15141; Pub. Res. Code § 21003(c).

[8] Pub. Res. Code § 21003(b).

to accommodate the 230 kv circuit. Between Fanita Junction and Mission Substation, the existing structures would be reconductored and the new circuit would be installed in a vacant position. The existing 138kv/69 kv circuits will be reconductored and placed on a newly constructed wood and steel poles. The entire project will be located within SDG&E's existing ROW. There will also be modifications to the Miguel and Mission substations to accommodate the new 230kv line.

This decision does not adopt the EIR's "environmentally preferred route" that undergrounds sections of the proposed transmission line in the Jamacha Valley and City of Santee. The EIR is used to guide decision-making and inform the public by providing an assessment of the potential environment impacts that may result from a proposed project, but it is up to the Commission to determine the best option, taking into consideration the totality of the issues, including the costs of delay and implication for reliable grid operations. Due to the need to develop additional engineering design and other criteria, SDG&E reports that the Jamacha Valley underground alternative could delay the project completion date by up to a year. This delay would impose additional costs on SDG&E and other ratepayers with in the SP15 zone to whom congestion management costs are allocated. Also troublesome are the operational and reliability implications of further delay in the construction of the Miguel Mission project. The chronic congestion management problems at Miguel pose serious challenges to CAISO operations and maintenance of grid reliability.

The CEQA Guidelines (Section 15126 (a)) state: "An EIR describes a reasonable range of alternatives to the project, or to the location of the project, which would *feasibly* (italics added) attain most of the basic objectives of the project but would avoid or substantially lessen any of the significant effects of

the project." Feasibility is defined by the CEQA Guidelines as" capable of being accomplished in an successful manner within a reasonable period of time, taking into account, economic, environmental, legal, social, and technological factors."[9]

As the FEIR recognizes, the Commission, under CEQA Guidelines Section 15021, has an obligation to balance economic, social/community factors, timing of need, along with the environmental information presented in the FEIR to make the ultimate determination regarding which route (if any) is to be approved. Therefore, based on cost-effectiveness concerns, congestion costs, and delays in construction time associated with undergrounding, we conclude that the project as proposed by SDG&E should be adopted.

VI. Request for CPCN

A. Project Need

SDG&E seeks a CPCN for the Miguel Mission Project pursuant to Pub. Util. Code § 1001, which requires that a utility receive Commission approval prior to initiating construction of new facilities and consistent with General Order 131-D, which addresses procedural requirements for siting transmission lines.

In D.03-02-069, the Commission found a need for the Miguel Mission Project. The Federal Energy Regulatory Commission (FERC) has already determined a need and the ratemaking treatment for the project in Docket EL02-54-000. Overall, the project would relieve congestion over the existing system and increase the system's ability to transfer electricity both from

[9] CEQA Guidelines Section 15021 *et seq.*

two new power plants in Mexicali, Mexico built by Sempra and Intergen, and from new generation located in Arizona and scheduled into the CAISO control area at Palo Verde. The CAISO estimates congestion management fees paid by customers of SDG&E, SCE and municipal utilities (collectively ratepayers within the SP15 zone to whom the costs of managing congestion within the zone are spread) between July 2003 and March 2004 equaled $34.4 million.[10] The CAISO states congestion management fees at some level are likely to continue until and unless additional transmission is constructed in the region. The Miguel Mission project would substantially reduce, and for much of the year eliminate, congestion management costs associated with the Miguel constraints and bolster the reliability of the transmission system grid-wide. The benefits of the Miguel Mission project will accrue to all California customers because the project will improve the ability of the CAISO to manage the statewide system more economically and reliably.

While the Miguel Mission project was originally determined to be needed for economic reasons, the chronic congestion on the existing lines and the resultant real-time operational difficulty facing the CAISO also raises reliability concerns.[11] The Miguel Mission project has demonstrable economic benefits, as detailed below, yet we also acknowledge that the project will address real-time

[10] ISO Declaration, dated April 5, 2004.

[11] On January 22, 2004 the CAISO management proposed a set of measures designed to address operational difficulties in managing the Miguel congestion. These measures included working with the Commission and SDG&E to ensure the Miguel Mission transmission project stays on schedule.

congestion management problems and associated operational difficulties the CAISO is currently experiencing.

B. Community Values

Pub. Util. Code § 1002 requires the Commission to give consideration to community values, recreational and park areas, historical and aesthetic values, and influence on the environment. These considerations are among those analyzed as part of the CEQA review process.

C. Economic Viability

D.03-02-069 found a need for the Miguel Mission Project on the basis that it would provide economic (rather than system reliability) benefits. In the present Application, SDG&E requests a CPCN for a project – defined in Section IV of this decision – that is part of an overall congestion upgrade plan. We consider the cost-effectiveness of the overall congestion upgrade plan in our review of SDG&E's application, along with the specific costs associated with the project SDG&E proposes in this application. Although the Commission found the project to be cost-effective, D.03-02-069 specifically found that SDG&E had not demonstrated the reasonableness of its cost estimates. It also found that the cost-effectiveness of the project would change if project costs increased or additional generating facilities were to become available in the San Diego area. Specifically, the Commission found that the project's "net benefits…could greatly diminish or disappear entirely if actual project costs are substantially higher than those projected in SDG&E's analysis, particularly if energy cost savings are adversely affected…by new generation development in San Diego North."[12]

[12] D.03-02-069 examined the plausibility of new generation coming on-line in the San Diego region and the associated cost impacts to the Miguel line. The decision explains

Footnote continued on next page

The cost-benefit analysis applied to the project in D.03-02-069 is no longer accurate due to changes in cost estimates and other circumstances. SDG&E has provided the Commission with information estimating the cost of the project to be $31.4 million. The estimated cost for the overall congestion upgrade plan is $89.7 million. At the same time, the Commission has gained a better understanding of the actual costs associated with managing congestion that results from insufficient transfer capability along the existing transmission facilities in the San Diego region. Since the Commission approved D.03-02-069, 2,152 MW of plant retirements or mothballing has occurred, predominantly in the SP15 zone.[13] These retirements have added to the costs associated with managing congestion at Miguel and increased the difficulty in maintaining system reliability.

In light of these changes in circumstance, the scoping memo issued in this proceeding required SDG&E to provide updated cost-benefit analysis of the pverall congestion upgrade plan. In its response, SDG&E explains that it used the model applied in D.03-02-069 of Henwood Energy Associates to update the economic analysis. It ran the models assuming the addition of new generation at Otay Mesa and Palomar of 480 MW and 1,200 MW, respectively, project cost modifications due to changes in project scope, and changes in area congestion provided by the CAISO. With these assumptions, SDG&E estimates minimum

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that more than 2000 MW of new generations, including Calpine's Otay Mesa plant, and Intergen's and Sempra's Mexicali plants, when operational, would move through the Miguel substation. That is, these plants increase the need for, and value of, the Miguel Mission project, rather than offset the need for it.

[13] The ISO's 2004 summer assessment, dated April 16, 2004, reports that 1,170 MW retired in 2002 and 2,152 MW were retired or mothballed in 2003.

annual net benefits of $6.8 million and $54.9 million for SDG&E and CAISO customers, respectively, by the year 2010.[14] These benefits reflect energy cost savings only and not savings that would occur with lower CAISO ("dec bid") payments to generators, re-dispatch costs, and RMR costs associated with CAISO efforts to manage congestion on the system that would be eased by the Miguel Mission Project. SDG&E states factoring in these reduced costs would increase project benefits substantially.

The CAISO's declaration dated April 5, 2004, responding to the ALJ and Assigned Commission ruling dated March 31, sheds further light on the actual costs associated with managing the real-time constraints at Miguel. For the period from July 2003 to March 2004, the costs of managing the real-time constraints at Miguel totaled $34.4 million. While these costs are primarily attributed to the lack of deliverable power from the Intergen and Sempra facilities, the congestion at Miguel has been exacerbated by increased power flows from generation in Arizona and the retirement or mothballing of plants within SP15.

We find the project will be economic under the cost and cost savings assumptions presented by SDG&E.

D. Cost Cap

Pub. Util. Code § 1005.5 requires a cost cap under certain circumstances:

> Whenever the commission issues to an electrical . . . corporation a certificate authorizing the new construction of

[14] This information is included in SDG&E's declarations, filed on April 16, 2004, in this proceeding.

> any addition to or extension of the corporation's plant estimated to cost greater than fifty million dollars ($50,000,000), the commission shall specify in the certificate a maximum cost determined to be reasonable and prudent for the facility.

D.03-02-069 adopted a cost cap of $26 million for the Miguel Mission Project. More recent information confirms that the cost of the Miguel Mission Project will be $31.4 million, significantly below the statutory $50 million minimum requiring a cost cap. We therefore need not adopt a cost cap in today's decision.

E. Project Milestones

D.03-02-069 found that Miguel Mission project would only be economic to customers if at least 1,660 MW of generation were to be developed in the California-Mexico border region. The order adopted a variety of project milestones to be completed by SDG&E that would facilitate the development of additional electrical capacity in the region. The scoping memo in this proceeding directed SDG&E to provide information about the status of activities covered by the adopted milestones.

In its declaration dated April 1, 2004, SDG&E confirms that all milestones have been met with the exception of milestones for which a Commission order is required in this proceeding. In addition, SDG&E states it did not install a second transformer at the Imperial Valley Substation because it determined that a second transformer was needed instead at the Miguel substation. SDG&E states it informed the Commission and parties of this change in plans in I.00-11-001. It installed the second transformer at the Miguel substation in December 2003 and intends to energize it in June 2004.

We find that SDG&E has completed the milestones required by D.03-02-069 with one modification, which was the subject of notice by SDG&E and which is reasonable.

F. CPCN

This decision finds that SDG&E's Miguel Mission Project is needed to promote more economic and reliable operation of the electrical system in the San Diego area and statewide. We find that SDG&E has fulfilled all required milestones. Accordingly, this decision grants SDG&E a CPCN for the Mission Miguel Project, as described herein.

VII. Comments on Alternate Draft Decision

The alternate draft decision of Commissioner Kennedy in this matter was mailed on June 24, 2004, to the parties in accordance with Pub. Util. Code § 311(g)(1) and Rule 77.7 of the Rules of Practice and Procedure. Comments are to be filed on June 30, 2004, and reply comments are to be filed on July 5, 2004.

Comments were timely filed by the San Diego Gas and Electric and the Border Generation Group. Their comments have been considered and no substantive changes were deemed necessary.

VIII. Assignment of Proceeding

Loretta M. Lynch is the Assigned Commissioner and Kim Malcolm is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. The Commission is the lead agency under CEQA with respect to the environmental review of the project and preparation of the FEIR and has conducted an environmental review of the project in conformance with CEQA. The FEIR consists of the DEIR, revised to incorporate comments received by the Commission from the proponent, agencies, and the public, and the responses to

comments. The FEIR has been completed in accordance with CEQA Guidelines, Sections 15120 through 15132.

2. The Miguel Mission Project is needed to improve the management of the statewide transmission system and reduce congestion fees incurred by SDG&E and other California utilities.

3. There are no class one environmental impacts from either the proposed project or the "environmentally preferred route" proposed by the EIR.

4. The EIR proposes an "environmentally preferred route" but it is within the discretion of the Commission to adopt that route or some other variation.

5. The proposed project is preferred over the "environmentally preferred route" in a majority of the issue areas examined in the EIR

6. The "environmentally preferred route" of the EIR (undergrounding existing 138kv/69kv transmission lines of the Jamacha Valley and City of Santee sections) is not adopted in this decision because it would provide a minimal reduction of visual impacts, and based on the totality of the considerations attendant to the proposed project and alternatives, including cost-effectiveness concerns, congestion costs, and delays in construction time associated with undergrounding.

7. The FEIR identifies environmental effects of San Diego's proposed project that may be mitigated or avoided. The FEIR describes mitigation measures that would avoid or reduce such effects to less than significant levels.

8. The mitigation measures identified in the FEIR are feasible and reasonable.

9. As lead agency under CEQA, the Commission is required to monitor the implementation of mitigation measures adopted for this project to ensure full compliance with the provisions of the monitoring program.

10. The Mitigation Monitoring, Compliance, and Reporting Plan in the FEIR conforms to the recommendations of the FEIR for measures required to mitigate or avoid environmental effects of the project as modified and adopted that can be reduced or avoided.

11. The FEIR concludes that the project adopted herein will not impose any significant impact on the environment.

12. The Miguel Mission Project, as adopted today, is needed to promote more economic and reliable operation of the electric system.

13. The economic benefits of the Miguel Mission Project outweigh the economic costs, applying the assumptions and the Henwood model described herein.

14. SDG&E has met all project milestones adopted in D.03-02-069 with one minor exception for which it has provided reasonable justification.

Conclusions of Law

1. The procedures employed for this project are in conformance with CEQA. The contents of the FEIR comply with the requirements of CEQA and represent the Commission's independent judgment. Accordingly, the FEIR should be certified for the project in accordance with CEQA.

2. The Commission has jurisdiction over the proposed project pursuant to Pub. Util. Code Section 1001 *et seq.*

3. The Commission, under CEQA Guidelines Section 15021, has an obligation to balance economic, social/community factors, timing of need, along with the environmental information presented in the FEIR to make the ultimate determination regarding which route (if any) is to be approved.

4. The Commission retains authority to approve SDG&E's mitigation plan to ensure that the Miguel Mission Project does not affect the environment adversely.

5. Commission approval of SDG&E's application, as modified herein, is in the public interest.

6. The approval of the application, as provided herein, should be conditioned upon the completion of the mitigation measures identified in the FEIR. Those mitigation measures should be adopted and made conditions of project approval.

7. SDG&E should be granted a CPCN for the Miguel Mission Project because of its beneficial impact on the operation of the state's electrical system.

O R D E R

IT IS ORDERED that:

1. The Final Environmental Impact Report (FEIR) is certified as the Environmental Impact Report (EIR) for the Miguel Mission Project, which is the subject of this application and is certified for use by responsible agencies in considering subsequent approvals for the project, or for portions thereof.

2. A Certificate of Public Convenience and Necessity is granted to San Diego Gas and Electric Company (SDG&E) to construct the Miguel Mission Project consistent with the environmental and regulatory requirements set forth herein.

3. SDG&E shall, as a condition of approval, build the project in accordance with the proposed overhead route as described in the FEIR. In addition, SDG&E shall comply with the mitigation measures applicable to the proposed project, as specified in the DEIR and FEIR.

4. The Executive Director shall supervise and oversee construction of the project insofar as it relates to monitoring and enforcement of the mitigation conditions described herein. The Executive Director may delegate his duties to one or more Commission staff members or outside staff. The Executive Director is authorized to employ staff independent of the Commission staff to carry out such functions, including, without limitation, the on-site environmental inspection, environmental monitoring, and environmental mitigation supervision of the construction of the project. Such staff may be individually qualified professional environmental monitors or may be employed by one or more firms or organizations. In monitoring the implementation of the environmental mitigation measures described in the DEIR and FEIR, the Executive Director shall attribute the acts and omissions of SDG&E's employees, contractors, subcontractors, or other agents to SDG&E.

5. SDG&E shall comply with all orders and directives of the Executive Director concerning implementation of the environmental mitigation measures described in the DEIR and FEIR.

6. The Executive Director shall not authorize SDG&E to commence actual construction until SDG&E has entered into a cost reimbursement agreement with the Commission for the recovery of the costs of the mitigation monitoring program described in Section F of the Final Environmental Impact Report, including, but not limited to, special studies, outside staff, or Commission staff costs directly attributable to mitigation monitoring. The Executive Director is authorized to enter into an agreement with SDG&E that provides for such reimbursement on terms and conditions consistent with this decision in a form satisfactory to the Executive Director. The terms and conditions of such

agreement shall be deemed conditions of approval of the application to the same extent as if they were set forth in full in this decision.

7. SDG&E's right to construct the project as set forth in this decision shall be subject to all other necessary state and local permitting processes and approvals.

8. SDG&E shall file a written notice with the Commission, served on all parties to this proceeding, of its agreement, executed by an officer of SDG&E duly authorized (as evidenced by a resolution of its board of directors duly authenticated by a secretary or assistant secretary of PG&E) to acknowledge SDG&E's acceptance of the conditions set forth in Ordering Paragraphs 1 through 9, inclusive, of this decision. Failure to file such notice within 75 days of the effective date of this decision shall result in the lapse of the authority granted by this decision.

9. The Executive Director shall file a Notice of Determination for the project as required by the California Environmental Quality Act and the regulations promulgated pursuant thereto.

10. Application 02-07-022 is closed.

This order is effective today.

Dated July 8, 2004, at San Francisco, California.

Michael R. Peevey
President

Geoffrey F. Brown
Susan P. Kennedy
Commissioners

I reserve the right to file a dissent.
/s/ LORETTA M. LYNCH

I dissent.
/s/ CARL W. WOOD