

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

The Nevada Hydro Company, Inc.)	Docket Nos. ER06-278-000
)	ER06-278-001
)	ER06-278-006

**MOTION TO ANSWER AND LIMITED ANSWER OF SAN DIEGO GAS &
ELECTRIC COMPANY TO THE JUNE 22, 2007 ANSWER OF NEVADA
HYDRO COMPANY, INC.**

I. INTRODUCTION

On June 22, 2007, The Nevada Hydro Company, Inc. (TNHC) filed an Answer (“THNC Answer” or “Answer”) to the May 1, 2007 Comments of the California Independent System Operator Corporation System Operator Corporation in Response to the Commission November 17, 2006 Order on Rate Request addressing the Lake Elsinore Advanced Pumped Storage (LEAPS) project.¹ The TNHC Answer attempts to address the many legal, policy, and operational concerns raised in the CAISO’s Comments through the stakeholder processes, which were convened at the direction of the Commission in its November 17, 2007 Order. The Answer concludes, among other things, that “EPAct 2005 *requires* that LEAPS be treated as transmission facilities and that incentives be granted to induce its construction and operation”² and that “[t]he plain meaning of EPAct 2005 Section 1223 *compels* treatment of LEAPS as transmission

¹ *Order on Rate Request*, 117 FERC ¶61,204 (2006) at 61,205. At Paragraph 27, the Commission stated: “Section 1223 of EPAct declares pumped hydro an ‘advanced transmission technology’ that this Commission should encourage, *as appropriate*. Nevada Hydro’s LEAPS facility meets the requirements of this section. *However*, at present, we do not have sufficient information to determine whether inclusion of the LEAPS facility in the CAISO’s TAC is *appropriate* and whether the rate incentives requested by Nevada Hydro are justified and would result in just and reasonable rates for California ratepayers” (emphases added).

² THNC Answer at P.2 (emphasis added).

facilities, including inclusion in the TAC.”³ SDG&E, the CAISO and numerous other parties have voiced strong and unified opposition to these and related contentions made by TNHC. SDG&E concurs with the CAISO’s May 1, 2007 Comments opposing TNHC’s contentions and does not restate them here.

As part of the THNC Answer, however, TNHC further submits the testimonies of Philippe Auclair and Mingxia Zhang, which present a cost-benefit analysis and modeling simulations, respectively, of LEAPS. These testimonies contain numerous new facts, analyses and conclusions which, if the Commission were to entertain THNC’s requested rate treatment of LEAPS, would warrant further exploration by affected stakeholders and other parties.

SDG&E hereby moves to submit this instant Limited Answer in order to respond briefly to assertions made in the newly provided testimony, and thereby ensure that the Commission is aware that those same assertions are squarely to be considered in hearings commencing this month at the California Public Utilities Commission (CPUC), as discussed below.

II. MOTION FOR LEAVE TO FILE ANSWER

The Commission’s rules do not permit the filing of answers to protests. *See* 18 C.F.R. Sec. 385.213(a)(2) (2006). The Commission has, however, granted motions for leave to file such answers if they will clarify the issues in dispute, ensure a complete and accurate record or otherwise provide information that will assist the Commission in the decision-making process.⁴ SDG&E’s answer will provide information to the

³ THNC Answer at P.5 (emphasis added).

⁴ *See, e.g. San Diego Gas & Electric v. Sellers of Energy and Ancillary Services*, 108 FERC ¶61, 210 at P14, n. 7 (2004) (answer was accepted as it “provided information that assisted [FERC in its] decision-making

Commission that will assist it in its decision-making process with respect to assertions contained in TNHC's Answer that are being litigated concurrently and subject to resolution before the CPUC. The Commission should, therefore, permit SDG&E to submit this Answer.⁵

III. LIMITED ANSWER

In his testimony accompanying TNHC's Answer, Phillipe Auclair states as follows:

To obtain the reliability compliance benefits for the TE/EV transmission line in 2015, I rely on the methodology the CAISO used in its testimony in the CPUC's Sunrise Powerlink proceeding. [Citation to *Initial Testimony of the California Independent System Operator Corporation – Part I*, Application 06-08-10, January 26, 2007; *Second Errata to Initial Testimony, Part II*, CAISO, Application 06-08-10, April 20, 2007.] However, I change the increase in transmission import capacity attributable to the TE/VS line from the CAISO's assumed 500 MW to THNC's proposed 1000 MW. Based on THNC witness Frederick Depenbrock's observation in the Sunrise proceeding that the reliability benefits of the CAISO's bundled "Green-Path+LEAPS" alternative are associated entirely with the TE/VS transmission line, and since this 1000 MW incremental import capacity is twice that assumed by the CAISO testimony, I have assumed the reliability benefit of TE/VS is twice the benefit of \$63 million/year that the CAISO calculated for its bundled, LEAPS-TE/VS-Green Path North project.⁶

Several assumptions made by the TNHC Answer are demonstrably incorrect. Of most concern to SDG&E is TNHC witness Auclair's assumption that the transmission component of LEAPS provides 1000 MW of transfer capacity for the benefit of

process"; *Michigan Electric Transmission Co.*, 106 FERC ¶61,064, at P 3 (2004) (the permitted answer "provides information that clarifies the issues").

⁵ As noted below, the focus of SDG&E's Answer is narrow and specific to the issue noted in Section III. If, however, the Commission were to authorize further submissions or commence further proceedings in response to THNC's Answer, SDG&E will supplement its instant Limited Answer accordingly.

⁶ Auclair at pp. 17-18.

SDG&E's customers. TNHC has asserted in testimony filed in SDG&E's Sunrise Application No. 06-08-010 for a Certificate of Public Convenience and Necessity for a 500 MW transmission line pending before the California Public Utilities Commission ("CPUC") that the TE/VS 500 kV transmission line "would address the same reliability and import capability issues that are claimed to justify" SDG&E's proposed Sunrise Project.⁷ TNHC's assertion through Mr. Auclair in the instant docket and in the Sunrise proceeding are utterly mistaken.

Specifically, SDG&E as well as the California Independent System Operator Corporation (CAISO) have conducted analyses of various wire alternatives, among others, to SDG&E's proposed Sunrise Project from a reliability and economics standpoint as well as the potential for the Sunrise Project to satisfy the State of California's objective of meeting renewable development goals. Such studies assume that an increase in the total import capability into the San Diego area is limited under G-1/N-1 contingency conditions to 3500 MW, which the Sunrise Project accomplishes.⁸

In its testimony in the Sunrise proceeding, SDG&E has taken issue with TNHC's assertion that the transfer capability of the transmission component of LEAPS. Specifically, SDG&E has averred that, with respect to LEAPS, achieving approximately a 3300 MW increase in the total capability limit – less than provided by the Sunrise Project -- would require substantial transmission improvements within the San Diego

⁷ Phase 1 Testimony of Rexford J. Wait of behalf of The Nevada Hydro Company, dated June 1, 2007, at p. 8, lines 20-21.

⁸ A.06-08-10, Supplemental Testimony of Linda P. Brown and Jan Strack, dated January 26, 2007 at pp. 21-26, esp. p. 23, Table 6.

basin. SDG&E has estimated on a conceptual level the cost of these transmission improvements would exceed \$1,800 million in (nominal dollars, including AFDUC).⁹

While he may disagree with SDG&E's testimony, Mr. Auclair conveniently fails even to mention SDG&E's averments – or any cost for that matter – that would be incurred to effect deliverability of 1000 MW of power injected from the LEAPS transmission component into SDG&E's electric system. If taken into consideration, SDG&E's cost estimate would dramatically alter Mr. Auclair's conclusions. SDG&E contemplates that Mr. Auclair's assumption will be litigated in the Sunrise proceeding.

Thus, TNHC's June 22, 2007 Answer to, and associated testimony regarding, the CAISO's May, 1, 2007 Comments, have implications that are squarely and presently at issue in the Sunrise proceeding at the CPUC.

Respectfully submitted,

/s/ James F. Walsh
James F. Walsh

July 9, 2007

⁹ Id. at 25-26.

CERTIFICATE OF SERVICE

I hereby certify that, pursuant to Rule 2010 of the Commission's Regulations, 18 C.F.R. § 385.2010, I have this day served the foregoing Compliance filing upon each person designated on the official service list compiled by the Secretary in Docket No. **ER06-278-000, ER06-278-001 and ER06-278-006.**

Dated at San Diego, California, this 9th day of July, 2007.

/s/ Deanna M. Gutierrez
Deanna M. Gutierrez