

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

In the Matter of the Application of The  
Nevada Hydro Company for a Certificate  
of Public Convenience and Necessity for  
the Talega-Escondido/Valley-Serrano 500  
kV Interconnect

Application \_\_\_\_\_

(April 16, 2010)

---

**APPLICATION OF  
THE NEVADA HYDRO COMPANY FOR A  
CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY**

**The Nevada Hydro Company**  
Attention: Rexford Wait  
2416 Cades Way  
Vista, CA 92083  
Telephone (760) 599-0086  
E-Mail [rwait@controltechnology.org](mailto:rwait@controltechnology.org)

APPLICANT

Dated: April 16, 2010



## Table of Contents

I. Introduction .....	2
II. Project Description.....	3
III. Regulatory Background .....	6
IV. Proposed CEQA Process .....	8
V. Other Requirements .....	10
A. Purpose and Need .....	10
B. Project Cost and Ratemaking.....	14
C. Alternatives to the Proposed Project.....	16
D. Public and Agency Involvement.....	16
E. Competing Utilities.....	17
VI. Proposed Categorization, Need for Hearings, and Schedule.....	17
VII. Items Required Under CPCN Rules and Orders .....	20
VIII. Environmental Impact Report Deposit .....	21
IX. Conclusion .....	21

## Table of Appendices

- A. Organizing Documents
- B. Project Plan
- C. Programmatic Agreement
- D. Prepared Testimony (provided to Chief ALJ per Rule 1.7(b))
- E. Cost Estimate
- F. Schedule of Construction
- G. EMF Management Plan
- H. Public Notice
- I. Financial Statements
- J. Disclosure of Interests



**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

In the Matter of the Application of The Nevada Hydro Company for a Certificate of Public Convenience and Necessity for the Talega-Escondido/Valley-Serrano 500 kV Interconnect

Application No. \_\_\_\_\_

(Filed \_\_\_\_\_)

**APPLICATION OF  
THE NEVADA HYDRO COMPANY FOR  
A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY  
FOR  
THE TALEGA-ESCONDIDO/VALLEY-SERRANO 500-KV INTERCONNECT**

Pursuant to §§ 1001, *et seq.* of the California Public Utilities Code, the Commission’s General Order 131-D (“GO 131-D”), and the Commission’s Rules of Practice and Procedure,<sup>1</sup> The Nevada Hydro Company (“TNHC”) respectfully requests that the Commission issue a Certificate of Public Convenience and Necessity (“CPCN”) for the construction and operation of the Talega-Escondido/Valley-Serrano 500 kV Interconnect (“TE/VS Interconnect”). The TE/VS Interconnect is necessary in order to serve the following objectives:

1. Provide additional high-voltage transmission capacity to reduce congestion on the CAISO grid and thus reduce energy costs for CAISO consumers.
2. Provide at least 1,000 MW of additional import capacity to SDG&E system at all times to enhance San Diego load area’s access to renewable resources available through the WECC/CAISO transmission grid.
3. Provide at least 1,000 MW incremental transmission import capability for SDG&E under G-1/N-1 conditions to satisfy reliability criteria and to reduce the cost to SDG&E ratepayers of CPUC Resource Adequacy capacity.
4. Provide SDG&E with the first 500 kV interconnection with SCE and thus to the CAISO 500 kV network and thereby enhance the integration and operational reliability of the CAISO transmission grid.
5. Provide a potential future option for further expansion of the CAISO grid by contributing to the creation of a 500 kV link from Arizona-Imperial Valley-San Diego 500 kV facilities to the 500 kV network in the Los Angeles basin.

---

<sup>1</sup> Cal. Admin. Code tit. 20 (2007).

6. Fortify and/or enhance localized electrical facilities and systems in order to better serve electrical demands and enhance local reliability within the Lake Elsinore area.
7. Provide access to the planned pumped storage facility. Provide the CAISO grid with access to the planned LEAPS pumped storage hydropower generation plant, a location-constrained facility.

As a result, the TE/VS Interconnect will become an integrated and integral part of the transmission grid in California. The TE/VS Interconnect will be constructed and operated by TNHC. TNHC anticipates that upon energization, TNHC would transfer control of the TE/VS Interconnect to the California Independent System Operator (“CAISO”) while TNHC recovers its costs plus a reasonable rate of return through the CAISO Transmission Access Charge. TNHC would become an “electrical corporation” within the meaning of Section 218 of the Public Utilities Code and thus be subject to the Commission’s jurisdiction.

TNHC is a co-applicant with The Elsinore Valley Municipal Water District (“EVMWD”) to the Federal Energy Regulatory Commission (“FERC”) for a license under the Federal Power Act to construct and operate the Lake Elsinore Advanced Pumped Storage (“LEAPS”) facility at Lake Elsinore (FERC Project Number P-11858) and related entitlements. That application is for a license to include the LEAPS pumping facility, the line from that facility to the TE/VS Interconnect, and the TE/VS Interconnect. This Application, however, addresses only the TE/VS Interconnect as well as certain upgrades on the SCE and SDG&E.

## **I. INTRODUCTION**

The Nevada Hydro Company is a corporation organized under the laws of the State of Nevada. TNHC’s business is the development, construction, and eventual ownership and operation of the TE/VS Interconnect and LEAPS. In accordance with the Commission’s Rule 2.1(a), TNHC states that its principal place of business is 2416 Cades Way, Vista, CA, 92081. Its organizing documents are included as **Appendix A**.

In accordance with the Commission's Rule 2.1(b), all correspondence concerning this matter should be addressed to:

Rexford Wait  
David Kates  
The Nevada Hydro Company  
2416 Cades Way  
Vista, California 92081  
(ph): 760-599-0086  
(fax): 760-599-1815  
[rwait@controltechnology.org](mailto:rwait@controltechnology.org)  
[Dkates@sonic.net](mailto:Dkates@sonic.net)

This Application is organized as follows. First, the Application describes the proposed TE/VS Interconnect (Section II) and its regulatory history (Section III). The Application then addresses the proposed California Environmental Quality Act ("CEQA")<sup>2</sup> review process (Section IV). Section V provides information required by the Commission's rules and orders for CPCN applications, including information on the proposed project's purpose and need, the project cost and ratemaking, alternatives to the proposed project, public and agency involvement, and competing utilities. Section VI of the Application proposes categorization of and a schedule for this proceeding. Section VII provides a chart indicating the location in the Application of all of the various information and documents provided to satisfy the legal requirements for CPCN applications. Finally, the Application reports on the environmental impact report deposit (Section VIII).

## **II. PROJECT DESCRIPTION**

The TE/VS Interconnect is a proposed approximately 32 mile, 500 kV alternating current regional interconnection transmission line with a nominal design capacity of 1,500 MW. The TE/VS Interconnect would extend northward from SDG&E's existing 230 kV Talega-Escondido

---

<sup>2</sup> Public Resources Code, Sections 21000-21177.

transmission line in northern San Diego County to SCE's existing 500 kV Valley-Serrano transmission line in western Riverside County. The interconnection with SDG&E would be between SDG&E's existing Talega and Escondido substations at a new substation in the vicinity of United States Marine Corps Camp Joseph H. Pendleton ("Camp Pendleton"), and the interconnection with SCE would be at a point between SCE's existing Valley and Serrano substations at a new switchyard in the vicinity of Lee Lake. At roughly midway between these two existing lines, the TE/VS Interconnect will connect into a proposed Santa Rosa substation that would be located adjacent to the Proposed LEAPS powerhouse<sup>3</sup> to serve local load in the immediate Lake Elsinore area. For most of its route alignment, the TE/VS Interconnect would be located on the federal lands located within the Cleveland National Forest, Trabuco Ranger District, and within Camp Pendleton.

In addition to the above-described transmission facilities which would be constructed by TNHC, LEAPS and the TE/VS Interconnect would require the following network upgrades to be constructed by SDG&E and SCE:

1. Upgrades to SDG&E's existing 230 kV single circuit Talega-Escondido transmission line in northern San Diego County.

---

<sup>3</sup>/ LEAPS is a proposed 500-MW advanced pumped storage facility and has an estimated cost of approximately \$650 million. It will have a pumping capacity of 600 MW provided by two single-stage reversible Francis-type pump turbine units operating under an average net head of approximately 1,600 feet. LEAPS will firm and store renewable energy (much of which is otherwise inherently interruptible), primarily wind energy, and will be one of the most efficient storage facilities in the nation, rated at 82%. This efficiency rating means that for every 100 MWh of electricity withdrawn from the grid to operate the pumps to refill the LEAPS water reservoir, 82 MWh of electricity will be returned to the grid when LEAPS is operated to convert the storage to electricity. TNHC and the EVMWD submitted an application to the FERC for a hydropower license for LEAPS in February 2004, in FERC Docket No. P-11858. In that application, it was proposed that LEAPS be connected to the grid over a route that is identical to that proposed by TNHC in this Application for the TE/VS Interconnect. The licensing of LEAPS is exclusively within the jurisdiction of the FERC and no CPCN for the construction and operation of LEAPS is sought in this Application. As explained herein, TNHC requests that the Commission issue and certify an EIR (or Mitigated Negative Declaration) pursuant to CEQA with respect to both LEAPS plant facilities including the line to the TE/VS Interconnect, and the TE/VS Interconnect, under the California Environmental Quality Act.

2. Upgrades to SDG&E's existing Talega and Escondido Substations. Substation modifications would occur in areas that are already graded and surfaced. As proposed, an approximately 52 mile long second (double circuit) 230 kV transmission line, Talega-Escondido No. 2, will be installed along existing support structures (already containing one 230 kV circuit) connecting SDG&E's Talega and Escondido Substations. In addition, approximately 8 miles of existing 69 kV transmission line would be removed from the existing towers and installed on new wooded or steel poles within the existing SDG&E right-of-way.
3. Upgrades to SCE's existing 500 kV and 230 kV system.
4. Upgrades to SCE's existing Vista, Mira Loma, San Bernardino, Serrano and Valley Substations.
5. Upgrades to SCE's existing Etiwanda generating station.<sup>4</sup>

In conjunction with this requested approval for the TE/VS Interconnect and the above-described upgrades to the SCE and SDG&E systems, an additional component requiring Commission approval involves the addition of distribution level (115 kV) additions to the SCE system, at the proposed Lake switchyard and Santa Rosa substation. These 115 kV facilities will be constructed by TNHC and turned over to SCE upon completion. This may also involve upgrades to SCE's Elsinore and Skylark substations. TNHC is in the process of finalizing the Large Generator Interconnection Agreements ("LGIAs") with SCE, and has finalized its LGIA

---

<sup>4</sup> SCE currently is restudying the necessary network upgrades in light of the recent decision by the Arizona Corporation Commission which failed to approve its proposed Palo Verde – Devers 2 transmission project.

with SDG&E and the California Independent System Operator (“CAISO”) regarding the above-described network upgrades.<sup>5</sup>

Chapter 3 of the **Proponent’s Environmental Assessment (“PEA”)** submitted herewith describes in greater detail all of the TE/VS Interconnect and LEAPS facilities, as well as the network upgrades. **Appendix B** to this application contains the Project Implementation, Design and Construction, and Cost Control information required by Cal. Pub. Util. Code §§ 1003(b) and (e).

### **III. REGULATORY BACKGROUND**

With regard to the federal hydrolicense proceedings, FERC accepted for filing the Final License Application as of January 25, 2005, and is processing the application under the Federal Power Act (“FPA”) as FERC Project No. 11858 (Docket No. P-11858). Because portions of the TE/VS Interconnect lies in the Cleveland National Forest, special use permit applications have been filed with the United States Forest Service (“USFS”) on June 24, 2003, and July 12, 2005, seeking a right-of-way in which to construct, operate, and maintain the projects.

Most significantly, FERC and USFS coordinated to develop an Environmental Impact Statement (“EIS”) on LEAPS and the TE/VS Interconnect in accordance with the National Environmental Policy Act. FERC and the USFS issued the Final EIS (“FEIS”) for LEAPS and the TE/VS Interconnect for public comment on January 30, 2007. Adoption of the FEIS by FERC and the USFS will complete the Federal environmental review process.

---

<sup>5</sup> TNHC’s use of the LGIA procedures is without prejudice to its position before FERC in Docket No. ER06-278 that LEAPS qualifies as a transmission asset under Section 1223 of the Energy Policy Act of 2005, Pub. L. No. 109-58, §1223, 118 Stat. 594, 953 (2005), and should be eligible for cost recovery through the CAISO’s transmission access charge (“TAC”). This issue remains pending before the FERC and is not material to the instant application before this Commission.

Several other Federal agencies have been involved in the Federal review of the project, mainly under the auspices of a Memorandum of Understanding<sup>6</sup> that coordinates Federal review of electricity infrastructure projects. Of particular importance is a Programmatic Agreement among the EVMWD, the California State Historic Preservation Office, the affected federal landowners, TNHC, and all potentially affected California Indian Reservation Tribal governments.<sup>7</sup> TNHC requests that the Commission find that this document, included in **Appendix C**, satisfies the requirement under Section IX-A-1-g of General Order 131-D to provide notice to California Indian Reservation Tribal governments.

As a result of the above-described proceedings, we understand that FERC requires only a single action from the State of California before issuing its final decision: issuance by the State Water Resources Control Board of its water quality certification under Section 401(a) of the Federal Clean Water Act.

Under the Federal Power Act, a hydropower license issued by FERC must include all of the facilities necessary for the proper operation of the project, including the project's primary facilities or lines transmitting the project's power to the point of junction with the interconnected primary transmission system. No determination has been made in the FERC docket as to whether the TE/VS Interconnect would be primary lines with respect to LEAPS and therefore within the scope of the hydro license (there is no dispute that the line from the LEAPS plant to

---

<sup>6</sup> United States Departments of Energy, United States Department of Defense, United States Department of Agriculture, United States Department of the Interior, United States Department of Commerce, Federal Energy Regulatory Commission, United States Environmental Protection Agency, the Council on Environmental Quality, and Advisory Council on Historic Preservation, Memorandum of Understanding on Early Coordination of Federal Authorizations and Related Environmental Reviews Required in Order to Site Electric Transmission Facilities, August 8, 2006.

<sup>7</sup> FERC Document 20070215-0152, Docket No. P-11858-002. February 21, 2007.

the TE/VS Interconnect should be included within the license).<sup>8</sup> If the FERC were to consider the TE/VS Interconnect part of LEAPS primary facilities, the FERC license would apply to both LEAPS and the TE/VS Interconnect. The FEIS also indicates that TNHC, at its option, may seek to remove portions of the primary lines from the scope of the hydro license. In due course, FERC will decide the scope of the hydro license and the conditions, if any, applicable to that license. Regardless of whether the TE/VS Interconnect facilities are considered “primary lines” within the scope of the federal hydro license, TNHC files this Application to ensure that all necessary regulatory approvals and environmental reviews for the TE/VS Interconnect and the associated network upgrades are completed as soon as possible and that various arguments about what facilities are primary facilities do not delay issuance of needed regulatory approvals.

A full list of all government agencies potentially involved in reviewing the TE/VS Interconnect and LEAPS is available in **PEA Chapter 3.1.3**. To the extent that those agencies have commented on the project, those comments may be found in **Appendix F of the FEIS**.

#### **IV. PROPOSED CEQA PROCESS**

In addition to requesting that the Commission issue a CPCN authorizing the TE/VS Interconnect, TNHC requests that the Commission consider how an Environmental Impact Report (“EIR”) (or Mitigated Negative Declaration) pursuant to CEQA will be processed.

Under the LGIA procedures set forth in the CAISO Tariff, both SCE and SDG&E have identified upgrades needed for their existing transmission system assets in order to accommodate the interconnection and operation of the TE/VS Interconnect and LEAPS. These upgrades will require that each company obtain approval from the Commission in the form of individual CPCN

---

<sup>8</sup> Federal Energy Regulatory Commission, Final Environmental Impact Statement for Hydropower License – Lake Elsinore Advanced Pumped Storage Project, FERC Project No. 11858, FERC/EIS-0191F, January 2007, Appendix B.

filings. Thus, the document should address (1) the TE/VS Interconnect, (2) LEAPS, and (3) the necessary network upgrades to be constructed by the utilities under the LGIAs.

Under the CEQA guidelines, “[w]hen a project will require compliance with both CEQA and NEPA, state or local agencies should use the EIS or Finding of No Significant Impact rather than preparing an EIR or Negative Declaration if” (1) the EIS is already prepared, and (2) the EIS complies with the CEQA guidelines.<sup>9</sup> TNHC will defer to the Commission’s expertise as to the extent to which the FEIS developed by FERC and the USFS complies with the CEQA guidelines. The FEIS and this Application, including the attached PEA, address substantially the same projects, and the FEIS represents FERC’s extensive scoping and outreach efforts. In addition, the environmental review record, of which the FEIS is a part, includes a wide array of technical studies, including studies submitted by TNHC, analyses performed by FERC, and correspondence submitted in response to the various notices required under the federal hydropower licensing process and NEPA compliance procedures. TNHC respectfully requests, therefore, that the Commission utilize the information and analyses presented in the FEIS and its accompanying environmental review record to the maximum extent that the Commission deems feasible.

TNHC also notes that the Commission has completed an extensive CEQA analysis in connection with the Sunrise Powerlink project proposed by SDG&E,<sup>10</sup> and that this analysis includes a review of the TE/VS Interconnect as a CEQA alternative to the Sunrise project.<sup>11</sup> Because TNHC understands that the two projects receive a similar level of scrutiny and review,

---

<sup>9</sup> 14 Cal. Code Reg. § 15221(a) (2007) (Implementing 13 Cal. Pub. Resources Code § 21083.5).

<sup>10</sup> In the Matter of the Application of San Diego Gas & Electric Company for a Certificate of Public Convenience and Necessity for the Sunrise Powerlink Transmission Project, Application 06–08–010.

<sup>11</sup> The TE/VS Interconnect was identified as the “environmentally superior project” in this proceeding.

TNHC respectfully requests that the Commission also make use of the Sunrise FEIR to avoid duplication of effort when developing the DEIR for the TE/VS Interconnect. In this way, the Commission will be in a position to expedite the processing of this Application, reduce the burden on interested parties, and conserve Commission resources.

Additional detail on the state environmental review process may be found in attached **PEA**. The PEA is sponsored by Peter Lewandowski, whose testimony is attached in **Appendix D, §1**.

## V. OTHER REQUIREMENTS

The remainder of the Application provides additional support for the TE/VS Interconnect, in accordance with the Commission's CPCN rules and orders.

### A. Purpose and Need

Pursuant to GO 131-D § IX-A-1-c and Rule 3.1(e), this subsection explains how the TE/VS Interconnect will provide cost-effective access to additional electric generation resources and will enhance grid reliability. Appendix B of the FEIS also presents FERC staff's view concerning the purpose and need of the project. In addition to the FEIS, TNHC is providing testimony pertaining to the economic benefits and other benefits of the project in the attached **Appendix D §§ 3, 4**.<sup>12</sup>

In the Draft Joint Committees Report prepared by the California Energy Commission ("CEC") concerning the "Strategic Transmission Investment Plan" for the 2007 Integrated Energy Policy Report Proceeding (06-IEP-1F),<sup>13</sup> the CEC Electricity Committees find that "[b]oth the transmission and generation that comprise the LEAPS project could provide

---

<sup>12</sup> TNHC anticipates filing supplemental testimony in the near future which describes the benefits of the LEAPS plant and TE/VS Interconnect under additional scenarios.

<sup>13</sup> [http://www.energy.ca.gov/dockets/docket\\_redesign.php?docketNo=06-IEP-1F.html](http://www.energy.ca.gov/dockets/docket_redesign.php?docketNo=06-IEP-1F.html).

significant benefits to California” and “[g]eneration and transmission should be treated separately and The Nevada Hydro Company, CPUC, California ISO, SCE, and SDG&E should proceed expeditiously on permitting issues related to the transmission portion of the project.”<sup>14</sup> The project (both LEAPS and TE/VS Interconnect) were among the five new transmission projects recommended for the *2007 Strategic Plan*.<sup>15</sup>

Once constructed, the TE/VS Interconnect will perform a network transmission function allowing for additional bulk power transfers within and to the CAISO-managed transmission grid. Accordingly, the TE/VS Interconnect will provide greater access to additional sources of electric energy and therefore will lower the cost of electricity for Californians. In particular, the TE/VS Interconnect will provide the San Diego area access to renewable resources located throughout the Western United States. In turn, this increased access to additional, lower-cost energy sources should enhance competition among energy suppliers, and facilitate both SDG&E’s and SCE’s procurement strategies as approved in their respective Long-Term Procurement Plans. By connecting with SCE’s existing Valley-to-Serrano line segment, the TE/VS Interconnect will allow the SDG&E control area to access generation resources to the north and west that would otherwise be impractical to access. The State’s existing 500 kV bulk transmission “backbone” runs from the Oregon border through the SCE service territory but does not connect with the San Diego area. San Diego currently has only two sets of connections with

---

<sup>14</sup> August 2007 Report at 99. Available at <http://www.energy.ca.gov/2007publications/CEC-700-2007-018/CEC-700-2007-018-CTD.PDF>.

<sup>15</sup> *Id.* at 7.

the rest of the Nation's grid: via 230 kV lines running north through the San Onofre Nuclear Generating Station ("SONGS")<sup>16</sup> and a single 500 kV line running east to Imperial Valley.

TNHC has determined the energy and reliability benefits of the TE/VS Interconnect using the CAISO's Transmission Economic Assessment Methodology ("TEAM"). Employing this methodology, TNHC has determined that the 2015 annualized benefit of the TE/VS Interconnect project (as compared to a 2015 base case developed by CAISO) is \$148 million per year, with levelized costs of \$51.3 million per year, resulting in an annualized net benefit of \$98 million per year for southern California electricity consumers. Testimony supporting these determinations and conclusions is included in the attached **Appendix D §§ 3, 4**.

The FEIS states that the TE/VS Interconnect also will enhance grid reliability.<sup>17</sup> The CAISO has indicated that SDG&E's service area has "insufficient transmission" and that such "[r]eliability constraints limit SDG&E's ability to import additional power into the San Diego area over the next few years and have raised the concerns that SDG&E may not be able to reliably serve its customers in 2010 and beyond."<sup>18</sup>

SDG&E has released studies showing that, without additional transmission, it will violate the CAISO's "G-1/N-1" criteria by 2010, meaning that the San Diego area will no longer be able to withstand the simultaneous outage of its largest generating unit and largest interconnection, and be able to withstand the next most critical transmission outage, without dropping load.

---

<sup>16</sup> SCE and SDG&E are currently interconnected at the SONGS switchyard. SCE owns the north half of the SONGS switchyard and the four 230 kV transmission lines to the SCE service area. These four SCE lines comprise what is known as Western Electricity Coordinating Council ("WECC") Path 43 or the "north of SONGS path." SDG&E owns the south half of the switchyard and the 230 kV lines to its service area. These five SDG&E lines comprise what is known as WECC Path 44 or the "south of SONGS path."

<sup>17</sup> FEIS. Op. Cit. at Appendix B.

<sup>18</sup> Initial Testimony of the California Independent System Operator Corporation, Part I, *In Re Application of San Diego Gas & Electric Company (U-902) for a Certificate of Public Convenience and Necessity for the Sunrise Powerlink Transmission Project*, A.06-08-010, at 4 (Jan. 26, 2007).

California's existing transmission system links power generation resources with customer loads in a complex electrical network that must balance supply and demand on a moment-by-moment basis. An efficient and robust transmission system is required not only to help deliver the lowest-cost generation to consumers but also to stimulate competitive behavior in energy markets, pool resources for ancillary services, and provide emergency support in the event of unit outages or natural disasters. Some of the problems facing the transmission system in the area of LEAPS include congestion on major paths, which prevents optimal economic operation of the system, and constraints such as power flow restrictions, which affect both the economic and reliable operation of the system, in major load centers such as San Diego.

San Diego is the Nation's eighth largest city and the Nation's sixth largest county, with an economy producing in excess of \$70 billion of goods and services per year. Yet it depends on a single 500 kV line and a single set of 230 kV lines tied to the largest transmission network outside the San Diego area to obtain the electricity imports needed to support its economy. Among the large electric service areas in the State, only the San Diego region is so underserved.

As far back as the proposed Valley Rainbow Project, State agencies and regional planning groups such as Southwest Transmission Expansion Plan ("STEP"), the CEC, the CAISO, and this Commission have been aware of the need for additional import capacity from the North into the SDG&E area. SDG&E's long-term resource plan submitted in its Sunrise Powerlink CPCN application identifies a need for a *second* 500 kV transmission interconnection to meet the grid reliability requirements of the CAISO in 2010.<sup>19</sup>

---

<sup>19</sup> San Diego Gas & Electric Company, In the Matter of the Application of San Diego Gas & Electric Company for a Certificate of Public Convenience and Necessity for the Sunrise Powerlink Transmission Project, Application 05-12-014, Amended Application of San Diego Gas & Electric Company (U 902-E), Vol. I, August 4, 2006.

The TE/VS Interconnect therefore is crucially important to meet the needs of the growing San Diego area. Both CAISO<sup>20</sup> and the CEC<sup>21</sup> have stated that the TE/VS Interconnect, or TE/VS Interconnect in conjunction with the LEAPS capabilities, will significantly improve system reliability.

B. Project Cost and Ratemaking

The estimated cost of the TE/VS Interconnect project is \$353 million (2007 dollars), which includes a new northern 500 kV substation and a new southern 500/230 kV substation, as well as transmission lines and upgrades to both the SCE and SDG&E systems. Cost details compatible with GO 131-D § IX-A-1-d, Rule 3.1(f), and Public Utilities Code § 1003(c) are included in **Appendix D, § 2, and Appendix E.**

Section 1005.5 of the Public Utilities Code provides that, when issuing a CPCN for a project costing in excess of \$50 million, the Commission is to establish a maximum reasonable and prudent construction cost. However, as an interstate (wholesale) transmission facility, the TE/VS Interconnect will be subject to FERC's jurisdiction for ratemaking purposes, and FERC ultimately will determine the reasonableness of costs. Although the Commission must comply with the statutory requirements, the maximum reasonable cost established under Section 1005.5(a) will not necessarily establish the cost which will ultimately be reflected in the FERC-jurisdictional rates. If the Commission decides to establish a maximum reasonable cost, TNHC proposes the use of deflation factors to convert actual expenditures in future years to their equivalent value in 2007 dollars. TNHC believes the deflation factors should be calculated using an index such as the Handy-Whitman Index of Public Utility Construction Costs and considering

---

<sup>20</sup> CAISO, Motion to Intervene and Comments of the CAISO in Support of Lake Elsinore Advanced Pumped Storage Project, Docket No. P-11858-002, April 2, 2004, p. 3.

<sup>21</sup> Op. Cit., Strategic Transmission Investment Plan, CEC 100-2005-006CTF, p. 68.

other factors that have significant influence on the cost of the projects. TNHC's estimated cost of constructing the TE/VS Interconnect project may change due to permitting and environmental requirements, final design criteria, changes in the operational start date, inflation and deflation factors, and unforeseen events. TNHC requests that any Commission order granting the CPCN include an ordering paragraph authorizing the use of the Commission's advice letter process so that after the CPCN has been issued, TNHC may apply to the Commission to adjust the maximum cost to reflect changes in the cost estimates, if necessary, as provided by Section 1005.5(b).<sup>22</sup>

TNHC has submitted a Participating Transmission Owner ("PTO") application for the TE/VS Interconnect to the CAISO.<sup>23</sup> TNHC received conditional approval from FERC under Docket ER06-278. Once the TE/VS Interconnect is placed in service, TNHC intends to turn control of the facilities over to the CAISO and to recover its costs through the CAISO's Transmission Access Charge ("TAC"). The TAC is derived from a formula which uses the transmission revenue requirement ("TRR") of each of the CAISO PTOs as inputs. A PTO's TRR is adopted through the PTO's FERC-filed tariff. Certain issues related to TNHC's TRR are currently pending in FERC Docket No. ER06-278. Pursuant to Rule 3.1(h), TNHC will promptly provide appropriate information on such proceedings when it becomes available.

---

<sup>22</sup> Pub. Util. Code § 1005.5(b) specifies that "After the certificate has been issued, the corporation may apply to the Commission for an increase in the maximum cost specified in the certificate. The Commission may authorize an increase in the specified maximum if it finds and determines that the cost has, in fact, increased and the present or future public convenience and necessity require construction of the project at the increased cost; otherwise, it shall deny the application."

<sup>23</sup> TNHC submitted a PTO application for the combined TE/VS and LEAPS facilities to the CAISO in February 2007. Although an application solely for the TE/VS Interconnect would not prejudice this earlier application, a revised tariff to address only the TE/VS Interconnect was filed in April, 2009.

C. Alternatives to the Proposed Project

Before selecting the proposed project, TNHC analyzed routing alternatives to the TE/VS Interconnect based on three primary criteria: maximize the use of existing, previously-disturbed transmission line right-of-ways to minimize the effects on previously-undisturbed land and resources; select route and tower locations with the lowest potential for environmental impacts while meeting project objectives; and select the shortest feasible route to minimize potential environmental impacts and project costs. This analysis was further refined by the FEIS as part of the Federal hydropower licensing process. The alternatives are discussed in depth in the **FEIS** and in **§ 2 of the PEA**.

The TE/VS Interconnect and the Sunrise project proposed by SDG&E and recently approved by the Commission are complementary. Both links will be needed if the State is going to meet its long-held goals of (1) connecting San Diego into the rest of the California grid and (2) completing the backbone transmission grid around San Diego.

The alternatives are discussed in depth in the **FEIS** and in **Chapter 3, “Projects Description,”** and **Chapter 9, “Alternatives Analysis,”** of the **PEA**.

D. Public and Agency Involvement

Pursuant to Section IX-A-1-g of GO 131-D, **FEIS § 1.5** provides a listing of the governmental agencies with which proposed route reviews have been undertaken. The Programmatic Agreement (**Appendix C**) and **FEIS Appendix E** serve as the written agency responses.

Before preparing its DEIS on the project, the FERC and USFS staff conducted a public scoping process to identify issues and alternatives. FERC issued its DEIS for licensing of the

LEAPS Project on February 17, 2006.<sup>24</sup> As part of its proceedings and under its rules, FERC requested comments on the document and conducted additional public meetings. In **Appendix E to the FEIS**, FERC summarized the written comments received, provided responses to those comments, and indicated, where appropriate, how FERC modified the text in the FEIS from that appearing in the DEIS.

E. Competing Utilities

Rule 3.1(b) requires the applicant to list all entities with which the proposed construction is likely to compete, and the cities or counties within which service will be rendered in the exercise of the requested certificate. As indicated above, the TE/VS Interconnect will lie predominantly within the Cleveland National Forest in Orange County and will interconnect with SCE and SDG&E in Riverside and Orange Counties, respectively.

TNHC does not intend to operate the TE/VS Interconnect (or LEAPS) in a manner that would compete with any other utilities, corporations, persons, or other entities.<sup>25</sup> TNHC intends to have the CAISO operate the line and determine access for the entire foreseeable life of the line pursuant to the CAISO Tariff. By providing a new interconnection between the service territories of SDG&E and SCE, TNHC believes that the TE/VS Interconnect will enhance transmission service to both markets, and therefore will enhance competition among energy suppliers.

## **VI. PROPOSED CATEGORIZATION, NEED FOR HEARINGS, AND SCHEDULE**

As required by Rule 2.1(c), TNHC proposes that the Commission categorize this proceeding as ratesetting until such time as the Commission determines that rules applicable to

---

<sup>24</sup> FERC Docket No. P-11858.

<sup>25</sup> See Rule 3.1(b).

one of the other categories are best suited to the proceeding. This proceeding involves the Commission’s (i) environmental review of the proposed project in compliance with CEQA (Public Resources Code §§ 21000, *et seq.*) and the Commission’s GO 131-D, and (ii) issuance of a CPCN authorizing TNHC to construct and connect the project. TNHC anticipates that hearings will be required.

The chart below is the “proposed schedule for certification ... of the facilities” required by GO 131-D § IX-A-1-a and the “schedule showing the program of right-of-way acquisition and construction” required by GO 131-D § IX-A-1-f. **Appendix F** provides the “proposed schedule for ... construction and commencement of operation of the facilities” required by GO 131-D § IX-A-1-a.

The schedule assumes the Commission will approve the final CEQA document prior to the first Commission Meeting following the expiration of the one-year period following the Commission’s acceptance of a complete application as required by Public Resources Code § 21100.2.

**Table 1  
PROPOSED SCHEDULE**

Event	Duration	Expected End Date	Running Days
PEA Submission		April 16, 2010	0
Data Adequate/Schedule	14	April 30, 2010	14
Notice of Preparation (NOP)	1	May 1, 2010	15
Notice of Availability (NOA)	7	May 8, 2010	22
Prehearing Conference	10	May 18, 2010	32
File Testimony	14	June 1, 2010	46
Rebuttal Testimony	14	June 15, 2010	60

<b>Event</b>	<b>Duration</b>	<b>Expected End Date</b>	<b>Running Days</b>
Reply Testimony	14	June 29, 2010	74
Hearings Start	14	July 13, 2010	88
Hearings End	14	July 27, 2010	102
Initial Brief	21	August 17, 2010	123
Reply Brief	14	August 31, 2010	137
Proposed Decision	21	September 21, 2010	158
<b>Final CPCN -- CEQA Certification</b>	<b>30</b>	<b>October 21, 2010</b>	<b>188</b>

Assuming that the CPCN is granted, TNHC may not need separate eminent domain hearings before it may commence acquisition of rights-of-way through private property. “An electrical corporation may condemn any property necessary for the construction and maintenance of its electric plant.”<sup>26</sup> The term “electric plant” includes transmission lines.<sup>27</sup> TNHC is aware that “[a] public utility that offers competitive services may not condemn any property *for the purpose of competing with another entity in the offering of those competitive services*, unless the Commission finds that such an action would serve the public interest.”<sup>28</sup> TNHC will not be offering competitive services on the TE/VS Interconnect, however, as TNHC intends to have the CAISO operate the line and determine access pursuant to the CAISO Tariff. Although the precise alignment for the TE/VS Interconnect is subject to separate entitlements from Federal agencies, TNHC will give notice to those property owners most likely to be affected by the current alignment as required by GO 131-D § XI-A.

---

<sup>26</sup> Cal. Pub. Util. Code § 612.

<sup>27</sup> Cal. Pub. Util. Code § 217.

<sup>28</sup> Cal. Pub. Util. Code § 625 (emphasis added).

## VII. ITEMS REQUIRED UNDER CPCN RULES AND ORDERS

For the Commission’s reference, TNHC provides below a table identifying the various requirements applicable to a CPCN application for transmission facilities and where the information and documents satisfying those requirements are located within this Application and the attached Appendices.

<b>Requirement</b>	<b>Authority</b>	<b>See</b>
Project Description	GO 131-D §IX-A-1-a Rule 3.1(a)	§II; PEA §2; FEIS §2
Proposed Schedule	GO 131-D §IX-A-1-a	§VI; <b>App. F</b>
Map of Proposed Routing	GO 131-D §IX-A-1-b Rule 3.1(c)	PEA Figs. 2-3, 2-8, 2-10; FEIS Figs. 1, 2, 5, 8, 16; FEIS §F
Public Convenience and Necessity Statement	GO 131-D §IX-A-1-c Rule 3.1(e)	§V.A
Cost Estimate	GO 131-D §IX-A-1-d Rule 3.1(f) PUC §1003(c)	<b>Apps. D §2; E</b>
Reasons for Route Selection	GO 131-D §IX-A-1-e	PEA §9; FEIS §§2.5.3, 5.1
Schedule of Right-of-Way Acquisition	GO 131-D §IX-A-1-f	§VI
Reviewing governmental agencies	GO 131-D §IX-A-1-g Rule 3.1(d)	<b>App. C</b> ; PEA §1.8; FEIS §E
EMF Management Plan	GO 131-D §X-A	<b>App. G</b>
Public Notice	GO 131-D §XI-A	§VI; <b>App. H</b>
Statement of Relief Sought	Rule 2.1	Preface
Legal Name	Rule 2.1(a)	§I
Correspondence and Communications	Rule 2.1(b)	§I
Proposed Category and Need for Hearing	Rule 2.1(c)	§VI
Organizing Documents	Rule 2.2 PUC §1004	<b>App. A</b>
Financial Statements	Rules 2.3, 3.1(g)	<b>App. I</b>
CEQA Compliance	GO 131-D §IX-A-1-h Rule 2.4	PEA; <b>App. D §1</b>
Environmental Impact Report Deposit	Rule 2.5	§VIII
Competing Utilities	Rule 3.1(b)	§V.E
Proposed Rates	Rule 3.1(h)	§V.B
Disclosure of Interests	Rule 3.1(i) GO 104-A	<b>App. J</b>
Engineering & Design	PUC §1003(a)	PEA §2

<b>Requirement</b>	<b>Authority</b>	<b>See</b>
Project Implementation, Design & Construction, Cost Control Plan	PUC §1003(b) PUC §1003(e)	<b>App. B</b>
Comparative Cost Analysis	PUC §§1002.3, 1003(d)	<b>App. D §§ 3,4</b>

**VIII. ENVIRONMENTAL IMPACT REPORT DEPOSIT**

Using the formulae provided in Rule 2.5(a) and estimating capital cost of the TE/VS Interconnect to be \$353 million and the cost of the upgrades associated with LEAPS to be approximately \$750 million, TNHC’s total deposit amount is \$\_\_\_\_\_. TNHC is providing an advance deposits of \$\_\_\_\_\_ to the Commission.

**IX. CONCLUSION**

TNHC respectfully requests that the Commission: (1) expeditiously process this Application; (2) grant the certificate of public convenience and necessity requested herein; and (3) grant such other and further relief as the Commission finds to be just and reasonable.

Respectfully submitted,

\_\_\_\_\_  
Rexford Wait, Vice President  
THE NEVADA HYDRO COMPANY



**VERIFICATION**

I, Rexford Wait, am an officer of The Nevada Hydro Company, and I am authorized to make this verification on its behalf. The statements in the foregoing document are true of my own knowledge, except as to matters which are therein stated on information or belief, and as to those matters I believe them to be true.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on April 14, 2010, at Vista, California.

\_\_\_\_\_  
Rexford Wait, Vice-President

SWORN TO AND SUBSCRIBED before me this 14th day of April, 2010.

\_\_\_\_\_  
Notary Public

My commission expires on: \_\_\_\_\_