

January 10, 2017

Rob Peterson, CPUC  
c/o Tom Engels  
Horizon Water and Environment, LLC  
180 Grand Avenue, Suite 1405  
Oakland, CA 94612  
[suncrestproject@horizonh2o.com](mailto:suncrestproject@horizonh2o.com)

**RE: CAISO Comments on the Suncrest Dynamic Reactive Power Support Project**

Dear Mr. Peterson;

**I. Introduction**

The California Independent System Operator Corporation (CAISO) appreciates the opportunity to comment on the Draft Environmental Impact Report (DEIR) prepared for the Suncrest Dynamic Reactive Support Project (Proposed Project) by the California Public Utilities Commission (CPUC). The Proposed Project was identified in the CAISO's 2013-14 transmission planning process as a policy project necessary to meet the California Renewable Portfolio Standard (RPS). The Proposed Project provides necessary reactive power support directly to the Suncrest Substation via a static var compensator (SVC) located near the Suncrest Substation.

The CAISO Tariff, approved by the Federal Energy Regulatory Commission, requires CAISO conduct a competitive solicitation process for new, stand-alone regional transmission facilities identified in the CAISO's annual transmission plan approved by the CAISO Board of Governors as needed for reliability, economic, and/or public policy driven reasons. Following CAISO Board approval of the Proposed Project in the 2013-14 transmission plan, the CAISO opened a bid solicitation window on April 16, 2014, which provided project sponsors with the opportunity to submit proposals to finance, construct, own, operate, and maintain the Proposed Project. Pursuant to the CAISO's competitive solicitation process, two potential project sponsors submitted applications to build the Proposed Project, San Diego Gas & Electric Company (SDGE) and NextEra Energy Transmission West, LLC (NEET West), an affiliate of NextEra Energy, Inc. The CAISO ultimately selected NEET West as the approved project sponsor to finance, construct, own, operate, and maintain the Proposed Project. The CAISO selected NEET West as the project sponsor primarily because (1) the binding cost containment measures were more robust and (2) it assumed more risk for cost increases.<sup>1</sup>

---

<sup>1</sup> Suncrest Reactive Power Project: Project Sponsor Selection Report, p. 46.  
<http://www.caiso.com/Documents/SuncrestProjectSponsorSelectionReport.pdf>.

## II. Discussion

The CAISO understands the environmental impact report is designed to be “an informational document that assesses potential environmental effects of a proposed project, and identifies mitigation measures and alternatives to the project that could reduce or avoid potentially significant environmental impacts.”<sup>2</sup> Based on that purpose, the DEIR identifies an environmentally superior alternative that sites the SVC within San Diego Gas and Electric Company’s (SDGE’s) existing Suncrest Substation. Based on the CAISO’s understanding of the factual and legal circumstances, it appears that the DEIR erroneously assumes NEET West can complete the DEIR’s environmentally superior alternative. It cannot. Thus, if the Commission selects the environmentally superior alternative, NEET West would be unable to obtain the necessary permits, and its Approved Project Sponsor Agreement would be terminated. The CAISO would then have to reassess the project and reassign responsibility for the project. Because of the nature of the permitting challenges, responsibility for the project would likely revert to the incumbent Participating Transmission Owner (SDGE).<sup>3</sup> Such a result could significantly affect and undermine the CAISO’s competitive solicitation process going forward, a process that the Commission supported as a means to contain project costs and shift cost risk from ratepayers to project sponsors.

### A. NEET West Cannot Feasibly Build the DEIR’s Environmentally Superior Alternative.

The DEIR-identified environmentally superior alternative locates the project entirely within SDGE’s Suncrest Substation. The DEIR indicates that “NEET West would construct, own, and operate the SVC” based on this alternative configuration.<sup>4</sup> However, based on the CAISO’s understanding, both NEET West and SDG&E agree that NEET West cannot feasibly build such an alternative configuration based on legal and practical considerations. NEET West does not have legal rights to site the SVC within SDGE’s substation. Moreover, it is not practical to allow an entity to construct and own facilities within another utility’s existing substation because it could lead to significant safety issues and questions regarding accountability. The CAISO Tariff recognizes that transmission solutions that involve an upgrade or improvement to, addition on, or a replacement of a part of an existing facility will be built and owned by the owner of the existing facilities.<sup>5</sup> As a result, under the CAISO tariff NEET West is not authorized to construct the SVC within the Suncrest Substation, as is assumed in the DEIR. Instead, if the Commission requires to the SVC to be built within the substation, SDGE will be required to build the resulting project.

### B. Selecting the Environmentally Superior Alternative Will Limit the CAISO’s Competitive Solicitation Process.

As discussed above, the CAISO selected NEET West as the project sponsor for the Proposed Project primarily on the basis that its (1) proposed binding cost containment measures were more robust and (2) it assumed a greater amount of risk for cost increases. With respect to cost containment measures,

---

<sup>2</sup> DEIR Introduction, p. 1-2.

<sup>3</sup> CAISO Tariff Section 24.5.1 allows the CAISO to consider the “expected severity of siting or permitting challenges;” in determining key selection criteria for projects subject to competitive solicitation.

<sup>4</sup> DEIR Executive Summary, p. ES-9.

<sup>5</sup> CAISO Tariff, Section 24.5.1.

the CAISO found that NEET West's application was more robust particularly with respect to its materially lower cap on capital costs for the Proposed Project.

If the Commission selects the environmentally superior alternative, NEET West will not be capable of completing the project. Instead, SDGE will be required to complete the Proposed Project. This will undercut the CAISO's competitive solicitation process for new transmission solutions, in particular, rendering cost considerations a nullity and significantly impacting the overall cost and cost increase risk for the Proposed Project. In addition, it will undermine the CAISO's competitive solicitation process going forward, a process that the Commission has supported to ensure cost containment and reduce project costs and cost risk.

### **III. Conclusion**

The CAISO appreciates the opportunity to provide these comments on the DEIR and looks forward to presenting more detailed analysis in the context of the Commission's proceeding on certificate of public convenience and necessity.

Respectfully,

**/s/ Jordan Pinjuv**

Jordan Pinjuv  
Senior Counsel