



IMPERIAL IRRIGATION DISTRICT

GENERAL MANAGER'S OFFICE • P. O. BOX 937 • IMPERIAL, CA 92251

November 14, 2007

Mr. Michael R. Niggli
President of Sempra Generation and
Chief Operating Officer of
San Diego Gas and Electric Company
101 Ash Street
San Diego, CA 92101

Dear Mr. Niggli:

Re: Proposed Sunrise/Green Path Southwest Transmission Project

We appreciate you meeting with representatives of the Imperial Irrigation District on Monday to discuss our respective positions on the route in Imperial County for the proposed Sunrise/Green Path Southwest transmission project. We would like to reiterate that IID supports the development of renewable energy in the Imperial Valley for export to the rest of California and the western United States. Renewable energy helps our environment because no carbon is emitted when the energy is generated. It also contributes to our economic growth. Generators of renewable energy provide valuable jobs to members of our community and increased tax revenues. Therefore, IID is firmly committed to expanding our internal transmission system to both meet our expected load growth and make even more capacity available to export renewable energy out of the Imperial Valley to other utilities in the Southwest.

We intend to assist our neighbors in meeting their renewable energy portfolio standards whenever transmission service is requested under our non-discriminatory, open access transmission tariff (OATT). We also intend to build joint transmission projects with utilities in California and Arizona whenever we are able to reach mutually beneficial agreements that sufficiently advance and protect the interests of our agricultural community and ratepayers, as well as the communities and ratepayers of our partners. In fact, in October of 2007, our board approved a resolution to develop a new IID transmission line in the Salton Sea area, where geothermal resources are located. As evidenced by this resolution, our board strongly supports the development of renewable resources in the Imperial Valley and is proactively taking steps to build out IID's transmission system to meet the state's renewable energy goals.

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As also demonstrated by the development agreement our board approved for the Green Path North transmission project with the Los Angeles Department of Water and Power, Citizens Energy, and Southern California Public Power Authority, IID has reached mutually beneficial agreements with other transmission project partners. The Green Path North project alone is expected to provide up to 1200 MW of new export capability. We also are making significant progress on several other transmission projects that will improve the reliability of our system and make increased capacity available to export renewable energy, including, for example, upgrades to Path 42 to serve Southern California Edison Company's load. It is unfortunate the same success could not be achieved with SDG&E on the Sunrise/Green Path Southwest transmission project after a long period of good-faith negotiations.

As IID stated in its brief filed with the California Public Utilities Commission (CPUC), we support the southern routes currently proposed by the CPUC staff for the Sunrise/Green Path Southwest project. We understand, however, that SDG&E is unwilling to support these southern routes and plans to continue to advocate a northeastern route for this project, which we believe harms our agricultural community, our ratepayers, our irrigation facilities and the environment. We cannot, in good conscience, expend any more of our ratepayers' hard-earned dollars on this project when SDG&E is continuing to advocate a northeastern route for our portion of the line in our county that is detrimental to us.

Since a definitive agreement has not been reached with SDG&E, I am writing on behalf of our board to notify SDG&E that IID has discharged its responsibilities to negotiate the development of this proposed project. The Memorandum of Agreement (MOA) between SDG&E, IID and Citizens Energy is accordingly terminated.

As a political subdivision of the state of California, IID considers itself to be a steward of the environment. It is important to IID not only that new transmission facilities are built, but also that those facilities are built in the appropriate location away from farmland and dairies and the facilities IID uses for irrigation. Imperial Valley farms and dairies are the lifeblood of our community. They also are vital to the nation's security and economy because, unlike in other areas of the country, farming in the Imperial Valley can be done year-round. Agricultural production in the Imperial Valley is valued at over \$1.3 billion per year. Accordingly, it is critical that a transmission line, as well as any generation tie lines connecting to that transmission line, be sited carefully to refrain from disturbing the productivity of the farmland. It is also critical that these lines refrain from interfering with the intricate tiles and gravity-fed surface and subsurface drainage system used by IID to irrigate the farmland and prevent destructive salinity build-ups in it. The northeastern route preferred by SDG&E places Imperial Valley farms and dairies, as well as our irrigation facilities, at risk of destruction.

Mr. Michael R. Niggli

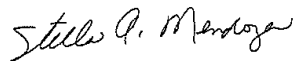
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Understandably, IID cannot agree to terms that adversely impact us; nor would it be reasonable to expect us to do so. When IID originally proposed its Green Path Southwest transmission project, it envisioned a western route would be followed that adds a new San Felipe substation and refrains from adversely impacting farmland and our irrigation canals in the Imperial Valley. The district also believed that IID would be the owner of the line in Imperial County and, as a result, responsible for expanding the line and interconnecting facilities to the line. The understanding that IID would own the line and a western route would be followed is evident from the plain language of the publicly available MOA, as well as the description of the Green Path Southwest project components contained in that MOA. Unfortunately, we were unable to achieve this result in a definitive agreement.

While we are disappointed that SDG&E and IID were unable to reach a mutually beneficial agreement on the route in this particular instance, we want to emphasize that we value our relationship with SDG&E and stand ready to lend SDG&E a hand when needed, as we did recently when the tragic wildfires struck San Diego County. In the event that SDG&E contracts with a renewable generator located in Imperial County for energy supplies, we encourage you to submit a request for transmission service under our non-discriminatory OATT. Currently, IID has over 1200 MW of excess capacity available for sale on its transmission system. We also are prepared to construct appropriate upgrades in accordance with the terms of our non-discriminatory OATT, if needed, to accommodate a transmission service request. IID operates on a not-for-profit basis and, as a result, our transmission rates are among the lowest in the state of California. We believe we can provide you and your ratepayers with an environmentally sound and lower-cost service alternative that takes advantage of the existing transmission infrastructure IID already has in place.

Sincerely yours,



Stella A. Mendoza
President, Board of Directors

Cc: Joseph Kennedy, Citizens Energy
Pete Smith, Citizens Energy