

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

In the Matter of the Application of San Diego Gas &
Electric Company (U 902 E) for a Certificate of Public
Convenience and Necessity for the Sunrise Powerlink
Transmission Project.

Application 06-08-010
(Filed August 4, 2006)

UCAN COMMENTS ON THE PEEVEY ALTERNATE DECISION

The AD authored by Commissioner Peevey is a difficult one for UCAN to submit comments. Its findings are so contemptuous of the evidentiary record and so dismissive of the three-year effort by CPUC staff, intervenors and commenting parties that it impugns the Commission process and devalues the gravity of the questions raised by SDG&E's application.

For example, the Peevey alternate accepts SDG&E's proposed \$696 **per inch** cost to underground a section of the proposed line. Commissioner Peevey appears to accept this outrageously priced figure without any probative analysis at all. Specifically, SDG&E's November 20th comments requested that the cost cap be increased by \$91 million to account for the cost of an extra two miles of underground 230 kV line under the east end of Alpine Blvd. On top of that, SDG&E sought – and the Peevey alternate accepts -- a 10% contingency for all costs, including the 2.4 miles of Alpine Blvd. undergrounding. That makes the total cost for the extra two miles of undergrounding a startling \$105 million.

Apparently, Commissioner Peevey didn't conduct the basic calculations that reveal the excessiveness of this request. $\$105.865/2.4 = \44.11 million/mile. It corresponds to $\$44.11/5280 = \8354 per foot. Broken down further, it corresponds to $\$8354/12 = \696 **per inch** to underground a section of Sunrise.

Had the Commissioner or his staff engaged in the requisite scrutiny that this application deserves they would have paused at accepting SDG&E's figures. At a

minimum, they would have proposed replacing three miles of Star Valley Option overhead line with underground line under Alpine Blvd in light of the significant cost to ratepayers posed by the undergrounding option.

Moreover, any concern about the cost issues would have been magnified if they'd noted that early on in the proceeding, when SDG&E's vice-president in charge of this application was questioned by ALJ Weissman, Mr. Avery insisted that SDG&E could live with the level of contingency already built into SDG&E's estimates, and could live with \$1.265 billion as the cost cap.

2 Q Do you have any sense as to whether costs and
3 materials and construction for transmission projects
4 have increased significantly during this period of time?

5 A I think we've taken into consideration
6 everything that we knew at the time, and I don't think
7 facts or circumstances have changed much from them.

8 But I think, again, Ali can give you perhaps a
9 lot more detail in that area.

10 He follows that on a regular basis and
11 oversees the capital expenditures we have on all of our
12 transmission projects.

13 Q But you continue to stand by this cost
14 estimate as being the most current and reliable
15 estimate?

16 A Yes, we do.

17 Q And do you feel that way even if the
18 Commission were to establish that amount as a cap for
19 the project?

20 A I think, actually, yes. The Commission in
21 past practice, I believe, has adopted the numbers that
22 have been put forth by the utility, and I think they
23 have added some percentage around that for some kind of
24 a band.

25 I do believe, though, the project may have to
26 change costs if other corridors were considered or other
27 mitigation was required.

28 But based upon the project as it was proposed, we do stand
behind that figure. Yes.¹

In Phase II, the cost of the project ballooned to \$1.7 billion – largely driven by SDG&E's complete reevaluation of the costs of the project in preparing its Phase II

¹ R.T. at 332

testimony. Throughout the transcript, as late as mid-2008, SDG&E repeatedly indicated that \$1.7 billion was the complete cost of the project, even under direct questioning.² In the absence of evidence that the southern route is, indeed, more expensive than the proposed northern route, there is no evidentiary basis upon which Commissioner Peevey can justify a \$200 million + increase for SDG&E. And in light of SDG&E's resistance to a meaningful cost cap and the CPUC's waiver of a prudence review at FERC, there's no mechanism contained within the Peevey Alternate that will compel SDG&E to reduce its costs where possible.

An aphorism universally championed by most all mothers is: "If you have nothing nice to say, then say nothing". In honoring mothers everywhere, UCAN will refrain from presenting a list of additional deficiencies contained in the Peevey AD. UCAN urges other Commissioners to exercise that same restraint and, instead, focus their energies on the Proposed Decision as well as modifications sought by Commissioner Grueneich.

Respectfully submitted,

Dated: December 8, 2008

/s/

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² R.T. at 3507-3510

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of the foregoing **UCAN COMMENTS ON THE PEEVEY ALTERNATE DECISION** on all parties identified in A.06-08-010 on the attached service list by electronic mail and by overnight mail to the assigned Commissioner(s) and Administrative Law Judge(s). Dated at San Diego, California, this 8th day of December, 2008.

/s/

Laura Impastato

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