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BEFORE THE ARIZONA CORPORATION COMMISSION

JEFF HATCH-MILLER
Chairman

WILLIAM MUNDELL
Commissioner

MIKE GLEASON
Commissioner

KRISTIN K. MAYES
Commissioner

BARRY WONG
Commissioner

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA EDISON COMPANY AND ITS ASSIGNEES IN CONFORMANCE WITH THE REQUIREMENTS OF ARIZONA REVISED STATUTES SECTIONS 40-360.03 AND 40-360.06 FOR A CERTIFICATE OF ENVIRONMENTAL COMPATIBILITY AUTHORIZING CONSTRUCTION OF A 500kV ALTERNATING CURRENT TRANSMISSION LINE AND RELATED FACILITIES IN MARICOPA AND LA PAZ COUNTIES IN ARIZONA ORIGINATING AT THE HARQUAHALA GENERATING STATION SWITCHYARD IN WESTERN MARICOPA COUNTY AND TERMINATING AT THE DEVERS SUBSTATION IN RIVERSIDE COUNTY, CALIFORNIA	Docket No. L-00000A-06-0295-00130 Case No. 130 **SOUTHERN CALIFORNIA EDISON COMPANY'S RESPONSE TO ACC STAFF'S PROPOSED CONDITIONS**

As requested by the Arizona Power Plant and Transmission Line Siting Committee ("Committee"), Southern California Edison Company ("SCE") submits its responses to the Arizona Corporation Commission ("ACC") Staff's proposed conditions. As part of its Response, SCE has attached as Exhibit A a revised version of Staff's conditions showing the revisions acceptable to SCE.

ACC Staff Condition No. 1

SCE noted in its testimony that it has filed comments (in a California Public Utility Commission proceeding) supporting open access to gas storage in southern California. Staff Condition No. 1 is consistent with SCE's position, but SCE has made two revisions. The first limits the effective time of the Condition to the term of the CEC or ten (10) years, whichever is less. The second is to limit required participation to California and federal proceedings and not proceedings in other states or the region. SCE should not have to make a commitment in perpetuity or to participate in proceedings other than in California or at the Federal Energy Regulatory Commission ("FERC").

ACC Staff Condition No. 2

Staff Condition No. 2 is acceptable with two changes. First, the concept of "separate" towers must be eliminated because SCE should use the double circuit towers in Copper Bottom Pass to reduce environmental impact and to be consistent with the Bureau of Land Management ("BLM") right-of-way grant. Second, SCE should be able to use the special protection system ("SPS") which will not affect load or generation in Arizona. SPS is consistent with WECC Planning Criteria, NERC Reliability Standards, and general industry standards. The ACC Staff should not seek to impose unilaterally different Reliability Standards than those accepted by the industry and reliability regional oversight bodies. SCE has already modified its SPS to ensure that any load or generation dropped will be in California, not in Arizona. This change was made in response to an earlier Staff request. No further modification is necessary. The last two sentences of Condition No. 2(b) are not necessary.

ACC Staff Condition No. 3

Staff Condition No. 3 is acceptable with some minor word changes and the addition of a paragraph that gives SCE the option of interconnecting at the Harquahala Generating

Station switchyard if a Junction Switchyard agreement is not completed by the end of 2007.

ACC Staff Condition No. 4

Condition No. 4(a) is not acceptable because it requires SCE to get FERC approval on behalf of all of the Palo Verde Hub interconnecting parties – a task outside of SCE's control. SCE cannot file rates at FERC on behalf of all Palo Verde Hub interconnection parties because the rates, terms and conditions for transmission service will have to be filed at FERC by each of the various transmission owners under Section 205 of the Federal Power Act. In addition, Conditions No. 4(a) and (b) as proposed by the Staff are subject to federal jurisdiction and not appropriate conditions in a state siting proceeding. Condition No. 4(b) is also dependent on agreement of the Palo Verde to TS5 line participants, which is out of SCE's control. SCE believes that the alternative to Condition No. 4 set forth in Exhibit A can help achieve the goal of ensuring that the Harquahala Power Plant can schedule its full capacity from the new Junction Switchyard to the Hassayampa Switchyard.

Staff Condition No. 5

Staff Condition No. 5, as explained by Jerry Smith during his testimony, is acceptable to SCE. Changes have been made in the wording of Condition No. 5 to be consistent with SCE's understanding of Staff's intention and to clarify what commitment SCE is making.

Staff Condition No. 6

Staff Condition No. 6(a) is acceptable. Staff Condition No. 6(b) is not acceptable. SCE must operate within the regulatory framework of the State of California and FERC and No. 6(b) requires that SCE enter an agreement and file a tariff inconsistent with the California and FERC regulatory frameworks. The Committee should not impose a condition that mandates a revision to the California and FERC regulatory frameworks.

CAISO should have control of DPV2 up to the Junction Switchyard just as it has control of the DPV1 and the North Gila lines up to their termination in the Palo Verde Hub area. Staff admitted that there have been no particular problems with CAISO's control of those other two lines. Staff has not presented a persuasive or compelling case that CAISO's control over the DPV2 line will disadvantage Arizona. To the contrary, the testimony in this case is that CAISO will treat parties for both California and Arizona fairly, equitably and equally.

RESPECTFULLY SUBMITTED this 25th day of October, 2006.

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SCE Response to ACC Staff Proposed Conditions

October 25, 2006

SOUTHERN CALIFORNIA EDISON

DEVERS TO PALO VERDE 500 kV LINE No. 2

DOCKET NO. L-00000D-06-0295-00130

SOUTHERN CALIFORNIA EDISON®

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ACC Staff Condition No. 1

1. Southern California Edison agrees to make good faith efforts for the term of the CEC not to exceed ten years to work within ~~future~~ California and ~~regional~~ FERC proceedings to encourage regional access to natural gas storage facilities in California in a manner that addresses natural gas service reliability and efficiency in the region, including Arizona.

ACC Staff Condition No. 2

2. To ensure the second Palo Verde to Devers 500 kV transmission line does not adversely effect reliability of the Arizona Extra High Voltage (EHV) grid and power plants interconnected at the Palo Verde Hub, one of the following options must be adopted by Southern California Edison for construction of the new line:

   a. The line must be constructed on ~~separate~~ towers or monopoles for its entire length and have sufficient physical separation from the existing Palo Verde to Devers line to assure a common mode outage frequency of less than one in thirty years (per NERC/WECC Planning Standards S-2) or that no cascading outages would occur for such a common mode outage (per NERC Category C.5) ~~without the use of a special protection scheme,~~

   Or

   b. The WECC rated Path 49 shall not be operated above a level at which a, NERC Category C.5, common mode outage of the two Palo Verde to Devers lines would cause cascading outages ~~unless a special protection scheme were activated~~. Studies are to be performed annually to establish with WECC such a Path 49 Operational Transfer Capability (OTC) limit for the common mode outage of the two Palo Verde transmission lines. ~~If the Applicant does not want to perform annual studies, the Applicant may choose to request a lower rating of the line from the appropriate regulatory authority. The lower rating must achieve the above goals.~~

ACC Staff Condition No. 3

3. The second Palo Verde to Devers 500 kV line shall terminate at the new Harquahala Junction Switchyard along with the existing Harquahala to Hassayampa 500 kV line in order to mitigate prevailing reliability risks associated with extreme contingencies in the vicinity of the Palo Verde trading hub. The Harquahala Junction Switchyard is to be jointly owned by the Palo Verde to TS5 participants and Southern California Edison. The Harquahala Junction Switchyard to Hassayampa Switchyard line is to be jointly owned by Southern California Edison and the ~~same~~ Palo Verde to TS5 transmission participants.

   If Harquahala Junction Switchyard (Switchyard) joint agreements, Switchyard property acquisitions, and other necessary Switchyard joint arrangements are not complete by December 31, 2007, SCE may terminate the DPV2 500kV line at the Harquahala Generating Station Switchyard in accordance with SCE's CEC application before the Arizona Line Siting Committee.

ACC Staff Condition No. 4

4. To assure that prevailing Palo Verde Hub commercial practices are not compromised by the transmission interconnections at Harquahala Junction Switchyard, Southern California Edison must prior to commencing operation:

~~a. File with the Federal Energy Regulatory Commission and receive approval of a request, on behalf of all Palo Verde Hub interconnecting parties, for modification of the transmission tariff free zone at the Palo Verde Hub to include all transmission lines currently interconnecting power plants to either the Palo Verde Switchyard or the Hassayampa Switchyard,~~

~~**OR**~~

~~b. File with the Arizona Corporation Commission (ACC) staff an executed transmission agreement with Harquahala Power Plant and the participants of the Palo Verde to TS5 transmission line that establishes that Harquahala Power Plant can schedule its full capacity over the Harquahala Junction Switchyard to Hassayampa Switchyard transmission line without transmission tariff costs and that all three parties will assume pro-rata obligations to share in the cost of an additional transmission line between these two switchyards as needed at some future date.~~

SCE commits to work with APS so that Harquahala Power Plant can schedule its full capacity from Harquahala Junction Switchyard to Hassayampa Switchyard.

ACC Staff Condition No. 5

5. SCE will not object or seek to change the Control area authority and associated operational reliability obligations placed by the ACC upon power plants originally interconnected at the Palo Verde Hub. ~~are to be maintained with the new interconnection at Harquahala Junction. Such~~ SCE will not object to power plant obligations ~~can~~ being transferred to the transmission control area to which they are interconnected in the event that they desire to discontinue as a generator only control area operator.

ACC Staff Condition No. 6

6. To assure that non-discriminatory open-access transmission principles are not compromised, commercial barriers to Arizona transmission users do not occur on lines serving as tie lines between CAISO and the forming WestConnect RTO operational footprint, and that no new seams issues between the two RTOs result from the construction of the Palo Verde to Devers 2 transmission line:

   a. Arizona Public Service Company shall have operational control of the Harquahala Junction Switchyard, the Harquahala Junction Switchyard to Hassayampa Switchyard transmission line and the Harquahala Junction Switchyard termination of the second Palo Verde to Devers transmission line and the Harquahala Power Plant line.

   ~~b. The Applicant executes a binding written agreement with the CAISO to limit its control area. The CAISO operational control and transmission tariff application shall initially end at the Devers termination of the Palo Verde to Devers 2 transmission line and may extend eastward to any future switchyard interconnecting with the line between Devers and the Colorado River. This implies a new Southern California Edison transmission tariff will be required should a future switchyard interconnect occur with the Palo Verde to Devers 2 line between Harquahala Junction and the Colorado River. The Applicant must file the executed agreement with the Commission prior to commencing operations of the line.~~