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6 BEFORE THE ARIZONA CORPORATION COMMISSION  
7

8  
9 In the matter of the Application of )  
Southern California Edison Company and )  
10 its assignees in conformance with the )  
requirements of Arizona Revised Statutes )  
11 Sections 40-360.03 and 40-360.06 for a )  
certificate of environmental compatibility )  
12 authorizing construction of a 500k )  
alternating current transmission line and )  
13 related facilities in Maricopa and La Paz )  
Counties in Arizona originating at the )  
14 Harquahala Switchyard west of Phoenix, )  
15 Arizona and terminating at the Devers )  
Substation in Riverside County, California.)  
16 )  
17 )

Case No. L-00000A-06-0295-00130

**SIERRA CLUB'S  
REQUEST FOR REVIEW**

18  
19 Pursuant to A.R.S. § 40-360.07, the Sierra Club, Grand Canyon Chapter, (“Sierra  
20 Club”) requests that the Commission reject the Certificate of Environmental  
21 Compatibility issued by the Arizona Power Plant and Transmission Line Siting  
22 Committee (“Line Siting Committee” or “Committee”) to the Applicant in this matter for  
23 the following reasons.  
24  
25

1 **I. THE CERTIFICATE ISSUED BY THE LINE SITING COMMITTEE**

2 On March 21, 2007, the Arizona Power Plant and Transmission Line Siting  
3 Committee filed its decision and Certificate of Environmental Compatibility granting a  
4 certificate to Southern California Edison for a 500 KV electric transmission line. The  
5 transmission line, called Devers Palo Verde 2 ("DPV2"), extends 230 miles between the  
6 Devers substation in California and the Harquahala Generating Substation in Arizona  
7 near the Palo Verde Nuclear Power Plant. The proposed route for the transmission line  
8 passes through approximately 24 miles of the Kofa National Wildlife Refuge.

9 **II. THE COMMISSION SHOULD REJECT THE CERTIFICATE**

10 The DPV2 transmission line is unnecessary for an adequate, economical and  
11 reliable supply of electric power. Balancing the trivial to non-existent need for the DVP2  
12 line against the effect that construction of the line will have on the environment of  
13 Arizona and particularly the Kofa National Wildlife Refuge requires that the Commission  
14 reject the project. The environmental impacts on Kofa are unmitigable and overwhelm  
15 the need for this particular project. A grievous mistake was made when DPV1 was  
16 approved to go through the Kofa National Wildlife Refuge. The Commission should not  
17 compound that error by allowing construction of a second line.

18 **III. THE CERTIFICATE ISSUED BY THE LINE SITING COMMITTEE IS**  
19 **DEFECTIVE ON ITS FACE AND FAILS TO COMPLY WITH A.R.S. § 40-**  
20 **360.06**

21 The decision and certificate issued by the Line Siting Committee is 20 pages long  
22 but nowhere in that 20 pages is there any discussion of the factors that are required to be  
23 considered by the Committee in issuing a Certificate of Environmental Compatibility.  
24 A.R.S. § 40-360.06 very clearly states that the Committee may approve or deny an  
25 application and

1 ...[I]n so doing *shall* consider the following factors as a basis for its action  
2 with respect to the suitability of either plant or transmission line siting  
plans:

3 1. Existing plans state, local government and private entities for  
4 other developments at or in the vicinity of the proposed cite.

5 2. Fish, wildlife and plan life and associated forms of life upon  
6 which they are dependent.

7 3. Noise emission levels and interference with communication  
8 signals.

9 4. The proposed availability of the site to the public for  
10 recreational purposes, consistent with safety considerations and regulations.

11 5. Existing scenic areas, historic sites and structures of  
archaeological sites at or in the vicinity of the proposed site.

12 6. The total environment of the area.

13 7. The technical practicability of achieving a proposed objective  
14 and the previous experience with equipment and methods available for  
15 achieving a proposed objective.

16 8. The estimated cost of the facilities and site as proposed by the  
17 applicant and the estimated cost of the facilities and site as recommended  
18 by the committee, recognizing that any significant increase in costs  
represents a potential increase in the cost of electric energy to the customers  
or the applicant.

19 9. Any additional factors which require consideration under  
20 applicable federal and state laws pertaining to any such site.

21 A.R.S. § 40-360.06(A). (Emphasis added).

22 Further, the Committee is required to give special consideration to the protection of areas  
23 unique because of biological wealth or because they are habitats for rare and endangered  
24 species. A.R.S. § 40-360.6. A national wildlife refuge should certainly qualify as an area  
25 that is “unique because of biological wealth.” However, not once in the 20 page decision

1 and certificate is there any indication that the Committee considered any of the foregoing  
2 factors in determining whether to issue a certificate to Southern California Edison.  
3 Incredibly, there is no discussion whatsoever about the environmental impacts associated  
4 with DPV2.

5 The law requires that the Committee and the Commission assess environmental  
6 impacts even before those environmental impacts are balanced against the need for the  
7 project. That is why the permit is called a "Certificate of Environmental Compatibility."  
8 In this case, there is no assessment of the environmental impacts despite substantial  
9 evidence in the record detailing the adverse impacts to the Kofa National Wildlife Refuge  
10 associated with construction and operation of the DPV2 transmission line. Consequently,  
11 the decision and certificate are defective on their face and must be rejected by the  
12 Commission.

#### 13 **IV. STANDARD FOR EVALULATION.**

14 The Commission in reviewing a Siting Committee decision must comply with the  
15 provisions of A.R.S. § 40-360.06 discussed in the previous section and "shall balance, in  
16 the broad public interest, the need for an adequate, economical and reliable supply of  
17 electric power with the desire to minimize the effect thereof on the environment and  
18 ecology of this state." In *Grand Canyon Trust v. Arizona Corporation Commission*, 210  
19 Ariz. 30, 107 P.3d 356 (App. 2005), the court held that the quoted statute does not require  
20 that the need for power be determined based solely on the power needs of in-state  
21 consumers. The court further held that there is nothing in the statute that requires that the  
22 need for the "adequate, economical, and reliable" power that is to be balanced against the  
23 desire to minimize environmental impact should be determined in any particular way.  
24 The statute gives the Commission the obligation to conduct the balancing in the broad  
25

1 public interest and leaves considerable discretion to the Commission in how to determine  
2 need under the statute. 210 Ariz. at 38, 107 P.3d at 364.

3 The DPV2 transmission line is unnecessary under any standard the Committee or  
4 Commission chooses to evaluate. Both California and Arizona have an "adequate,  
5 economical, and reliable" supply of power. Each of these factors are discussed *infra*.  
6 However, it is the environmental impact of the DPV2 transmission line that the  
7 Commission must first evaluate before it can balance anything.

8 **V. THE ENVIRONMENTAL IMPACTS ASSOCIATED WITH**  
9 **CONSTRUCTION OF THE DPV2 TRANSMISSION LINE.**

10 The DPV2 transmission line cuts a wide swath through the Kofa National Wildlife  
11 Wilderness Refuge. The length of the DPV2 line through Kofa is 23.8 miles and would  
12 parallel the DPV1 line that was constructed in 1982.

13 The Kofa National Wildlife Refuge was first established in 1939 specifically for  
14 the recovery of bighorn sheep populations and contains 665,400 acres of desert habitat.  
15 The Kofa Wilderness area was created with the passage of the Arizona Desert Wilderness  
16 Act of 1990 and is approximately 516,300 acres in size. Kofa is under the management  
17 and supervision of the U.S. Fish and Wildlife Service ("USFWS").

18 The Kofa National Wildlife Refuge is one of more than 535 such areas in the  
19 United States. To qualify for designation as a national wildlife refuge, the area must be  
20 one of special significance and high biological value. Before a refuge is established or  
21 expanded, the USFWS assembles a team of experts, including planners, biologists and  
22 other researchers, to evaluate it and consider the biological and ecological values. The  
23 mission of the National Wildlife Refuge System is:

24 ...to administer a national network of lands and waters for the  
25 conservation, management and where appropriate, restoration of  
the fish, wildlife and plant resources and their habitats within the

1 United States for the benefit of present and future generations of  
2 Americans.

3 Southern California Edison was required to apply for a Certificate of  
4 Compatibility with the USFWS in order to construct the DPV2 transmission line  
5 across 24 miles of the Kofa National Wildlife Refuge. In November 2006, the  
6 USFWS issued a preliminary determination that the project was not compatible and  
7 denied a right of way to the applicant. That preliminary determination was finalized  
8 during the week of March 5, 2007 after the record in this matter was closed. The  
9 Sierra Club filed a request with the Committee to supplement the record with the final  
10 determination issued by the USFWS. That request was granted. Therefore, the Final  
11 Compatibility Determination issued by USFWS is part of the record in this case.

12 That determination is powerful evidence that the environmental impacts  
13 associated with construction and operation of the DPV2 transmission line are so  
14 devastating that this Commission should likewise reject the project on those grounds  
15 alone. In its determination of non-compatibility, USFWS first reviewed the  
16 Environmental Impact Statement ("EIS") submitted by Southern California Edison.  
17 Those impacts are summarized at pages 5-10 of the determination and identify  
18 numerous negative impacts. This service then provided a further analysis by the  
19 Refuge Manager to supplement the EIS. That further analysis identified the following  
20 problems, among others with the impact of DPV2 on the Kofa.

21 **Non-Native Invasive Species**

22 USFWS notes that power line right of ways have been identified by the  
23 Arizona Invasive Species Advisory Council as a vector for the spread of invasive  
24 plants which can exacerbate the risk of fire in a desert environment. Compatibility  
25 Determination at 11.

1           **Vegetation and Soils**

2           USFWS noted that vegetation and soil communities in the Sonoran Desert are  
3 extremely fragile and take decades to recover. The Refuge “still bears scars from the  
4 construction of DPV1 and from pipeline projects completed in the 1970s.” *Id.*

5           **Bird Strikes**

6           The service believes that bird strikes are already occurring in the Refuge  
7 segment and will be exacerbated by the addition of DPV2. *Id.* at 13.

8           **Wildlife**

9           The service notes that the desert bighorn sheep is one of the largest in the state  
10 and was a major catalyst for establishing the Refuge. Triannual sheep surveys  
11 conducted on the Refuge reveal a decrease in the bighorn sheep population and while  
12 the reasons for the decline are unknown, additional disturbance or fragmentation of  
13 sheep habitat on the Refuge are likely to exacerbate the problem and complicate  
14 recovery efforts for the species. *Id.* at 14.

15           **Wilderness**

16           Because DPV2 will abut a designated wilderness area, there are indirect  
17 impacts to wilderness such as increased unnatural noise, further industrialization of  
18 the landscape, reduced visual quality and the increased potential for the introduction  
19 of invasive species. *Id.* at 17.

20           **Recreation**

21           The Refuge is “an important area used by the American public for wildlife-  
22 dependent recreation.” *Id.* at 18. DPV2 is a non-wildlife dependent use which means  
23 it does nothing to enhance the American public’s opportunity to develop an  
24 appreciation for fish and wildlife. *Id.*

25

1           **National Wildlife Refuge System Mission and Goals**

2           According to USFWS, DPV2 would “interfere with and detract from the  
3 NWRs Mission which directs the administration of a national network of lands and  
4 waters for the conservation, management and restoration of fish, wildlife and plant  
5 resources in their habitats. “The proposed use would cause significant habitat  
6 fragmentation along the 24 mile transmission line corridor with the loss of nearly 100  
7 acres of pristine Lower Colorado River desert scrub through ground disturbing  
8 activities.” *Id.*

9           The Environmental Impact Statement submitted by Southern California Edison  
10 in connection with this proceeding supports the USFWS Determination and leaves no  
11 doubt that the impact of the DPV2 transmission line on the Kofa National Wildlife  
12 Refuge will be irreparable and unmitigable. According to the EIS, the negative visual  
13 impacts in the Kofa National Wildlife Refuge would be significant and unmitigable  
14 (page ES-41). It states:

15                       Of the 14 key viewpoints that were established along this  
16 route segment, two would be exposed to significant  
17 unmitigable visual changes. These significant impacts would  
18 occur in Kofa National Wildlife Refuge and at Alligator Rock  
19 ACEC.

20           On page D.3-58, under “Operational Impacts” it states:

21                       Within Kofa National Wildlife Refuge, the Proposed Project  
22 would result in significant and unmitigable (Class I) visual  
23 impacts as the project parallels the existing DPV1  
24 transmission line. Long-term, operational visual impacts  
25 would be experienced by travelers and recreationists  
accessing the refuge on Pipeline Road and Crystal Hill Road.

26           The project would change the character of the Kofa National Wildlife Refuge and  
27 significantly diminish its recreational value as well. On page D.5-22 of the EIS, it  
states:

1 Overall, development and operation of the project would  
2 change the character of the Kofa NWR and significantly  
3 diminish its recreational value. Impacts to the Kofa NWR  
would be significant and unmitigable (Class I).

4 Recreation would also be negatively affected along the Harquahala to Kofa segment  
5 to the east. On page D.5-20, the EIS states:

6 Overall, Proposed Project operation would significantly  
7 change the character of recreational resources along the  
8 Harquahala to Kofa NWR segment or diminish their  
recreational value, resulting in a significant and unavoidable  
9 impact (Class I).

10 The Sierra Club also offered evidence from individuals who have frequented the  
11 Kofa National Wildlife Refuge and value it as an environmental resource of special  
12 significance. Their testimony supported the findings of the final EIS that the impact of  
13 the DPV2 transmission line on the Kofa National Wildlife Refuge will be irreparable and  
14 immitigable. From visual impacts to recreational opportunities to the impact on wildlife,  
15 the evidence in this case was clear. The Kofa National Wildlife Refuge will be forever  
16 harmed if the Commission approves this project.

17 Ignoring the environmental impacts on the Kofa, the Committee's  
18 decision/certificate searches long and hard for any small benefits that can be attributed to  
19 the project. But in the key areas of evaluation required by A.R.S. § 40-360.07, the  
20 Committee itself cannot even conclude that the project is needed to establish an adequate,  
21 reliable and economic supply of power. With respect to adequacy, the Committee  
22 concludes that:

23 The evidence is *insufficient* to demonstrate that the project is the only  
24 solution for the problem of resource adequacy in California. The project is  
25 not required to meet the resource adequacy of Arizona ratepayers.  
Certificate at 8. Emphasis added.

1 With respect to reliability, the Committee concludes that:

2 The project *may* enhance grid and resource reliability, especially in  
3 emergency situations. Certificate at 6. (Emphasis added).

4 Finally, with respect to the economics of the project, the Committee concludes that:

5 The evidence supports a finding of economic benefit to California  
6 ratepayers, *but does not sufficiently demonstrate* Arizona ratepayers have  
7 an economic need for the project. Certificate at 8. (Emphasis added).

8 These issues are explored in greater depth in the next section but it is important to note at  
9 this point that the law requires the Commission to balance the significant environmental  
10 impacts on the Kofa against the need for an adequate, reliable and economic supply of  
11 power. The certificate must be rejected in this case because even the Committee fails to  
12 assert conclusively that DPV2 fills any need for an adequate, reliable and economic  
13 supply of power.

14 **VI. THE DPV2 TRANSMISSION LINE IS UNNECESSARY FOR AN  
15 ADEQUATE, ECONOMICAL OR RELIABLE SUPPLY OF POWER.**

16 Before evaluating whether the DPV2 line is needed for an adequate, economical or  
17 reliable supply of power in California or Arizona, it is important to remind the  
18 Commission that the sole and exclusive reason for Edison's application to construct the  
19 DPV2 transmission line is to purchase a relatively small amount of power from Arizona  
20 when it is less expensive than obtaining it elsewhere. All of the other discussion and  
21 evidence concerning the benefits associated with the DPV2 transmission line are  
22 secondary, and in some cases, a mere afterthought to justify approval of the application in  
23 Arizona.

24 In its application to the California Public Utilities Commission, the company  
25 clearly states that:

*The main purpose of construction DPV2 is to lower the cost  
of electricity for Californians.*

1 Application of So. Cal. Edison to the Cal. Pub. Util. Comm., date April 11, 2005 at p. 7.  
2 Southern California Edison is proposing to construct the DPV2 line for one and only one  
3 reason and that is to obtain cheaper power for customers in its service territory. The  
4 essential question for the Commission is whether California's desire, not its need, for a  
5 small amount of cheaper power justifies irreparable damage to the Kofa National Wildlife  
6 Refuge. A rigorous analysis of each one of the statutory factors for California and  
7 Arizona convincingly answers that question in the negative.

8 **A. California**

9 **1. Adequacy**

10 The facts are these. Although the capacity of the DVP2 transmission line is  
11 approximately 1200 megawatts, Edison presented testimony that it will only use about  
12 230 megawatts of that capacity. Edison never claimed that it needs that power to  
13 establish or maintain an adequate supply of electricity in California for its customers.  
14 Nor could it. Edison's peak demand is approximately 25,000 megawatts. The capacity  
15 from the DPV2 transmission line (230 megawatts) represents less than one tenth of one  
16 percent of that peak demand. If DPV2 is not constructed, Edison will simply obtain the  
17 power elsewhere, possibly at a slightly higher price than it would obtain for the same  
18 amount of capacity in Arizona.

19 Edison produced evidence at the hearing that California is in the process of  
20 installing 13,000 megawatts of new generation. Again, the 230 megawatts that the  
21 company plans to take from the DPV2 line if approved, is a trivial portion of even just the  
22 new installations in California.

23 In energy terms, the evidence at the hearing was that Southern California Edison  
24 customers use 85,000 gigawatts of electricity on an annual basis. The evidence further  
25

1 showed that the DPV2 transmission line would only supply 2,000 gigawatt hours, once  
2 again a very small fraction of Edison's total energy usage.

3 Under any measure, DPV2 is not a project designed to meet adequacy needs in  
4 California but merely to obtain a small amount of additional power at less expensive  
5 prices.

## 6 2. Economical

7 The Sierra Club concedes that the project is economical for Southern California  
8 Edison. Edison's production cost model shows that the producer surplus for CAISO  
9 ratepayers is approximately \$1.7 billion over the life of the project. Appendix G, SCE  
10 Report to CAISO, Devers-Palo Verde 2 Cost-Effectiveness Report at 18. Benefits for  
11 CAISO ratepayers begin at \$110 million for the year 2009 and increase to \$170 million  
12 for the year 2012. To put those numbers in perspective, Edison International, the parent  
13 company for Southern California Edison, recently released its third quarter 2006 financial  
14 results. Those results show Edison's electric utility revenues for the third quarter ending  
15 September 30, 2006 to be \$3 billion. [http://www.edison.com/file/2006-  
16 3Q\\_summary.pdf](http://www.edison.com/file/2006-3Q_summary.pdf). So, in the most recent three months, Edison's electric utility revenue  
17 approximately doubled the amount of life cycle benefits that it claims for DPV2 over the  
18 life of the project.

19 The Sierra Club does not dispute that this is an economic project for Southern  
20 California Edison. Operation of the production cost model for CAISO ratepayers show  
21 that the benefits in terms of lower priced power from Arizona exceed the costs of  
22 constructing and operating the transmission line. However, if the DPV2 line is not  
23 approved, Edison will simply turn to its next least cost alternative as determined by its  
24 production cost model. Its alternatives are too numerous to describe but are reflected in  
25 Appendix G, SCE Report to CAISO update dated March 17, 2005 at p. 35.

1                   **3. Reliability**

2           Edison claims that the construction of the DPV2 transmission line will reduce  
3 congestion and enhance reliability regionally and specifically in Arizona. The Sierra  
4 Club did not offer evidence on this point and simply observes that the Staff disputed  
5 Edison's contention. In fact, Staff produced evidence that construction of the DPV2  
6 transmission line could actually impair reliability unless the Committee imposed certain  
7 conditions on the certificate. Steven Ahern, the Director of the Residential Utility  
8 Consumer Office, testified to similar effect that construction of parallel transmission lines  
9 actually increases the risk that if there is an outage on the transmission lines, it would  
10 have a greater impact than if the lines were not parallel.

11           In any event, Edison did not present any evidence that construction of the DPV2  
12 transmission line would enhance reliability in California. Their claim with regard to  
13 Arizona is discussed in the next section.

14                   **B. Arizona**

15                   **1. Adequacy**

16           There was no evidence presented in this proceeding that Arizona needs the DPV2  
17 transmission line in order to establish or maintain an adequate supply of power. In fact,  
18 quite the opposite is true. Prices in Arizona are low enough for construction of the line to  
19 be economic for Edison because there is an excess supply of power in Arizona. Edison's  
20 plan to absorb some of that excess capacity will have the effect of making it necessary to  
21 install new generation in Arizona sooner than would have otherwise been required. If  
22 anything, the construction of the DPV2 line will impair Arizona's currently adequate  
23 supply of power. According to Staff, Arizona utilities will not own sufficient generation  
24 to meet all their loads in 2010. S-29 at 8.

25

1           Timing considerations may also affect the adequacy of Arizona's power supply.  
2 Although Edison claims that it generally will not buy Arizona power during the summer  
3 months, it never made a commitment that it would not do so. In fact, Edison's claim is  
4 that it will buy power from Arizona only when the price in Arizona is lower than it is in  
5 California. Edison claims that the price in Arizona at the Palo Verde Hub is usually  
6 higher in summer but its own evidence indicates that is not always the case. Mr.  
7 Johannes Pfeifenberger's exhibit shows numerous days during each of the past four  
8 summers on which the price at the Palo Verde Hub is below the California price thus  
9 making it economic for Edison to buy power from Arizona frequently throughout the  
10 summer. If Edison were to make frequent purchases from the Palo Verde Hub during  
11 summer, consistent with its own testimony that it would buy power from Arizona when it  
12 was cheaper, there was no evidence about the impact on Arizona power supplies at a time  
13 when they are most needed in Arizona.

14                           **2.    Economical**

15                                   **a.    Costs to Arizona**

16           In addition to evaluating the economics of the DPV2 project for CAISO  
17 ratepayers, CAISO requested that Edison produce data showing the impact of the DPV2  
18 project on Arizona ratepayers. That analysis was originally provided to CAISO in an  
19 update to Edison's April 7, 2004 report to the CAISO on the cost effectiveness of the  
20 project. The update containing the impact on Arizona ratepayers was provided March 17,  
21 2005. It showed that constructing DPV2 "was found to have a net negative impact of  
22 around \$16 - \$20 million per year to Arizona . . ." DPV2 Cost Effectiveness Report at  
23 41. Newspaper reports indicated that the cost to Arizona ratepayers would exceed \$200  
24 million over the life of the project.  
25

1           As this proceeding progressed, Edison produced “updated” analyses showing that  
2 the amount of net negative impacts to Arizona were becoming smaller. In Edison’s  
3 original testimony submitted by Johannes T. Pfeifenberger to the Siting Committee in  
4 August 2006, the cumulative increase in Arizona costs was \$148 million for the period  
5 2009 to 2055. By the time Mr. Pfeuffenberger actually testified that number was reduced  
6 to \$130 million. That number was reduced even further in a subsequent exhibit to \$93  
7 million. There is obviously some reason to be skeptical about the continual revisions  
8 made by Edison to show that the cost to Arizona ratepayers was not nearly as much as the  
9 Company had originally reported to CAISO.

10           One thing is certain. Edison agrees that there are net costs to Arizona ratepayers  
11 as a result of the DPV2 project. The Company simply cannot decide the magnitude of  
12 that impact and in an obvious effort to persuade the Committee to approve the project,  
13 seems to contend that the impact on Arizona ratepayers is declining and that if we wait  
14 long enough the negative impact will simply disappear.

15           Fortunately, Staff retained a consultant to test Edison’s contention. Staff’s  
16 consultant concluded that construction of the DPV2 line would result in a \$3.00 per  
17 megawatt hour increase in wholesale prices in Arizona. The model also estimated that  
18 the DPV2 line would result in price decreases in California and other WECC areas.  
19 Staff’s witness Matt Rowell concluded that basic economic theory suggests that the  
20 proposed line would drive up the market price for power in Arizona. According to Mr.  
21 Rowell, the logic is simple: transmission between the Palo Verde Hub and California is  
22 currently constrained. California is short of power. Increases in transmission capacity  
23 will result in an increase in a demand for power at the Palo Verde Hub. Assuming all  
24 other factors are constant, an increase in demand will result in an increase in the market  
25

1 price for power. S-29, Ratemaking Impacts, Matt Rowell, ACC Staff, September 2006 at  
2 3.

3 By whatever measure, the impact of the DPV2 project on Arizona ratepayers is  
4 clear: they will pay more in order for California ratepayers to pay a little less.

5 **b. Benefits to Arizona**

6 In obvious recognition of the fact that Arizona ratepayers will pay higher electric  
7 rates as a result of the DPV2 project, Edison conjured a whole host of benefits that would  
8 flow to Arizona (but not necessarily its ratepayers) as a result of the project. According  
9 to Edison, those benefits total \$361 million over the life of the project and more than  
10 offset the cost to Arizona ratepayers. However, a closer examination of those benefits  
11 reveals that they are illusory and based on little more than Edison's wishful thinking.

12 Over \$100 million of the claimed benefits to Arizona as a result of the DPV2  
13 project are attributable to construction benefits and annual tax benefits. Hopefully, we've  
14 not reached a point in Arizona where projects are approved no matter what their impact  
15 on the environment simply because money will be spent in Arizona. Interestingly,  
16 Edison's application to the California Public Utilities Commission and CAISO does not  
17 attempt to promote the DPV2 project on the grounds of construction and tax benefits.

18 Next, Edison claims reliability benefits to Arizona of the DPV2 project in a total  
19 amount of \$20 million over the life of the project. However, that analysis was based  
20 upon a guesstimate of future transmission outages in Arizona even though Edison's  
21 witness admitted that historic transmission outages in Arizona had not been evaluated.  
22 Tr. Vol. VI at 1266.

23 Edison also claimed economic benefits to Arizona a result of so-called "liquidity  
24 benefits" in the amount of \$54 million over the life of the project. Basically, Edison  
25 claims that DPV2 would allow more buyers and sellers to reach the Palo Verde Hub and

1 therefore lower transaction costs on all purchases and sales. Again, this analysis was not  
2 based on any examination of historic data showing an actual reduction in transaction  
3 costs attributable to the addition of a transmission line. It was sheer speculation on the  
4 part of Edison. Presumably, the same benefit could be obtained from the addition of any  
5 other transmission line, not necessarily the DPV2 line.

6 Edison also claims a benefit to Arizona of \$47 million over the life of the DPV2  
7 project attributable to what it calls "improved investment climate." In effect, Edison  
8 claims that a decision in this proceeding adverse to the Company "would signal  
9 regulatory risks and poor investment climate to future generation developers."

10 Testimony of Johannes T. Pfeifenberger at Slide 43. This is a self-fulfilling prophecy. If  
11 it was compelling, there would be no need for regulation in the first place.

12 Edison's list of benefits for Arizona becomes even more attenuated when it claims  
13 \$90 million in benefits for Arizona as a result of what it calls "synergies with TransWest  
14 Express." Edison claims that the TransWest Express transmission line (which is not even  
15 in the planning stages yet) may not be built if DPV2 is not approved. According to  
16 Edison's witness, without DPV2, the Rocky Mountain partners likely will find  
17 TransWest Express to be a less attractive option. He based this conclusion on nothing  
18 more than his personal speculation. Despite the fact that APS and SRP representatives  
19 participated in this proceeding and were even in the room at the time he testified on this  
20 point, he had never discussed the impact of DPV2 on the TransWest Express project with  
21 APS, SRP or any other party associated with the TransWest Express project. In any  
22 event, Edison's speculation is based on the unsubstantiated premise that the Committee  
23 and the Commission will approve the TransWest project if it is ever proposed.

24 Finally, Edison attributes another \$48 million over the life of the DPV2 project to  
25 Arizona's improved access to renewable resources located in California. The problem is

1 that nobody except Edison contends that Arizona will be able to take advantage of the  
2 renewable resources in California regardless of how many transmission lines exist. The  
3 renewable resources in California are going to be absorbed by California utilities in order  
4 to meet the very rigorous requirements that California has established for renewable  
5 energy. Very little of the power from those installations is going to make its way to  
6 Arizona and the DPV2 project is not going to change that fact.

### 7 **3. Reliability**

8 From an economic standpoint, any additional improvement in reliability from the  
9 DPV2 line for Arizona borders on the insignificant. Edison's economics witness ascribed  
10 a value of \$20 million dollars over the life of the transmission line from 2009 to 2055.  
11 That is less than \$500,000 a year and Edison's witness conceded that it could be less than  
12 that. In any event, the value attributed by Edison to increased reliability for Arizona is  
13 close enough to zero that it should not be a factor.

14 From an engineering standpoint, the reliability benefits attributable to the DPV2  
15 line were disputed by Staff. Jerry Smith testified that unless specific conditions are  
16 imposed, the DPV2 line "adds new reliability risks and consequences." S-28 at 10.  
17 Likewise, if not properly conditioned, the DPV2 line fails to mitigate extreme  
18 contingency risks at the Palo Verde Hub. Notwithstanding the conflicting evidence, it is  
19 clear that construction of the DPV2 line will not significantly improve the reliability of  
20 the electric system in Arizona. Rather, the dispute between Edison and the staff revolves  
21 around mitigation of the additional risk created by the DPV2 line. If the DPV2 line was  
22 actually improving reliability in any significant way, the economic value associated with  
23 that improvement would have been far greater than even the company claimed for it.

1 **VII. CONCLUSION**

2 Edison wants to construct the DPV2 line so it can import cheap Arizona power  
3 into California. That is the only legitimate benefit that can be attributed to the project.  
4 Against that, the Commission must weigh the damage to the Kofa National Wildlife  
5 Refuge, the undisputed increase in costs to Arizona ratepayers and erosion of Arizona's  
6 currently adequate supply of power. Were it not for the fact that this case involves  
7 another state that is interested in securing a small amount of cheaper power, the decision  
8 would not even be open to debate. The application would be rejected out of hand.

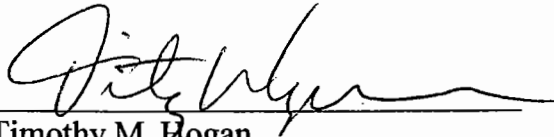
9 Apparently it is the fact that it is Southern California Edison that is making the  
10 application that somehow renders the decision more difficult. Putting aside parochial  
11 Arizona interests, the decision still is not a close one. From a California standpoint, the  
12 only benefit of this project is a trivial amount of cheaper power. There are no adequacy  
13 or reliability benefits for California associated with the project. From an Arizona  
14 standpoint, all of the benefits are either zero or negative. Without even considering the  
15 environmental impacts of the project, the project is not necessary for an adequate,  
16 economical or reliable supply of power in either California or Arizona. It is a project of  
17 convenience and nothing more.

18 And convenience alone cannot justify further damage to the Kofa National  
19 Wildlife Refuge. It is one of only nine such refuges in the state of Arizona and is a place  
20 of special environmental significance not only for Arizona but for the entire country. To  
21 approve further damage to the Refuge requires a strong demonstration that the project is  
22 absolutely necessary for the maintenance of an adequate, economical and reliable supply  
23 of power and that demonstration has not been made in this case. The Commission should  
24 deny the issuance of a Certificate of Environmental Compatibility to Southern California  
25 Edison.

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DATED this 4<sup>th</sup> day of April, 2007.

ARIZONA CENTER FOR LAW IN  
THE PUBLIC INTEREST

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ORIGINAL and 25 COPIES of  
the foregoing filed this 4<sup>th</sup> day  
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Phoenix, AZ 85007

Copies served electronically  
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All Parties of Record

