

Thank you again for the opportunity to provide comments on the CAISO transmission plan and process, and to provide an update on the North Gila – Imperial Valley #2 Project. For additional background, attached is the recent submittal to WECC as the 2012 Annual Progress Report for the NG-IV2 Project. We are coordinating closely with APS as the sponsor for the Hassayampa-North Gila #2 Project, as well as with the IID and SDGE as the existing transmission owners in the southern region.

Our comments are related to the economic analysis that was conducted for the Project along with a comparison to the Delaney-Colorado River Project. The analysis appears to correctly account for the revised capital cost assumptions, however the Total Cost may still be overly inflated (by approximately 25%). The analysis also concludes that both projects are not meeting the criteria for the benefit/cost ratio and we would argue on the detailed assumptions for the resources continue to focus primarily from CA resources, and not from AZ resources. In addition to the Agua Caliente (290MW), the Mesquite (125MW), Arlington Valley II (200MW), there are several other projects in western and southern Arizona that are prepared to move forward in a timely manner. The Town of Gila Bend, AZ is promoting several solar projects and have set a goal to permit solar projects in 8 weeks or less to provide certainty to solar developers (currently, the Town of Gila Bend has permitted the Solana Project (250MW), the Palomas Project (17MW) and the Cotton Center Project (18MW) all for APS and have been completed or under construction. The assumptions for AZ renewables should be increased in one of the scenarios to approximately 3000MW.

The analysis also does not show or discuss the reliability benefit of either (or both) projects for the southern system, and should also include a long term plan to tie the two transmission systems together, preferably from the Highline to Devers corridor. We would suggest that a longer-term plan, similar to the approach that STEP took several years ago, be developed in 2012/2013 that examines the longer term (20 years plus) to ensure that near-term decisions are taking into account the possibility of long-term needs (like an interconnection initially to the Highline substation to allow for a longer term connection to the PV-Devers system). Given recent outages on either the Hassayampa-North Gila-Imperial Valley-Miguel lines,

additional facilities to strengthen this system over the long-term should be reviewed.

The Arizona Corporation Commission also required that the jurisdictional utilities perform a study of the potential of exporting renewables from AZ, the study concluded that BOTH the Delaney-Colorado River and the Hassayampa-North Gila-Imperial Valley Projects provide a significant delivery benefit to the transmission of renewables from Arizona; and can provide a tremendous certainty (and security) for meeting the renewable resources for the region. The Final Report is attached for your review and consideration as well.

In support of the North Gila – Imperial Valley #2 Project, the interested parties will also be preparing a detailed report that will examine a wide variety of scenarios that could provide a more clear picture of the need for the Project, and provide flexibility for long term resource procurement requirements to economically and reliably serve the customers of southern California and southern Arizona.

Thank you for the opportunity to provide these comments, and look forward to presenting the overall economic and reliability benefits for the Project over the coming months. We have also reached out to several entities to participate with the development of the project, and will keep the CAISO apprised of the developments with interested partners (including SDGE, IID, APS, and other independent developers).

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