

May 2, 2017

**COMMENTS ON BEHALF OF THE CITIES OF ANAHEIM, AZUSA,
BANNING, COLTON, PASADENA, AND RIVERSIDE, CALIFORNIA
ON PROPOSAL TO APPROVE TRANSMISSION PROJECTS**

In response to the CAISO's request, the Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California (the "Six Cities") submit their comments on the proposal by CAISO management to approve, on an expedited basis, the Mission-Old Town Flow Control upgrade (referred to herein as the "Smart Wires Project") on the transmission system owned by San Diego Gas and Electric Company ("SDG&E"). The Smart Wires Project is needed to address overloading concerns on SDG&E's Mission-Old Town and Miguel-Mission 230 kV lines that may arise under certain specified conditions in the event that the Sycamore-Penasquitos 230 kV line is not placed into service on June 1, 2018. At this time, completion of the Sycamore-Penasquitos project is projected to occur at the end of June, 2018, or later.

The cost estimate for the Smart Wires Project is \$6-12 million. Given that the Smart Wires Project is needed to address a project delay that may have a duration that is as short as one month, it is the Six Cities' expectation that the CAISO has determined with a high degree of confidence that the proposed project represents the most cost-effective solution to mitigate the potential overload conditions on the affected portions of the SDG&E system, and that there are no other viable solutions available at a lower cost that would resolve the identified concerns.

The Six Cities understand that the Smart Wires Project is capable of being redeployed elsewhere on the transmission system, and this flexibility may mitigate, to some extent, the high cost of the project relative to the limited time during which the project may be needed. It will be critical to ensure the appropriate treatment of this equipment in SDG&E's transmission rates to ensure that CAISO transmission customers are not exposed to unreasonably high costs for equipment that, if not redeployed, may not be used and useful within the SDG&E system. The Six Cities look forward to the CAISO and/or SDG&E providing more detailed information regarding the overall estimated cost of the Smart Wires Project and will work with SDG&E in its annual Transmission Revenue Requirement update proceedings to ensure the correct rate treatment for this equipment.

With respect to redeployment, if the Smart Wires Project equipment is not redeployed on the SDG&E system, but could be effectively utilized elsewhere on the CAISO-controlled grid, the CAISO and Participating Transmission Owners should consider implementing a process to transfer the equipment to another needed location, even if the location is owned by another Participating Transmission Owner. While the ratemaking aspects of such a transfer would need

to be addressed, taking a flexible approach to redeployment increases the likelihood that equipment financed by CAISO transmission customers could continue to be used where needed.

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