



Memorandum

To: ISO Board of Governors

From: Neil Millar, Vice President, Infrastructure and Operations Planning

Date: January 27, 2021

Re: **Decision on Participating Transmission Owner Application of Morongo Transmission LLC**

This memorandum requires Board action.

EXECUTIVE SUMMARY

In July 2020, Morongo Transmission LLC (“Morongo”) submitted an application to the ISO to become a participating transmission owner with respect to its interest in the West of Devers Upgrade Project (“Project”). This interest was established by a transaction between Southern California Edison Company and Morongo and is patterned after the structure of the Citizens Energy Corporation’s interest in the Sunrise Powerlink Project. The transaction allows SCE to construct the Project across lands, legal title to which is held by the United States in trust for the Morongo Band of Mission Indians, a federally-recognized American Indian Tribe exercising jurisdiction over lands within the boundaries of the Morongo Indian Reservation, in exchange for the right for Morongo to participate with SCE in the financing of the Project. Morongo and SCE are parties to a Development and Coordination Agreement which specifies Morongo’s participation in the Project.

The ISO initially identified the Project as necessary to connect certain renewable generation projects to the ISO grid and subsequently confirmed the need for the proposed Project in its review of policy-driven transmission projects in its transmission planning process to provide deliverability to expected renewable generation in the Riverside East and Imperial Valley areas to meet California’s Renewables Portfolio Standard goals. SCE filed its application with the California Public Utilities Commission in 2013. The project includes rebuilding approximately 48 corridor miles of existing transmission – approximately 184 circuit miles – of 200 kV transmission with higher capacity conductors, predominantly on existing rights of way and disturbed land, increasing the power transfer capability of the Project’s transmission facilities by approximately 3,200 MW. The Project is currently under construction by SCE and is expected to be completed by May 15, 2021.

Management requests that the Board of Governors approve the ISO’s acceptance of the Morongo application and requests that, upon execution of the Transmission Control

Agreement, Morongo become a participating transmission owner, subject to the Federal Energy Regulatory Commission accepting Morongo's transmission owner tariff and transmission revenue requirement.

Moved, that the ISO Board of Governors approve the ISO's acceptance of the application of Morongo Transmission LLC for participating transmission owner status, conditioned on (1) Morongo Transmission executing the Transmission Control Agreement and (2) the Federal Energy Regulatory Commission accepting a transmission owner tariff and transmission revenue requirement for Morongo Transmission, as set forth in the memorandum dated January 27, 2021.

DISCUSSION AND ANALYSIS

In accordance with the procedures established pursuant to section 4.3 of the tariff and section 2 of the Transmission Control Agreement, Morongo submitted an application to the ISO on July 14, 2020 that proposed Morongo joining the ISO as a new participating transmission owner.

In order for an applicant to become a participating transmission owner, sections 2.2.3 and 2.2.5 of the Transmission Control Agreement require that the ISO accept the application. Section 2.2.3 of the Transmission Control Agreement states that the ISO shall permit a party to become a participating transmission owner if it determines that:

1. The applicant's transmission lines and associated facilities, including entitlements, that are to be placed under the ISO's operational control can be incorporated into the ISO controlled grid without any material adverse impact on its reliability;
2. Incorporating such transmission lines and associated facilities and entitlements into the ISO controlled grid will not put the ISO in breach of applicable reliability criteria and its obligations as a member of Western Electricity Reliability Council;
3. Objections by the ISO under Section 4.1.3 shall have been withdrawn or determined by the ISO Governing Board to be invalid;
4. All applicable regulatory approvals of the applicant's TO Tariff have been obtained, which approvals shall specify that the effective date of the TO Tariff is the date that the ISO assumes operational control of the applicant's transmission lines and associated facilities and entitlements; and
5. The applicant is capable of performing its obligations under this Agreement.

Morongo satisfies the first and second elements because Morongo is acquiring rights to a transmission project that was approved as a reliability project in 2013 under the ISO's generator interconnection process. Among other requirements, the transmission planning aspect of the generator interconnection process ensures that transmission projects can be operated safely and reliably by the ISO. Morongo satisfies the third element, as neither

stakeholders nor the ISO have any objections to the form of Morongo's transmission rights in the Project. Morongo also satisfies the fifth element because SCE, which will be the transmission operator of the Project, is an experienced participating transmission owner, and will perform the operational obligations under the Transmission Control Agreement for itself as well as Morongo. These obligations include compliance with the transmission maintenance standards, processing generator interconnection requests, and other actions associated with the physical facilities themselves. Morongo has been very responsive to the ISO during the participating transmission owner application process and has demonstrated its willingness to perform obligations associated with the Transmission Control Agreement.

The fourth element is addressed through the conditional nature of the Board's approval. Morongo filed its transmission owner tariff and associated transmission revenue requirement with FERC on December 16, 2020. A FERC order is expected in late January 2021. The proposed motion states that FERC's acceptance of these filings is an express condition of accepting Morongo as a participating transmission owner. Accepting Morongo's application subject to this condition is necessary to support the implementation timeline of Morongo transferring operational control of its share in the Project to the ISO. The ISO followed a similar approach with regard to obtaining the Board's approval of the participating transmission owner applications of Citizens Sunrise Transmission LLC, Startrans IO, L.L.C., Trans Bay Cable LLC, Trans-Elect NTD Path 15, LLC (now Atlantic Path 15, LLC), and Citizens Sycamore-Penasquitos Transmission LLC to satisfy the concerns of their lenders.

POSITIONS OF THE PARTIES

As required by section 2.2.2 of the Transmission Control Agreement, the ISO posted Morongo's application for participating transmission owner status on the ISO website for 60 days to give interested parties an opportunity to review the application and submit comments to the ISO. The ISO received no comments on the application. Also, the existing participating transmission owners have raised no concerns to date in the negotiations regarding revisions to the Transmission Control Agreement to add Morongo as a party to that agreement.

CONCLUSION

Management recommends that the Board approve the ISO's acceptance of Morongo's application for participating transmission owner status conditioned on (i) Morongo's execution of the Transmission Control Agreement, and (ii) FERC's acceptance of Morongo's transmission owner tariff and transmission revenue requirement.

Based on the criteria set forth in the Transmission Control Agreement, Management has concluded that the application submitted by Morongo satisfies all of the requirements for acceptance.