

EXHIBIT B

Christina M. Caro
Adams Broadwell Joseph & Cardozo
601 Gateway Blvd., Suite 1000
South San Francisco, CA 94080

January 5, 2017

Re: Suncrest project sponsor selection

Dear Ms. Caro,

At your request, I have reviewed the California Independent System Operator (CAISO) report on the selection process for the Suncrest Project sponsor. The Suncrest Project is a proposed 300 MVAR reactive power project to interconnect to the CAISO at the 230 kV bus of the existing Suncrest 500/230 kV substation in San Diego County, California, at a cost of \$50-75 million.¹ The CAISO identified a need for the Suncrest Project in its 2013-14 Transmission Plan,² and then conducted a competitive solicitation to determine who would be the "Project Sponsor" responsible for actually building the Project. The CAISO published a 94-page "Selection Report" describing how it had selected the Project Sponsor.³ There were two competing bids, one each from the San Diego Gas and Electric Company ("SDG&E") and the other from NextEra Energy Transmission West, LLC ("NEET West"),⁴ and the CAISO ultimately selected the NEET West proposal.⁵

The Selection Report makes clear that (1) the factors that the CAISO considered did not lead to a strong, or even a moderate, preference for NEET West over SDG&E, and (2) the CAISO did not consider the different environmental impacts of the two proposals in choosing between them. It is thus quite possible, or even likely, that had environmental considerations been taken into account they would have swayed the decision.

With regard to the first of these two points, the Selection Report is replete with instances of the CAISO describing the two

¹<http://www.caiso.com/Documents/Description-FunctionalSpecificationsSuncrest230ReactivePowerSupport.pdf>.

² Ibid.

³ CAISO, 1/6/15, "Suncrest Reactive Power Project/Project Sponsor Selection Report." (cited hereafter as "Selection Report").

⁴ Selection Report, p. 3.

⁵ Ibid., p. 1.

competing sponsors as well nigh equal, with almost no difference between them. They are "both ...highly qualified to finance, construct, own, operate, and maintain the Suncrest project."⁶ In order to choose between them, the CAISO "had to make very slight distinctions."⁷The "competition was extremely close."⁸The Selection Report found "no material difference" between the proposals of the two project sponsors with regard to six of the eleven⁹ selection criteria it evaluated them on.¹⁰ It found SDG&E superior with regard to two of the criteria,both of which were among the three key criteria,¹¹ and NEET West superior with regard to the remaining three criteria.¹²

With regard to environmental impacts, the CAISO provides a list of the 11 factors that it considered in choosing a Project Sponsor,¹³ and identifies three of those factors as being the "key" ones that weighed most heavily in its decision-making process.¹⁴ None of the three key factor involve a comparison of environmental impacts, nor do any of the other eight. The three key factors deal with access to "existing rights of way and substations that would contribute to the transmission solution,"¹⁵ (a factor for which the CAISO determined that the winning sponsor, NEET West, was inferior to SDG&E¹⁶), schedule,¹⁷ and cost containment.¹⁸ The other eight factors also all deal with the competence of the bidders, their financial capabilities, their ability to assume liability for "major losses," and a catchall criteria involving "any other strengths

⁶ Ibid., p. 1.

⁷ Ibid., pp. 1, 8.

⁸ Ibid., p. 46.

⁹ There are eleven criteria (ibid., p. 7), but one of them the ISO deemed "encompasses several of the subsequent" factors, and thus did not separately address it (ibid., p. 11). Instead the ISO evaluated that criteria based on the results of the evaluation of four other criteria, of which three were tied between the two bidders and the fourth had NEET West "slightly better." (ibid., p. 42). Thus the CAISO rated NEET West "slightly better" with regard to this composite criterion (ibid., p. 42).

¹⁰ Ibid., pp. 13, 22, 26, 27, 28, 32, 33, 34, 41, 44, and 46.

¹¹ Ibid., pp. 12 and 22. SDG&E was "slightly better" with regard to one criterion, and "better" with regard to the other.

¹² Ibid., pp. 29, 41, and 42. NEET West was "slightly better" with regard to two criteria, and "better" with regard to the other.

¹³ Ibid., p. 7.

¹⁴ Ibid., p. 3.

¹⁵ Ibid., p. 3.

¹⁶ Ibid., p. 12.

¹⁷ Ibid., p. 3.

¹⁸ Ibid., p. 3.

and advantages the Project Sponsor and its team may have ...".¹⁹ None involve any comparison of the environmental impacts of the competing proposals, or even identification of those environmental impacts.

With six out of eleven factors a draw,²⁰ four factors evenly split between the two bidders,²¹ and the final factor "slightly" in favor of NEET West only because NEET West's bid was "slightly better" in one of its four components,²² it is clear that the CAISO's decision could have gone either way. It was, in the CAISO's own words summarizing the overall competition, "extremely close."²³ Indeed, the losing bidder (SDG&E) was ranked over the ultimate winner in two of the three selection categories deemed most significant by the CAISO,²⁴ and NEET West was only "slightly" better in the third.²⁵ Thus, if one of the proposals is environmentally superior to the other, there can be no overriding non-environmental reason to reject that proposal and choose the other one.

Please let me know if you need any further information or analysis regarding the Selection Report.

Sincerely,

A handwritten signature in cursive script that reads "David Marcus". The signature is written in black ink on a light blue rectangular background.

David Marcus

¹⁹ Ibid., p. 7.

²⁰ Ibid., pp. 13, 22, 28, 33, 34, and 41.

²¹ Ibid., pp. 12, 18, 29, and 41.

²² Ibid., p. 42.

²³ Ibid., p. 46.

²⁴ Ibid., pp. 3 (listing the three "key selection factors"), 12 (SDG&E "better" than NEET West in one of the three), and 18 (SDG&E "slightly better" in a second of the three categories).

²⁵ Ibid., p. 41.

RESUME

DAVID I. MARCUS

April 2014



Employment

Self-employed, March 1981 - Present

Consultant on energy and electricity issues. Clients have included Imperial Irrigation District, the cities of Albuquerque and Boulder, the Rural Electrification Administration (REA), BPA, EPA, the Attorney Generals of California and New Mexico, the California Public Utilities Commission, alternative energy and cogeneration developers, environmental groups, labor unions, other energy consultants, and the Navajo Nation. Projects have included economic analyses of utility resource options and power contracts, utility restructuring, utility bankruptcy, coal and nuclear power plants, non-utility cogeneration plants, and offshore oil and hydroelectric projects. Experienced user of production cost models to evaluate utility economics. Very familiar with western U.S. grid (WSCC) electric resources and transmission systems and their operation and economics. Have also performed EIR/EIS reviews and need analyses of proposed coal, gas and hydro powerplants, transmission lines, substations, and coal mines. Have presented expert testimony before FERC, the California Energy Commission, the Public Utility Commissions of California, New Mexico, and Colorado, the Interstate Commerce Commission, and the U.S. Congress.

Environmental Defense Fund (EDF), October 1983 - April 1985

Economic analyst, employed half time at EDF's Berkeley, CA office. Analyzed nuclear power plant economics and coal plant sulfur emissions in New York state, using ELFIN model. Wrote critique of Federal coal leasing proposals for New Mexico and analysis of southwest U.S. markets for proposed New Mexico coal-fired power plants.

California Energy Commission (CEC), January 1980 - February 1981

Advisor to Commissioner. Wrote "California Electricity Needs," Chapter 1 of Electricity Tomorrow, part of the CEC's 1980 Biennial Report. Testified before California PUC and coauthored CEC staff brief on alternatives to the proposed 2500 megawatt Allen-Warner Valley coal project.

CEC, October 1977 - December 1979

Worked for CEC's Policy and Program Evaluation Office. Analyzed supply-side alternatives to the proposed Sundesert nuclear power plant and the proposed Point Concepcion LNG terminal. Was the CEC's technical expert in PG&E et. al. vs. CEC lawsuit, in which the U.S. Supreme Court ultimately upheld the CEC's authority to

regulate nuclear powerplant siting.

Energy and Resources Group, U.C. Berkeley, Summer 1976

Developed a computer program to estimate the number of fatalities in the first month after a major meltdown accident at a nuclear power plant.

Federal Energy Agency (FEA), April- May 1976

Consultant on North Slope Crude. Where To? How?, a study by FEA's San Francisco office on the disposition of Alaskan oil.

Angeles Chapter, Sierra Club, September 1974 - August 1975

Reviewed EIRs and EISs. Chaired EIR Subcommittee of the Conservation Committee of the Angeles Chapter, January - August 1975.

Bechtel Power Corporation (BPC), June 1973 - April 1974

Planning and Scheduling Engineer at BPC's Norwalk, California office. Worked on construction planning for the Vogtle nuclear power plant (in Georgia).

Education

Energy and Resources Group, U.C. Berkeley, 1975 - 1977

M.A. in Energy and Resources. Two year master's degree program, with course work ranging from economics to engineering, law to public policy. Master's thesis on the causes of the 1972-77 boom in the price of yellowcake (uranium ore). Fully supported by scholarship from National Science Foundation.

University of California, San Diego, 1969 - 1973

B.A. in Mathematics. Graduated with honors. Junior year abroad at Trinity College, Dublin, Ireland.

Professional Publications

"Rate Making for Sales of Power to Public Utilities," with Michael D. Yokell, in Public Utilities Fortnightly, August 2, 1984.

ATTACHMENT