

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE
STATE OF CALIFORNIA**

In the Matter of the Application of DCR
TRANSMISSION, LLC for a Certificate of
Public Convenience and Necessity for the Ten
West Link Project.

Application 16-10-012
Filed October 12, 2016

**REPLY COMMENTS ON PROPOSED DECISION GRANTING CERTIFICATE OF
PUBLIC CONVENIENCE AND NECESSITY FOR THE TEN WEST LINK PROJECT
OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**

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Dated: October 26, 2021

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I. Introduction

The California Independent System Operator Corporation (CAISO) provides reply comments on the proposed *Decision Granting DCR Transmission, LLC a Certificate of Public Convenience and Necessity for the Ten West Link Project* (PD). The CAISO supports the PD and requests the Commission grant DCR Transmission, LLC's certificate of public convenience and necessity (CPCN) to construct the Ten West Link Transmission Line Project (Proposed Project). The CAISO also provides minor corrections to its proposed Finding of Fact No. 7 in Attachment A.

II. Discussion

A. The Commission Maintains Discretion to Apply a Rebuttal Presumption to the CAISO's 2013-2014 Proposed Project Approval.

Cal Advocates argues the CAISO's economic analysis does not warrant a rebuttable presumption because it did not comply with the safeguards established in Decision (D.) 06-11-018.¹ To the contrary, the CAISO's 2013-2014 transmission planning process review and approval of the Proposed Project complied with the safeguards established in D.06-11-018. The Commission thus has discretion to apply the rebuttable presumption to 2013-2014 CAISO Board of Governor decision to approve the Proposed Project.

¹ D.06-11-018, *Opinion on Methodology for Economic Assessment of Transmission Projects*, (Nov 9, 2006); I.05-06-041 *Order Instituting Investigation on the Commission's Own Motion into Methodology for Economic Assessment of Transmission Projects*. (Decision – Economic Assessment)

1. The CAISO's Updated Economic Analysis Does Not Preclude Applying a Rebuttable Presumption to the 2013-2014 CAISO Transmission Process Evaluation.

The CAISO conducted two separate economic cost-benefit analyses of the Proposed Project, one to support CAISO Board approval of the Proposed Project in the 2013-2014 transmission planning process and the second to support updated testimony in this proceeding. The CAISO conducted the first analysis in the 2013-2014 transmission planning process, which involved a full stakeholder process to develop planning assumptions, multiple public meetings, and opportunities for stakeholder feedback. That analysis was the basis for the CAISO Board's approval of the Proposed Project in the 2013-2014 Transmission Plan. Such CAISO Board approval meets the requirements in D.06-11-018 to establish a rebuttable presumption and the Commission has discretion to apply the rebuttable presumption to the 2013-2014 CAISO Board decision.

In 2019, as part of this proceeding, the CAISO conducted a second cost-benefit analysis included in its direct testimony. The CAISO provided the updated analysis to supplement the record in this proceeding. The CAISO anticipated this supplemental analysis would benefit the Commission because, at that point, over five years had passed since the 2013-2014 CAISO Board decision approving the Proposed Project. The CAISO's economic analysis prepared for this proceeding was not part of the regular transmission planning process and, thus, the CAISO did not conduct stakeholder outreach or seek CAISO Board approval for this later analysis. Instead, the CAISO produced it on an expedited timeframe to provide the Commission with an updated benefit-to-cost ratio based on the most up-to-date information available at that time. The fact the CAISO produced this updated analysis does not invalidate the Commission's discretion to apply the rebuttable presumption to the 2013-2014 Board-approved economic analysis.

Cal Advocates' opening comments suggest the Commission cannot apply the rebuttable presumption to the CAISO's 2013-2014 transmission planning process decision because the CAISO conducted a subsequent economic analysis for the explicit purpose of providing updated testimony in this proceeding. This suggestion ignores the purpose of D.06-11-018 to "further the goal of greater coordination and consistency between the Commission and the CAISO" and

“narrow issues and streamline the process in the CPCN proceeding [at the Commission].”²

Instead, Cal Advocates argues the CAISO’s updating of its economic analysis for this proceeding should invalidate the rebuttable presumption for the 2013-2014 Board-approved transmission plan.

2. The 2013-2014 CAISO Board Approval of the Proposed Project Meets the D.06-11-018 Requirements to Establish a Rebuttable Presumption.

To establish a rebuttable presumption for the CAISO’s economic analysis, D.06-11-018 requires the CAISO approval process to meet public participation requirements, including (a) sponsoring two public meetings, (b) providing reasoned responses to all public comments, and (c) providing interested parties time and opportunity to review and comment on the draft evaluation. In testimony, the CAISO detailed the stakeholder process that led to the CAISO Board’s Proposed Project approval in the 2013-2014 transmission planning process.³ Cal Advocates states “there is no evidence that the CAISO complied with D.06-11-018’s public participation requirements, including a finding from the CAISO Board that the final economic evaluation includes reasoned responses to all public comments.” However, the CAISO followed its FERC-approved tariff process—which includes multiple meetings with stakeholders⁴ and multiple opportunities for stakeholder comment⁵—to identify the economic need for the Proposed Project.⁶

Cal Advocates argues the “CAISO Board did not even approve the final economic evaluation presented to the Commission in support of Ten West Link.”⁷ This statement is inaccurate, as the CAISO Board reviewed the final economic study in the 2013-2014 transmission planning process to approve the Proposed Project.

² Decision – Economic Assessment

³ Exhibit CAISO-03 (Millar), p. 2-3.

⁴ See CAISO Tariff Section 24.3.3, requiring the CAISO to conduct a stakeholder meeting to discuss its Unified Planning Assumptions and Study Plan; CAISO Tariff Section 24.4.9(a), requiring the CAISO to hold a stakeholder meeting after posting technical study results; CAISO Tariff Section 24.4.9(b), requiring the CAISO to schedule at least one (1) other public meeting before the draft comprehensive Transmission Plan is posted to provide information about any policy-driven transmission solution evaluations or economic planning studies; CAISO Tariff Section 24.4.9(c), requiring the CAISO to conduct a public conference regarding the draft transmission plan

⁵ See CAISO Tariff Sections 24.3.1, 24.3.3, and 24.4.9.

⁶ Exhibit CAISO-03 (Millar), p. 8.

⁷ Public Advocates Office, *Opening Comments on Proposed Decision*, pp. 2 – 3, October 21, 2021. (Cal Advocates Opening Comments)

Cal Advocates argues the CAISO's analysis warrants no rebuttable presumption because it failed to model the Proposed Project's impact on the grid for more than one year. This is incorrect. The 2013-2014 Board-approved analysis reviewed production cost benefits for two study years (2018 and 2023).⁸ The 2013-2014 analysis also included numerous sensitivities, with varying load, hydro conditions and natural gas costs, among other variations.⁹ These results showed economic benefits under various assumptions and uncertainties.

Cal Advocates fundamentally errs by considering only the updated economic analysis to determine whether the rebuttable presumption requirements were met. The PD notes the explicit findings in the 2014 Board-approved evaluation were consistent with the principles and minimum requirements in D.06-11-018. The PD also found the updated economic evaluation did not require further CAISO Board approval for the rebuttable presumption to apply. Finding otherwise would defeat the purpose of D.06-11-018 by creating more procedural hurdles before the Commission could approve an economic transmission project rather than streamlining the permitting process.

B. The CAISO's Updated Economic Analysis Shows the Proposed Project Is Cost-Effective.

The CAISO provided updated economic analysis to demonstrate the Proposed Project's continuing economic benefits based on the most up-to-date information available at that time.¹⁰ The updated analysis showed benefit-to-cost ratios consistently exceeding 1.0, based on a range of different capacity benefits and two different natural gas scenarios. The updated economic analysis cements the PD's finding that Cal Advocates' cost-effectiveness findings are unpersuasive.

Cal Advocates provided its own benefit-to-cost ratios that ranged from 0.55 to 0.73, but Cal Advocates based its analysis on fundamentally flawed resource portfolios that deviated from

⁸ Exhibit CAISO-03 (Millar), Attachment A, p. 258-259.

⁹ *Ibid*, Attachment A, p. 268.

¹⁰ The CAISO notes Cal Advocates cites to an April 6, 2020 Commission decision on IRP portfolios to argue the CAISO should have used different solar resource assumptions in its December 2019 analysis. See Cal Advocates Opening Comments, p. 8, fn. 35. The 2020 IRP decision it was appropriate to make updates to the inputs and assumptions for 2019-2020 RSP modeling analysis, but it was not adopted until well after the CAISO finished its updated economic analysis for this proceeding. *2019-2020 Electric Resource Portfolios to Inform Integrated Resource Plans and Transmission Planning*, D.20-03-028 (Apr. 6, 2020), p. 99 (adopting Finding of Fact No. 4).

the Commission-developed portfolios and increased overall resource costs. As the CAISO explained,

Cal Advocates economic modeling illustrates how using subjective resource planning assumptions undermines sound transmission planning ... Unlike the CAISO and DCRT's analyses, the starting resource portfolio for Cal Advocates' analysis is not supported by any Commission-developed portfolio and is inconsistent with the Commission's resource planning software, RESOLVE. Thus, Cal Advocates' resource portfolio is fundamentally flawed from the outset. Cal Advocates selectively modified its resource portfolio to show reduced benefits from the Proposed Project, but it simultaneously increases overall resource costs, by substituting more costly resources than those included in the RESOLVE portfolio, thereby undermining the Commission's IRP. It is fundamentally unsound to modify the baseline resource portfolio—and increase total resource costs—to reduce modeled benefits from the Proposed Project.¹¹

C. Correction to CAISO Proposed Finding of Fact No. 7

The CAISO also provides a minor correction to its proposed Finding of Fact No. 7 below. The CAISO's revised proposed Finding of Fact No. 7 clarifies that the CAISO, not the CAISO Board, presented evidence for continuing economic need for the Proposed Project in this proceeding. See Attachment A for the CAISO's revised proposed Finding of Fact No. 7.

Respectfully submitted

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¹¹ CAISO Reply Brief, pp. 5-6.

Attachment A

Revised CAISO Proposed Finding of Fact No. 7:

7. The production cost benefit for the Proposed Project includes three benefits to CAISO ratepayer: consumer energy cost decreases; increased LSE-owned generation revenues; and increased transmission congestion revenues. Based on these findings, the CAISO Board approved the Proposed Project in its 2013-2014 TPP and **the CAISO presented evidence confirming the continuing economic benefits of the Proposed Project in this proceeding.**