

BAMx Comments on the CAISO Transmission Access Forecasting Model

Introduction and Stakeholder Review

The Bay Area Municipal Transmission group (BAMx)¹ appreciates the continued work of the CAISO in keeping the stakeholders updated about the likely impact of its decision to approve transmission projects on the High Voltage (HV) Transmission Access Charge (TAC).

BAMx appreciates the opportunity to comment on the CAISO's 2018-2019 HV TAC Estimating Model ("TAC Model" hereafter) that was posted on the CAISO website on May 14, 2019, and which was subsequently discussed during the Stakeholder call on May 17, 2019. The comments and suggestions below address both the TAC Model and the May 17th stakeholder presentation. We hope that the CAISO addresses the issues raised by BAMx in the next update of its TAC Model.

Proposed Suggestions for the Current Version of TAC Model for CAISO's Consideration

BAMx comments on the TAC Model covers the following elements:

1. The TAC model requires some "clean-up;"
2. Caveat TAC forecast as it does not provide an accurate signal for the outer years, i.e., 2024-2029, and does not address additional wildfire mitigation costs; and
3. Capital projects questions.

1. The TAC model requires some "clean-up"

The "Summary" tab of the TAC model spreadsheet has a number of "#REF!" errors.² These are attributed to removing some older projects, such as South CC and CW-Lugo without removing the underlying references associated with the HV Gross Plant, HV Rate Base and Operations and Maintenance Costs. Along with these comments, we submit a corrected version of the TAC model (2018-2019TransmissionAccessChargeForecastModel-NewCapital_BAMx.xlsx) with the appropriate fixes to address the "#REF!" errors for the CAISO's consideration.

2. Caveat TAC forecast as it does not provide an accurate signal for the outer years, i.e., 2024-2029, and does not address additional wildfire mitigation costs

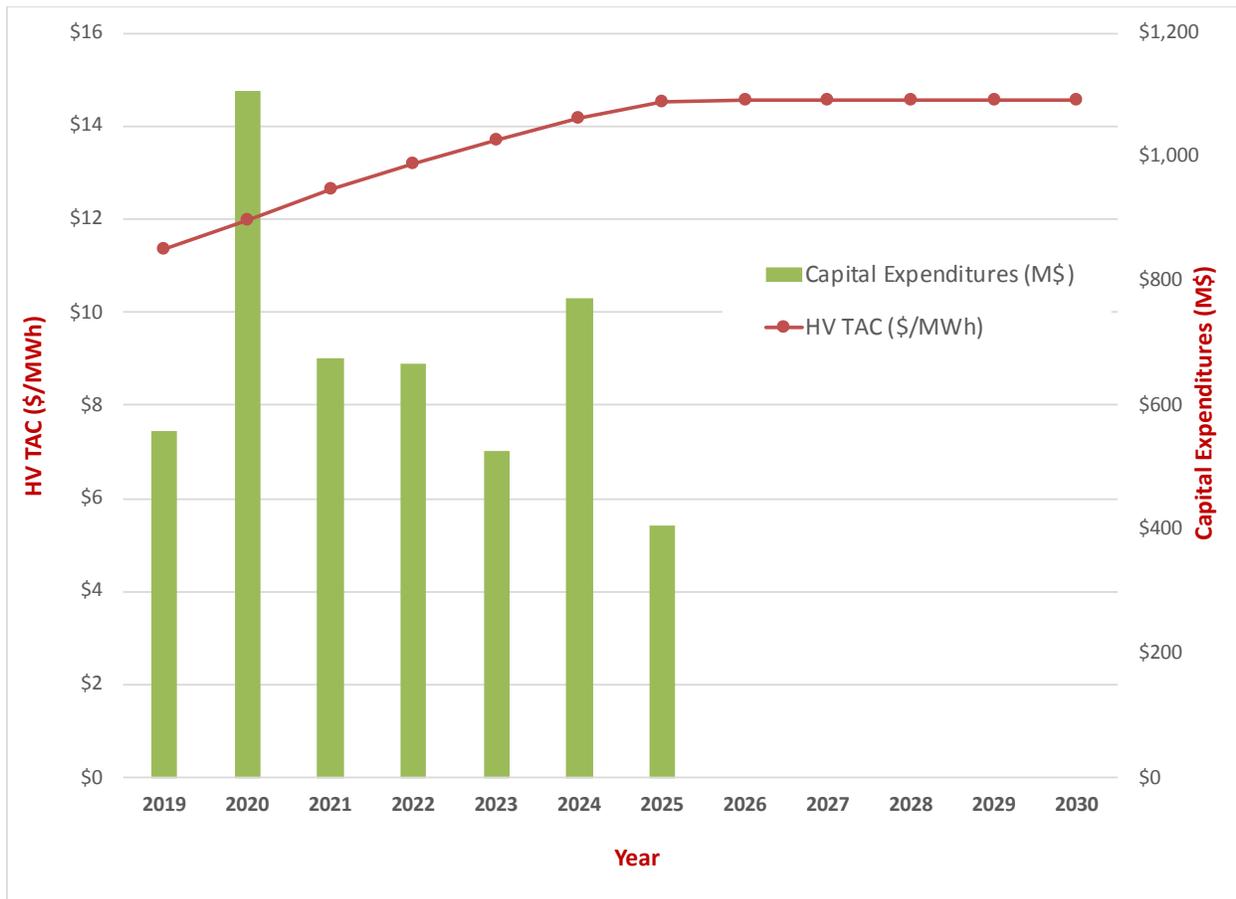
BAMx notes that the tapering of the CAISO's HV TAC forecast in the outer years, that is, during 2026-2030 is primarily driven by the very low levels of transmission capital expenditures assumed in the HV TAC forecasting model. As shown in Figure 1, the HV TAC forecasting

¹ BAMx consists of City of Palo Alto Utilities and City of Santa Clara, Silicon Valley Power.

² "#REF!" error shows when a formula refers to a cell that's not valid

model assumes that the HV capital expenditures³ during the years 2023-2026, which is primarily driven by the CAISO-approved reliability driven transmission projects.

Figure 1: A Comparison of the CAISO's HV TAC (\$/MWh) and Assumed Capital Expenditures (M\$)



Clearly, one of the major reasons for a lower level of capital expenditures assumed in the outer years (2026-2030) in the TAC Forecasting Model is that they do not include the capital expenditures in the CAISO's upcoming TPP cycles. In other words, the HV TAC rates, especially for years 2026-2030 are likely going to be higher than those depicted in the current version of the HV TAC Forecasting Model. Furthermore, there needs to be a recognition that the HV TAC rates would be significantly greater upon the incorporation of the direct costs

³ Any capital expenditures after the in-service year are added to rate base in the year of expenditure in the HV TAC forecasting model. **Source:** California ISO TAC Model Operating Instructions.

associated with wildfire mitigation programs⁴ and potential higher return on equity allowed for the participating transmission owners as a result of wildfire risk adder⁵.

There is substantial uncertainty surrounding the plans for costs associated with greater levels of return on equity and future investments to mitigate the consequences of wildfires but it is appropriate to include components for those items. It is important to recognize that not adding anything to the forecast for those issues is a projection that assumes that they will have no impact.

BAMx appreciates the CAISO providing a separate spreadsheet comprising the capital costs documented for several capital projects with high voltage components⁶. This spreadsheet (Capital Costs Estimates) would help the CAISO and the stakeholders to easily modify the transmission projects, their commercial operation dates and related capital costs going forward.

3. Capital projects questions

In addition to the issues surrounding costs for wildfire mitigation and potential increases in return on equity, BAMx has the following questions and comments on some of the capital transmission projects included in the TAC Model. We hope that the CAISO addresses them in the next revision of the TAC Model.

- **West of Devers Reconductoring:** BAMx understands that the West of Devers Reconductoring (WoD) project is currently under construction. However, there are no capital expenditures associated with this project in 2019. Please verify that it was not inadvertently left out.
- **Calcite:** In the most recent TAC Model, the CAISO has added two new transmission projects, i.e., Red Bluff 2nd 'AA' Bank and Calcite. Both these projects are identified as the “Non-RTTP Driven.”⁷ Please provide some background on the Calcite project as it appears to be a generation interconnection driven project and unlike the West of Devers Reconductoring project, there is almost no information available about this project in the 2018-2019 or any of the prior transmission plans.
- **Riverside Transmission Reliability Project (RTRP):** We noticed that the TAC model did not include the capital expenditure associated with Riverside Transmission Reliability Project (formerly Jurupa 230kV Sub). According to SCE’s AB 970 quarterly report (Q2 2019), this project was approved by the CAISO in 2007 with a current planned in-service date of 7/1/2023. A certificate of public convenience and necessity (CPCN) is underway for this project and has a capital cost in the range of \$401M -

⁴ Pursuant to Senate Bill 901 and the OIR to Implement Electric Utility Wildfire Mitigation Plans in R.18-10-007 of the CPUC, PG&E submitted its Wildfire Safety Plan on February 6, 2019.

⁵ On April 18, 2019, SCE submitted its latest TO2019A formula rate filing, proposing a return on equity (ROE) of 17.12%, which is calculated at 11.12% plus a 6.0% adder for wildfire risk (not including other potential adders). On April 23, 2019, PG&E requested to raise its ROE from 10.25% to 16%.

⁶ 2018-2019 Transmission Plan High Voltage Transmission Access Charge Capital Costs (2018-2019TransmissionAccessCharge-HighVoltageCapitalCostEstimates.xlsx)

⁷ Ibid.

\$500M. Please provide an explanation of why the capital expenditures associated with the RTRP were excluded from the TAC Model.

- **Delaney-Colorado River:** The TAC model assumes the capital expenditure of \$190M each in the years 2019 and 2020 for this project. Since it is expected to be delayed at least through December 2021⁸, why weren't these capital expenditures also postponed in the TAC Model?

BAMx looks forward to continuing the dialog with the CAISO staff and other stakeholders in trying to build a more meaningful forecast of the CAISO HV TAC.

If you have any questions concerning these comments, please contact Moisés Melgoza (mmelgoza@svpower.com or (408) 615-6656).

⁸ CAISO 2018-2019 Transmission Plan, March 29, 2019, p.474.