Application No.: 16-10-012
Exhibit No.: 
Witness: Neil Millar
ALJ: MacDonald
Commissioner: Randolph

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

REBUTTAL TESTIMONY OF NEIL MILLAR ON BEHALF OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION

June 18, 2020
# Table of Contents

I. Introduction ....................................................................................................................... 1

II. The Commission Has Broad Discretion In Determining Whether The Proposed Project Serves The Public Convenience And Necessity............................................................... 1

III. The Caiso’s Updated Economic Analysis Is Sufficiently Robust To Demonstrate That The Proposed Project’s Benefits Will Outweigh Its Cost. .................................................. 3

IV. The Proposed Project Would Not Qualify For Interregional Cost Allocation. .......... 11

V. Conclusion....................................................................................................................... 16
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A.16-10-012

I. INTRODUCTION

Q1. Have you previously provided testimony in this proceeding?
A1. Yes, on December 20, 2019, I provided opening testimony supporting the need for Delaney-Colorado River Transmission, LLC’s (DCRT’s) Ten West Link 500 kV transmission project (Proposed Project). My educational and professional background and job responsibilities are detailed in my opening testimony.

Q2. What is the purpose of your rebuttal testimony?
A2. The purpose of my rebuttal testimony is to respond to certain assertions made by the California Public Advocates Office (Cal Advocates) in its opening testimony. Specifically, I address the following issues:

(1) The scope of the Commission’s review of the Proposed Project’s public convenience and necessity;
(2) The scope and propriety of the CAISO’s updated economic analysis of the Proposed Project produced for the purpose of this proceeding;
(3) Whether the Proposed Project is an interregional transmission project eligible for interregional cost allocation under the CAISO and neighboring transmission planning regions’ FERC Order 1000 tariffs.

II. THE COMMISSION HAS BROAD DISCRETION IN DETERMINING WHETHER THE PROPOSED PROJECT SERVES THE PUBLIC CONVENIENCE AND NECESSITY.

Q3: Do you agree with Cal Advocates assertion that it is “only appropriate to analyze the Proposed Project’s economic benefits and costs to ratepayers in the CAISO’s BAA”\(^1\) and conclusion that “the Commission limit its review to the Proposed Project’s purported economic production and capacity benefits”?\(^2\)

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\(^2\) Id., p. 1-8.
A3: No. Under Public Utilities Code Section 1001, the Commission reviews proposed transmission infrastructure investments to determine whether they serve the public convenience and necessity. The Commission is not limited to considering only those benefits that the CAISO considered in its tariff-defined process. Similarly, the Commission’s review is not limited to considering the CAISO’s 2014 Transmission Economic Assessment Methodology (TEAM) analysis. Furthermore, the CAISO’s 2014 review and approval process identified other potential benefits of the Proposed Project, in addition to the economic benefits identified at that time and notwithstanding the designation of the Proposed Project as an economic-driven project. I address each of these issues below.

First, an economic-driven project as set out in the CAISO’s transmission planning process may also provide non-economic benefits. In the transmission planning process, the CAISO conducts its economic studies after its reliability and policy studies in each annual planning cycle. An economic driven project may be a new solution, or may be an expansion or advancement of a previously-identified reliability or policy-driven solution.³

The CAISO identified potential policy and reliability benefits when it presented the Proposed Project for CAISO Board of Governor approval in 2014. The CAISO staff memo requesting approval of the Delaney-Colorado River Transmission Project at the July 2014 Board of Governors meeting also cited economic benefits, potential for policy benefits, and reliability benefits. In addition, the CAISO’s 2013-2014 Transmission Plan (attached to my initial testimony as Attachment A)⁴ provided details regarding the other reliability and policy benefits the Proposed Project could provide, and even more pointedly, noted that some of those benefits could ultimately result in higher overall

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³ CAISO tariff, Section 24.4.6.7 Economic Studies and Mitigation Solutions states, “The CAISO, in determining whether a particular solution is needed, shall also consider the comparative costs and benefits of viable alternatives to the particular transmission solution, including: (1) other potential transmission solutions, including those being considered or proposed during the Transmission Planning Process; (2) acceleration or expansion of any transmission solution already approved by the CAISO Governing Board or included in any CAISO comprehensive Transmission Plan, and (3) non-transmission solutions, including demand-side management.” (emphasis added)

benefits than the economic benefits quantified in the 2013-2014 Transmission Plan. This is particularly relevant given the benefits that have emerged over the intervening five years, as set out in the testimony of Mr. Yimer and Mr. Zhang.

Second, the benefits provided by the Proposed Project either presented by the CAISO or others in testimony are not limited to the benefits examined by the CAISO at the time the CAISO approved the Proposed Project. The range of benefits considered in the 2013-2014 transmission planning process do not limit the range of the benefits that the CAISO can present, or that the Commission can consider, in reviewing the need for the Proposed Project in this proceeding. As I explained in my initial testimony, it has been more than five years since the CAISO approved the Proposed Project. The passage of time and industry developments since then necessitate considering the full range of benefits the Proposed Project is now forecast to deliver.

Finally, even when considering only the economic benefits of the Proposed Project, the Commission is not restricted to considering only economic benefits identified by TEAM in this proceeding. The TEAM was developed for purposes of the CAISO assessing economic benefits of transmission projects for purposes under the planning process established in the CAISO tariff. However, nothing expressly precludes the CAISO or an applicant from identifying other project benefits in a Commission CPCN proceeding, and nothing expressly requires the Commission to consider only TEAM benefits and ignore other identified benefits.

III. THE CAISO’S UPDATED ECONOMIC ANALYSIS IS SUFFICIENTLY ROBUST TO DEMONSTRATE THAT THE PROPOSED PROJECT’S BENEFITS WILL OUTWEIGH ITS COST.

Q4. Please describe the CAISO’s general approach to the economic modeling conducted for the purpose of this proceeding.

A4. The CAISO performed a holistic economic analysis to assess the Proposed Project’s benefits. In the present case, this analysis consisted of updating the CAISO’s economic
modeling results using the most up-to-date resource planning and transmission system
data available at the time the testimony was prepared.

Q5. Do you agree with Cal Advocates’ assertion\(^5\) that the CAISO’s updated economic
benefit analysis is outdated because it is based on the 2017-2018 IRP assumptions
and results rather than the new 2019-2020 IRP assumptions and results?

A5. No. The 2017-2018 Preferred System Portfolio (2017-2018 PSP) remains the base case
for reliability and policy-driven analysis. In Decision 20-03-028, the Commission
requested that the CAISO use the 2017-2018 PSP\(^6\) as the reliability and policy-driven
base case for the purposes of the CAISO 2020-2021 transmission planning process
(TPP).\(^7\) In that same decision, the Commission requested that the CAISO use the 2019-
2020 Reference System Plan (2019-2020 RSP) only as a policy-driven sensitivity in the
CAISO 2020-21 TPP. This means that the resource portfolios used in the CAISO’s
analysis of the Proposed Project, which are based on the 2017-2018 IRP PSP, remain
current and correct for purposes of transmission and resource planning.\(^8\) Based on the
Commission’s direction, the 2017-2018 IRP PSP remains the appropriate portfolio to
assess future transmission infrastructure investments. Using the 2019-2020 RSP, as Cal
Advocates recommends, would not be appropriate because it is only a sensitivity case,
rather than a base case portfolio.

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\(^5\) Cal Advocates Opening Testimony, pp. 2-24. “Both the CAISO’s and the Applicant’s PCM are based on databases
with outdated assumptions. The Commission’s IRP process develops renewable portfolios that the CAISO uses in
its Transmission Planning Process to evaluate the need for reliability, policy, and economic-driven transmission.
The most recent IRP contains information that would change the CAISO’s and the Applicant’s modeling outcomes.”

\(^6\) With updates to the baseline and some generation locations as detailed in D.19-04-040.

\(^7\) See D.20-03-028, Ordering Paragraph No. 14, page 108, at
http://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M331/K772/331772681.PDF.

\(^8\) The CAISO notes that it corrected the 2017-2018 IRP PSP to enable the selection of Arizona resources, as
provided in Nebiyu Yimer’s Testimony on Behalf of the California Independent System Operator Corporation, A.16-
10-012, December 20, 2019. The Commission made this same correction in the 2019 IRP process.
Q6: Has the CAISO considered whether using the 2019-2020 RSP would dramatically change its economic assessment?

A6. Although the CAISO has not performed studies using the 2019-2020 RSP—which is only a sensitivity case per Decision 20-03-028—the CAISO does not believe using the 2019-2020 RSP would be likely to yield dramatically different results for the reasons set out in the concurrently filed rebuttal testimony of Mr. Yimer and Dr. Zhang.

In addition, as the California electricity system is transforming at a fast pace, the Commission and California Energy Commission are engaged in constant multi-year processes developing forecasts and plans used in transmission planning activities. It is not practical to update every study with every new piece of information that may become available through the study and approval process. Decisions to update study assumptions must be made deliberately based on material changes in circumstances, rather than baseless speculation. Acting to the contrary would paralyze the project approval process because the permitting timeline would never be completed before it was necessary to restart the study process.

Q7. Please respond to Cal Advocates’ claim that the CAISO’s analysis lacked sufficient sensitivity analyses.

A7. Cal Advocates suggests that the CAISO should have conducted the same sensitivity analyses that it previously conducted in the 2013-2014 transmission planning process as part of this proceeding. This is inappropriate and unnecessary because the CAISO’s economic study process has evolved over the years and, considering past experience, the CAISO has placed more emphasis on careful consideration of robust baseline assumptions rather than conducting a broader range of sensitivities. In the 2013-2014 transmission plan, the CAISO studied a broad range of sensitivities for informational purposes, but over time the CAISO found that the broad sensitivity analyses did not necessarily better inform decision-making as to whether or not to proceed with particular projects. As a result, the CAISO has reduced its economic sensitivity analyses in recent years.
This trend has been generally evident in subsequent years’ transmission plans, and in particular in the study and CAISO approval of economic-driven transmission projects in the 2017-2018 Transmission Plan and 2018-2019 Transmission Plan.

Cal Advocates testimony fails to consider these developments in the transmission planning process. In fact, Cal Advocates’ testimony appears to suggest that the CAISO did not approve economic transmission projects after the 2014-15 transmission planning cycle. Cal Advocates’ testimony\(^9\) represents that “To date, the CAISO approved five economic-driven transmission” projects, then proceeds to list projects that were approved up to the 2014-15 transmission planning cycle.\(^10\) However, the table ignores six additional economic-driven transmission projects that the CAISO approved in the 2017-18 and 2018-19 transmission plans. Those later approvals demonstrate the CAISO’s shift to studying a reduced number of sensitivity scenarios in its economic planning process. As I stated above, the CAISO review and approval processes for those projects generally focused on developing a robust set of baseline assumptions rather than numerous sensitivities.

As stated in the CAISO’s TEAM document:

> The current economic planning practice is the CAISO takes a practical approach to study sensitivities by varying critical assumptions depending on the data availability of the project under evaluation. …. It is worth noting that sensitivity studies can also be conducted in assessment of benefits other than the production benefit on case by case basis. The selection of sensitivities will depend on the particular project.\(^11\)

The CAISO conducted sensitivity studies to test different assumptions of natural gas prices and CO\(_2\) prices, which are critical for a project that has large impact on energy exchange between the CAISO and the rest of the western interconnection. In addition to

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\(^9\) Cal Advocates Opening Testimony, p. 2-2 “To date, the CAISO approved five economic-driven transmission projects.”

\(^10\) Id., Table 1, p. 2-3.

the sensitivities in production cost modeling (PCM), the CAISO also prepared
sensitivities considering different capacity benefits, which contributes to the total benefit
of the Proposed Project.

The purpose of conducting sensitivity studies is to test the robustness of the benefit
results. It does not require all sensitivities to show benefit-to-cost ratio greater than one
to approve a project as other more qualitative measures may also play a part. In
approving economic transmission solutions, the tariff provides that the CAISO must
“consider the degree to which, if any, the benefits of the transmission solutions outweigh
the costs,” rather than defining any specific quantitative benefit to cost threshold that
must be achieved. The CAISO’s decision to approve a transmission project is primarily
based on consideration of the baseline study, which represents the most likely scenario.
In the meantime, if some critical sensitivities showed the benefit-to-cost ratio much less
than 1.0, the CAISO can consider further investigation and reassessment. In any event,
this is not the case for the Ten West Link project, which produced a positive benefit-to-
cost ratio in all CAISO studies developed for this proceeding.

Q8. Please explain how the CAISO assesses Energy Imbalance Market (EIM) impacts in
its TEAM review.

A8. Cal Advocates claims that the CAISO failed to consider “impact of EIM as it relates to
the proposed project.” Generally speaking, for projects that are within the CAISO
controlled grid, the base case for economic assessment is conducted without the EIM
modeled. The TEAM documents states, “[t]he purpose of doing this is to avoid putting
CAISO’s ratepayers on risk if a transmission upgrade can only be justified economical
with EIM modeled.”

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12 CAISO Tariff, 24.4.6.7(d) Economic Studies and Mitigation Solutions, “In determining whether additional
transmission solutions are needed, the CAISO shall consider the degree to which, if any, the benefits of the
transmission solutions outweigh the costs.”
13 Cal Advocates Opening Testimony, p. 1-6 states, “Both the Applicant and the CAISO chose not to discuss or
evaluate the impact of EIM as it relates to the proposed project. Pushkar Wagle in his testimony discusses this issue
in his section.”
14 CAISO TEAM document Nov. 2, 2017, p. 32, at
The Proposed Project was approved as an internal project, i.e., a transmission upgrade fully funded by CAISO’s ratepayers through the transmission access charge. According to the CAISO’s TEAM, the CAISO does not consider the EIM model to assess the Proposed Project’s economic benefits, although EIM encourages energy exchange in the real time market and, as a result, increases use of transmission capacity of inter-ties thereby potentially increasing ratepayer’s benefits. The CAISO therefore took a relatively conservative approach in its transmission planning economic assessment by not considering the EIM model in its testimony in this proceeding.

The CAISO also notes that its PCM does not consider scheduling limits, which are another set of market related models that may impact the Proposed Project’s overall benefits. The CAISO considers scheduling limits in actual market operation, and these limits may cause congestion on the system. Modeling scheduling limits of branch groups in East of River and West of River corridors in production cost simulation potentially shows congestion on these branch groups in simulation results, and may increase the benefit of the Proposed Project. The CAISO took a conservative approach, however, and did not model any scheduling limits, reducing the Proposed Project’s benefits from what they otherwise might be in the CAISO’s analysis.

Instead, the CAISO modeled WECC path ratings, scheduled transmission maintenances and the corresponding transmission derate on path ratings based on historical data, which is consistent with CAISO’s transmission planning process.

Q9. Please respond to Cal Advocates’ assertion that the CAISO should have conducted its own Path Rating studies to assess the Proposed Project’s benefits.

A9. Cal Advocates claims that the CAISO should have conducted its own path rating studies instead of relying on the path rating studies led and conducted by the Applicant. Specifically, Cal Advocates states that “the CAISO should have conducted an independent investigation to at least verify the Applicant’s path rating studies rather than
taking the Applicant’s findings at their face value.”\textsuperscript{15} This assertion is incorrect and appears to ignore the nature of the Western Electricity Coordinating Council’s Path Rating Process.

The CAISO requested the Applicant to prepare the path rating studies, which is an extensive study, review, and comment process set out in the WECC Path Rating Process. One of the stated purposes of the path rating study process is to “provide a formal process for project sponsors to attain an -Accepted Rating and demonstrate how their Project will meet NERC Reliability Standards and WECC Criteria.”\textsuperscript{16} (emphasis added) It is only appropriate for the owner of the facilities to lead the process for the facilities they are sponsoring, especially as the process “[p]rovides new projects being integrated into the system with a Path rating, while recognizing protected ratings of other Paths.”\textsuperscript{17} Further, the path rating process was developed to establish, among other objectives, that “Accepted Ratings that have been reviewed by the WECC membership.”\textsuperscript{18} The CAISO is a member of WECC.

Accordingly, the Applicant is following the WECC Path Rating Process to establish the increase in the Path 46 and Path 49 Path Ratings associated with the Proposed Project. Pursuant to the WECC process the Applicant has formed a Project Review Group for the purpose of reviewing and approving the path rating studies performed by the Applicant. The CAISO and other WECC members are participants in the Project Review Group. In addition, the CAISO along with other WECC members participated in reviewing and commenting on the Phase 1 path rating base cases and the Phase 1 report.

\textsuperscript{15} Cal Advocates Opening Testimony, p. 2-20.
\textsuperscript{17} Id., p. 6.
\textsuperscript{18} Id., p. 6.
In summary, the Applicant has followed the correct WECC-based industry practices to assess path rating increases provided by the Proposed Project. Broad participation and stakeholder review, including input from the CAISO, is part of the path rating process. There is no basis, nor is there any need, to have parallel, duplicative path rating study processes led by the CAISO. Such a duplicative process would have been wasteful and confusing to other WECC members seeking meaningful participation in the coordinated study process.

Q10. Explain the CAISO’s role providing Cal Advocates with access to the CAISO’s production cost model and ABB’s GridView software.

A10. Cal Advocates’ testimony could be misinterpreted to suggest that the CAISO directed or oversaw Cal Advocates’ production cost modeling. To clarify, the CAISO employs commercially available and widely used software in its planning studies and the models employed in annual transmission planning processes. The CAISO used these same commercially available software to prepare its opening testimony and it made the underlying models available to parties subject to the appropriate nondisclosure agreements consistent with Commission’s Rules of Practice and Procure (Rule 10.4(d)(2)).

To avoid further lengthy and costly delays to this proceeding, the CAISO took the extraordinary step of contracting with ABB, the owner of the commercially available production cost modeling software used by the CAISO, as an external computing service to have Cal Advocates’ requested model runs produced under the direction of Cal Advocates, consistent with Rule 10.4(d)(3). This step was enabled by the cooperation of ABB and by the Applicant’s willingness to provide the funding for ABB’s study work. The CAISO limited its role solely to contracting with ABB and providing Cal Advocates with direct access to ABB. The CAISO was not involved in subsequent communications or producing Cal Advocates’ requested production cost modeling runs.
Notwithstanding this additional assistance provided to Cal Advocates, neither the CAISO, nor to my knowledge the Applicant, oversaw the work conducted by ABB for Cal Advocates.

Accordingly, the subsequent discussions Cal Advocates may have had with the Applicant and/or ABB to reduce the initial scope of the studies conceived by Cal Advocates upon Cal Advocates’ learning of the actual workload and timelines that the Cal Advocates’ initial requests entailed in performing these types of studies was not the result of direction from the CAISO.

IV. THE PROPOSED PROJECT WOULD NOT QUALIFY FOR INTERREGIONAL COST ALLOCATION.

Q11. Please briefly explain the CAISO’s Interregional Transmission Coordination Process.

A11. FERC Order No. 1000 broadly reformed the regional planning and interregional coordination processes of public utility transmission providers and adopted certain reforms to the electric transmission planning and cost allocation requirements for public utility transmission providers. FERC Order No. 1000 required improved coordination across neighboring regional transmission planning processes through procedures for joint evaluation and sharing of information among established FERC Order No. 1000 transmission planning regions. These additional reforms affected the CAISO’s existing regional transmission planning process and resulted in the CAISO collaborating more closely with neighboring transmission utility providers and western planning regions (WPRs)\textsuperscript{19} across the western interconnection to develop a coordinated process for considering interregional projects. These regional and interregional reforms were designed to work together to ensure an opportunity for more transmission projects to be

\textsuperscript{19} Transmission planning regions established under Order No. 1000 within the Western Interconnection are CAISO, NorthernGrid, and WestConnect.
considered in regional transmission planning processes on an open and non-discriminatory basis both within each WPR and across multiple WPRs.

In compliance with Order No. 1000, the CAISO and other WPRs (1) developed a procedure to coordinate and share the results of their planning region’s regional transmission plans to provide greater opportunities for the WPR to identify possible interregional transmission facilities that could address regional transmission needs more efficiently or cost effectively than separate regional transmission facilities; (2) developed a formal procedure to identify and jointly evaluate transmission facilities that are proposed to be located in two or more WPRs; (3) established a formal agreement to exchange among the WPRs, at least annually, their planning data and information; and finally (4) developed and maintained a mechanism for the communication of information related to the interregional transmission coordination process.

On balance, the CAISO fulfills these requirements by following the processes and guidelines documented in its Business Practice Manual for the Transmission Planning Process and through its development, implementation, and coordination of the process with the other WPRs.

As part of its TPP, the CAISO provides a submission window during which proponents may submit their Interregional Transmission Projects (ITPs) into the CAISO’s annual planning process within the current interregional coordination cycle. This window is aligned with the submission windows of other WPRs. The submission window is open from January 1st through March 31st of every even numbered year. ITP submittals must indicate whether or not they are seeking cost allocation from the WPR to which they are proposing to interconnect, list all WPRs that they have submitted their ITP to, and include specific technical and cost information for the CAISO to consider during its validation/selection process of the ITP. In order for the CAISO to consider a proponent’s

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CORPORATION
A.16-10-012

project as an ITP, it must have been submitted to and validated by at least one other
WPR. Once the validation process has been completed, each WPR is then considered to
be a Relevant Planning Region. The WPRs are not required to have, and do not have, the
same validation processes for accepting ITPs as they are consistent with the regional
planning process of the WPR.

Once the submittal and validation process has been completed, the CAISO shares its
planning data and information with the other relevant planning regions and develops a
coordinated evaluation plan for each ITP to be considered in its regional planning
process. Once the evaluation plans are completed, then each relevant planning region
considers the proposed ITP in its regional planning processes. The process to evaluate an
ITP can take up to two years where an “initial” assessment is completed in the first or
even year and, if appropriate, a final assessment is completed in the second or odd year.
The assessment of an ITP in a WPR’s regional process continues until a determination is
made whether the ITP will or will not meet a regional need within that WPR. If a WPR
determines that an ITP will not meet a regional need within its region, no further
assessment of the ITP by that WPR is required. Throughout this process, as long as an
ITP is being considered by at least two relevant planning regions, it will continue to be
assessed as an ITP for cost allocation purposes; otherwise, the ITP will no longer be
considered within the context of Order No. 1000 interregional cost allocation. However,
if one or more WPRs remain interested in considering the ITP within its regional process
even though it is not on the path of interregional cost allocation, it may do so with the
expectation that the WPR(s) will continue some level of continued cooperation with other
WPRs and with WECC and other WECC processes to ensure all regional impacts are considered.

Q12. Do you agree with Cal Advocates’ assessment that the Proposed Project is an Interregional Project that should have been submitted to WestConnect for cost allocation?

A12. No, the CAISO disagrees with this assertion as it is not consistent with WestConnect’s FERC-approved regional planning process. In fact, even after WestConnect established its ITP tariff framework, the Proposed Project was not eligible for submission into the WestConnect process. Neither the Applicant nor the CAISO had an opportunity to submit the Proposed Project to WestConnect’s interregional transmission planning process for cost allocation purposes because WestConnect has never, to date, identified any regional transmission needs that could be met through an ITP as required by the WestConnect tariff provisions.

The WestConnect planning region, unlike the CAISO, is not a single legal entity with a FERC-approved tariff in place governing terms and conditions of its regional planning process. Instead, each member of WestConnect applied individually for the same tariff provisions. Also, each WPR has their own regional planning processes and parameters for assessing the benefits of both regional and interregional transmission projects. FERC Order 1000 requires parties to have coordinated processes including the sharing of common study assumptions, but does not require parties to have the same economic study basis for assessing ITPs as their neighbors.

BPM). The WestConnect BPM requires that ITPs may only be submitted for cost allocation purposes as an alternative to meet a regional need already identified at an earlier stage in the WestConnect planning process.

As part of WestConnect’s 2016-17 and 2018-19 interregional planning processes, WestConnect released a Regional Transmission Needs Assessment Report finding no regional transmission needs within the WestConnect region. In the most recent 2019 Regional Transmission Needs Assessment Report, the WestConnect Planning Management Committee (PMC) specifically noted that it would “not collect transmission or non-transmission alternatives for evaluation as there are no regional transmission needs to evaluate the alternatives against.”

Accordingly, because of the WestConnect PMC’s final determination that no regional transmission needs were identified in the 2016-2017 and 2018-2019 regional planning processes, there was no opportunity for ITPs to be proposed as alternatives to the regional transmission needs. Consistent with WestConnect’s FERC-approved regional planning process, there was no opportunity for the CAISO or the Applicant to request interregional cost allocation for the Proposed Project from WestConnect as there were no identified regional needs for which the Proposed Project could be an alternative.

Based on this information, it is clear that the Proposed Project was not eligible for cost allocation from neighboring planning regions. The Commission should reject Cal Advocates’ contentions to the contrary.

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21 The WestConnect BPM describes the WestConnect regional transmission planning process as consisting of seven primary steps. Each of these primary steps is completed across an established timeline for WestConnect’s biennial planning cycle, See Figure 4, https://doc.westconnect.com/Documents.aspx?NID=17155


V. CONCLUSION

Q13. Does this conclude your testimony?
A13. Yes, it does.