
Stakeholder Overview
July 15, 2020
Background

- Forecasting tool developed for the 2012-2013 Transmission Plan in response to concerns over increasing upward pressure on transmission costs.
  - Replacing aging infrastructure
  - Complying with NERC planning standards
  - Meeting California energy policy goals
- Goal is to estimate future high voltage transmission access costs in an objective and transparent manner.
  - Strike a balance of top down estimates with bottom up details
  - Provides transparency to costs related to reliability, policy, and economic driven projects
  - Establish a baseline and allows the flexibility to customize each future project individually
  - Is not a precise forecast of any individual PTO’s revenue requirement or any individual project’s revenue requirement
The Forecasting Tool has been updated by:

1. Reviewing comments received on last year’s model
2. Establishing a Solid Foundation – January 1, 2020
   - The model reflects current gross plant data
   - Uses reasonable assumptions for costs associated with non-ISO capital and O&M
   - Includes other important factors such as depreciation, taxes, and capital costs
3. Adding the Costs of Forecast Capital Additions
   - Costs of Capital
   - Treatment of Construction Work in Progress
   - Financing and Tax Structure
   - Estimated Incremental O&M
Model and modeling assumptions essentially unchanged from previous years:

- O&M costs escalated at 2% per year.
- Non-ISO capital estimated at 2% of gross plant per year.
- Only major GIP-driven network projects have been identified.
- No adjustment made (yet) for other GIP-driven network upgrades or future ADNUs.
- “Typical” return and depreciation rates applied.
A modest increase in capital was approved in the 2019-2020 plan relative to the four previous years:
Regional high voltage transmission access charge projection trended from January 1, 2020 values:

* Existing returns are maintained for existing PTO rate base, and 11% return on equity is assumed for new transmission capital.
Compared to the 2018-2019 model:

- The 2019-20 projections are higher than 2018-19 projections which is primarily attributable to:
  - Lower starting Gross load (GWh) for IOUs in the 2019-2020 model as compared to 2018-2019 model
  - Adjusted Gross load growth from -0.3% to -0.05%
  - Higher starting TRR requirement
- TAC projection trend similar to last years projection.
Next Steps

• Continue to refine assumptions and costs based on comments received for use in the 2020-2021 transmission plan

• Provide incremental annual updates as part of the annual transmission planning process

• Stakeholder comments on the model are due July 29, 2020 to regionaltransmission@caiso.com