COMMENTS OF BLYTHE ENERGY INC. ON THE DRAFT 2015-2016 STUDY PLAN

AND

ECONOMIC PLANNING STUDY REQUEST

March 9, 2015

Submitted By	Company	Date Submitted
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Blythe Energy Inc. ("Blythe") appreciates the opportunity to provide the following comments concerning the draft 2015-2016 Study Plan and the Stakeholder Meeting held on February 23, 2015. Blythe's comments focus on the proposed Buck-Colorado River-Julian Hinds 230 kV Loop-In Project ("Loop-In Project").

Blythe submitted the Loop-In Project into the request window for the 2014-2015 Transmission Planning Process ("TPP"). As outlined in that submission, in addition to numerous reliability benefits, the Loop-In Project provides a significant economic benefit. In its March 3, 2015 comments on the draft 2014-2015 Transmission Plan, Blythe urged the ISO to approve the Loop-In Project as part of the 2014-2015 Transmission Plan. However, in the event that the ISO fails to do so, Blythe requests that the ISO conduct an Economic Planning Study of the Loop-In Project to fully evaluate the economic benefits the Loop-In Project will provide, and approve the Loop-In Project in the 2015-2016 TPP.

I. Background

Blythe owns the Blythe Energy Project ("BEP"), a 520 megawatt generating facility located in the City of Blythe in Riverside County. When it originally commenced commercial operation in December 2003, BEP interconnected to the WAPA system. Subsequently, however,

BEP financed and constructed a 67-mile 230 kV generation tie line to the Southern California Edison/Metropolitan Water District Julian Hinds substation.

Though the gen-tie line enhanced BEP's ability to deliver its full capacity to the ISO system, reliability issues involving voltage control and overloads at the Mirage and Julian Hinds substations exist under certain operating conditions and contingencies.

Southern California Edison's ("SCE") 2014 Annual Transmission Reliability Assessment identified that exceedingly high voltages could result in circumstances where Metropolitan Water District ("MWD") pumps and BEP are both off-line. To address this contingency, SCE developed GCC Operating Procedure No. 128. Under the current version of the Procedure, the Buck Blvd. breaker would be opened at Julian Hinds to take the BEP gen-tie off-line to address the high voltage issue.

SCE's implementation of the Operating Procedure has significant operational and financial impacts on BEP. SCE has taken the position that BEP is not available when it opens the Buck Blvd. breaker at Julian Hinds. While not conceding the point, if BEP is deemed unavailable when the breaker is opened, it would result in significant financial consequences to BEP under its power purchase tolling agreement with SCE.

To address the high voltage and other issues, Blythe submitted the Loop-In Project into the Request Window for the 2014-2015 TPP. The Loop-In Project consists of segmenting Blythe's existing gen-tie line and connecting each segment to the Colorado River Switching Station, creating a "loop" between the Colorado River Switching Station 500 kV system and the 230 kV system to the Devers substation, and a new BEP gen-tie that would interconnect at the Colorado River Switching Station.

Reliability studies conducted in the 2014-2015 TPP confirmed the existence of high voltage issues when MWD pumps and BEP are both off-line. However, the draft 2014-2015 Transmission Plan recommends that Operating Procedure No. 128 be used to mitigate that issue. (Draft Transmission Plan at 2.7.4.4, p. 117.) The draft 2014-2015 Transmission Plan concludes that because the Operating Procedure will address the high voltage issue, the Loop-In Project does not address any reliability need. (Draft Transmission Plan at 2.7.4.3, p. 117.)

However, the Loop-In Project provides additional reliability benefits not considered in the draft 2014-2015 Transmission Plan, including supporting MWD pumping operations by eliminating the need for the Julian Hinds RAS, which in certain circumstances would drop MWD pump load; and improving the stability of SCE's 230 kV system east of Devers by mitigating overloads and voltage issues occurring during N-1 and N-2 conditions. Recently, the ISO has been forced to rely on exceptional dispatch to address high voltage issues on SCE's 230 kV system.

In addition to the reliability benefits, the Loop-In Project also provides significant economic benefits, and also supports public policy goals identified in the draft 2015-2016 Study Plan. Blythe requests that, in the event that the Loop-In Project is not approved in the 2014-2015 Transmission Plan, that the ISO include the Loop-In Project in its Economic Planning Study to confirm the economic benefits of the Loop-In Project, and approve the Loop-In Project in the 2015-2016 TPP.

II. The Loop-In Project Would Provide Significant Economic Benefits

As part of Blythe's Request Window submission, ZGlobal conducted an analysis of the expected economic benefits for the Loop-In Project, using the same Transmission Economic Analysis Methodology ("TEAM") used by the ISO to conduct its own economic planning studies

in the TPP. That analysis showed that the total reliability and economic benefits would be approximately $33.7 million, with production cost benefits of over $15 million.

ZGlobal also calculated the transmission revenue requirement ("TRR") for the Loop-In Project, using the methodology provided in the FERC Cost-of-Service Manual. The annual TRR for the Loop-In Project is expected to be $18.9 million. The expected net benefit of the Loop-In Project is therefore more than $14.3 million in the first year alone, with a cost-benefit ratio of 1.8. By comparison, the cost-benefit ratio for the Delaney-Colorado River Project, approved by the ISO Board last year after the adoption of the Final Transmission Plan, had a maximum cost-benefit ratio of 1.17. The fact that the vast majority of the Loop-In Project is already constructed also provides significant benefits, and cost certainty, to customers, as well as minimizing the environmental impacts and permitting timelines associated with constructing new transmission lines.

Overall, the expected present value of the net benefits from the Loop-In Project would be approximately $278 million.

III. The Loop-In Project Supports State Policy Goals

In addition to the economic benefits it provides, the Loop-In Project also supports achievement of both public policy goals identified in the draft 2015-2016 Study Plan: (1) achieving the 33% RPS on an annual basis, and (2) supporting RA deliverability status for needed renewable resources outside the ISO balancing authority area.

Currently, the Eastern Riverside County 500 kV transmission corridor from Devers to Palo Verde is constrained due to overload on the North Gila-Imperial Valley-ECO 500 kV corridor. Any additional renewable generation located in Eastern Riverside County may require major and expensive transmission upgrades. The RPS portfolios prepared by the California

Public Utilities Commission ("CPUC") for the 2014-2015 TPP identified between 1,400 to 3,800 MWs of renewable generation to be developed in Eastern Riverside. Though the CPUC has not yet submitted its RPS portfolios for the 2015-2016 TPP, they will contain the same numbers for Eastern Riverside. (Mar. 4, 2015 Assigned Commissioner Ruling in R.13-12-010, Attach. 1 at 45.) The Loop-In Project would increase deliverability from and through SCE's Eastern Bulk system, thereby allowing additional deliverability from renewable projects in both Eastern Riverside and western Nevada.

The draft 2015-2016 Study Plan also includes a proposal to conduct a special study to evaluate the potential transmission needs to meet a 50% renewable energy goal. As the plan notes, Governor Brown recently announced a 50% renewable energy goal, though it is not yet a formal state requirement. In fact, in addition to the Governor's announcement, on February 26, 2015, the CPUC opened a new RPS proceeding that will, among other things, evaluate whether the CPUC should increase the current 33% RPS, pursuant to the authority granted it in AB 327 (R.15-02-020).

The draft 2015-2016 Study Plan states that it would be premature to approve any projects associated with a higher RPS in the 2015-2016 TPP in part because the 50% goal has a target date of 2030, outside of the planning horizon for the next TPP. It is worth noting, however, that a 50% goal would require significant increases in RPS generation well before the target date of 2030, including increases well within the study horizon of this TPP. A linear increase of the RPS from 33% in 2020 to 50% in 2030 would require an RPS of over 40% by 2025.

Given the likely growth in RPS generation in California, it becomes that much more important that the CAISO give serious consideration to projects like the Loop-In Project, which will support California's efforts to achieve the 33% RPS in 2020.

IV. Conclusion

Blythe's Loop-In Project would provide significant reliability and economic benefits, and supports the State policy goals that the ISO identified in the 2015-2016 draft Study Plan. The Project will eliminate voltage issues and overloads in SCE's 230 kV system east of Devers, and will provide net economic benefits of $14.3 million in the first year alone. The net economic benefits over the 40 year life of the Project are likely to be over $755 million. In light of these benefits, Blythe requests that the ISO conduct an economic study to confirm the benefits of the Loop-In Project, should the ISO fail to approve the Loop-In Project in the 2014-2015 Transmission Plan.