



Department of Energy
Office of Science
Berkeley Site Office
Lawrence Berkeley National Laboratory
1 Cyclotron Road, MS 90-1023
Berkeley, California 94720

FEB 04 2008

Mr. Stephen Greenleaf
Director of Regional Market Initiatives
California Independent System Operator
151 Blue Ravine Road
Folsom, CA 95630

Dear Mr. Greenleaf:

The U.S. Department of Energy, Office of Science, Berkeley Site Office (DOE/BSO) provides the following comments to the California Independent System Operator (CAISO) on its January 22, 2008, draft "Proposed Tariff Changes Adding Detail on Integrated Balancing Authority Area (IBAA) Modeling and Pricing." These comments are offered in response to the CAISO's January 29, 2008, request. Many of DOE/BSO's general concerns were summarized in our November 14, 2007, letter to Mr. Charles King, Vice President of Market Development and Program Management. The following comments focus on a particularly critical implication of the IBAA proposal that has only recently come to light as a result of discussions with CAISO staff.

DOE/BSO is responsible for providing energy to three DOE facilities in the San Francisco Bay Area that are interconnected with the CAISO grid. A large portion of the energy used to serve these loads is procured in the Pacific Northwest and transmitted to the CAISO/WAPA interface at Tracy via the California Oregon Transmission Project (COTP), for transmission to the loads over the CAISO grid. DOE/BSO's long-term, firm rights to the COTP were provided to DOE in 1984 by the U.S. Congress in PL 98-360. These rights confer upon the DOE laboratories significant value in the form of reduced electric power costs.

Based on recent conversations with CAISO staff, it is now our understanding that, under the CAISO's proposal, DOE/BSO will be required to settle these Pacific Northwest transactions at Captain Jack or the new Western Hub rather than at the Tracy 500 kV bus. That will subject DOE/BSO to congestion charges, calculated by the CAISO, on a transmission facility that is not part of the CAISO grid, and will serve to significantly undermine the value of DOE/BSO's rights to the COTP that were provided by Congress.

To exacerbate the problem, this new proposal is being made well after the CAISO completed its nomination and allocation process for Congestion Revenue Rights (CRRs). Consequently, DOE/BSO does not hold CRRs that can effectively hedge against the congestion costs that the

CAISO may calculate to apply to Captain Jack, ensuring that the full value of DOE/BSO's rights to the COTP cannot be realized.

Given DOE/BSO's concerns, we urge the CAISO to reconsider its proposal to force entities such as DOE/BSO to settle its Pacific Northwest purchases at Captain Jack rather than permitting these transactions to be settled at the Tracy 500 kV bus.

Sincerely,

A handwritten signature in black ink, appearing to read "Hemant Patel", with a long horizontal flourish extending to the right.

Hemant Patel
Electric Power Services Manager