

Stakeholder Comments Template

Submitted by	Company	Date Submitted
Jesse E. Cowell (503) 241-7242 jec@dvclaw.com Bradley G. Mullins (503) 954-2852 brmullins@mwanalytics.com	The Industrial Customers of Northwest Utilities (“ICNU”)	June 22, 2016

Please use this template to provide written comments on the Clean Energy and Pollution Reduction Act Senate Bill 350 (SB350) Study initiative posted on April 25, 2016.

Please submit comments to regionalintegration@caiso.com by close of business
June 22, 2016

Materials related to this study are available on the ISO website at:
<http://www.caiso.com/informed/Pages/RegionalEnergyMarket/BenefitsofaRegionalEnergyMarket.aspx>

Please use the following template to comment on the key topics addressed in the workshop.

1. Are any of the study results presented at the stakeholder workshop unclear, or in need of additional explanation in the study’s final report?
<p>Comment:</p> <p align="center">ICNU appreciates the California Independent System Operator’s (the “ISO”) efforts in preparing presentations on the preliminary SB 350 study results, and found the presentation well-organized and informative. ICNU’s comments below address issues of substantive focus aimed at wider regional interests.</p>
2. Please organize comments on the study on the following topic areas: <ul style="list-style-type: none"> a. The 50% renewable portfolios in 2030 b. The assumed regional market footprint in 2020 and 2030 c. The electricity system (production simulation) modeling d. The reliability benefits and integration of renewable energy resources e. The economic analysis f. The environmental and environmental justice analysis
<p>Comment:</p> <p align="center">As ICNU’s comments are essentially aimed at broader considerations associated with potential regional transformation, they are provided below.</p>
3. Other
<p>Comment:</p> <p>ICNU appreciates this opportunity to comment on the ISO’s presentations of preliminary SB 350 study results. ICNU is an incorporated, non-profit association of large electric consumers in the Pacific Northwest, with membership that includes many large customers of PacifiCorp and other potential new Participating Transmission Owners (“PTOs”) considering integration into the ISO. Accordingly, ICNU is interested in the SB 350 study process and the potential transformation of the present ISO into a Regional System Operator (“RSO”).</p> <p>At this point, ICNU has not necessarily concluded that integration into the ISO of PacifiCorp or any other particular entity will be beneficial to large power consumers. In order to form such a conclusion, it would be necessary to find, among other things, that: 1) joining the market will result in no harm to customers of PacifiCorp or other potential new PTOs; and 2) any incremental benefits associated with the market are shared equitably between market participants. ICNU looks forward to further SB 350 analysis and discussion in related initiatives associated with potential RSO formation.</p>

Through SB 350, the California Legislature has explicitly stated that RSO “transformation should only occur where it is in the best interests of California and its ratepayers.”^{1/} Plainly, California interests must be the first consideration in the SB 350 study process. As a stakeholder representing interests outside of California, however, ICNU strongly encourages the ISO and all participants in this initiative to also devote considerable attention to the interests of other states and their ratepayers.

In short, a regional ISO transformation will be unlikely to succeed if the current SB 350 study process does not also demonstrate that it is in the interests of the wider region to partner with California. For example, in its presentation summarizing preliminary SB 350 study results, the ISO noted that RSO transformation will provide “access to the larger footprint under a single, regional transmission tariff.”^{2/} But, in order to obtain true regional buy-in on a regional tariff, more work needs to be done. ICNU has actively participated in ISO initiatives specifically aimed at potential tariff changes. However, these initiatives have not supplied the fundamental demonstration of regional benefits that states and ratepayers outside California will require in order to support the formation of an RSO. Accordingly, this SB 350 study process could also be an appropriate forum for a demonstration of region-wide benefits.

If PacifiCorp integrates into the ISO, then annual California ratepayer savings are estimated at \$55 million/year, or 0.1% of retail rates in 2020.^{3/} Assuming a comparable estimate for PacifiCorp ratepayers, ICNU has serious concerns about what appears to be a slight 0.1% benefit margin for the first year of the RSO. This implicates a potentially substantial risk that integration costs could exceed near-term benefits, absent focus on protective measures to ensure that joining the RSO market will not harm PacifiCorp ratepayers. The near-term risk is especially pronounced for PacifiCorp ratepayers in the Pacific Northwest, given that PacifiCorp successfully opposed customer efforts to reflect rate benefits of the Energy Imbalance Market (“EIM”) during the first year of PacifiCorp’s participation in the EIM.^{4/}

ICNU acknowledges the estimates of far greater California ratepayer benefits by 2030, if an RSO is formed.^{5/} Presumably, ratepayers of PacifiCorp and other potential new PTOs outside California would also be estimated to increase benefits in similar fashion. Yet, from ICNU’s perspective, even significant benefit estimates in 2030 are too remote and speculative to justify overlooking a narrow benefit margin and more certain risk in the near term. ICNU points this out not to impede the continued consideration of RSO formation, but to emphasize the need to provide assurances to the wider region that integration into the ISO will not result in ratepayer harm.

^{1/} California Public Utilities Code § 359.5(a).

^{2/} Clean Energy and Pollution Reduction Act Senate Bill 350 Study: *Summary of Preliminary Results* at 3 (May 23, 2016).

^{3/} *Id.* at 7.

^{4/} *Washington Utilities and Transportation Commission (“WUTC”) v. Pacific Power*, WUTC Dockets UE-140762 *et al.*, Order 08 at ¶¶ 81-89 (Mar. 25, 2015).

^{5/} Clean Energy and Pollution Reduction Act Senate Bill 350 Study: *Summary of Preliminary Results* at 7-8 (May 23, 2016).

Similarly, ICNU does not necessarily discount the “potential additional benefits” across the West, which have not been quantified in the preliminary SB 350 study results.^{6/} That said, the same concerns apply to “potential” benefits that are admittedly “not quantified.” If PacifiCorp follows through on plans to seek state approval for ISO integration in 2017, as currently anticipated, ICNU members and all other PacifiCorp ratepayers may soon have to weigh the certain risk of a narrow RSO benefits margin in the foreseeable future, against hopes of what could potentially occur to produce indeterminate benefits. Needless to say, ICNU members and presumably all PacifiCorp ratepayers will probably require more definite benefits evidence to support RSO formation, which this SB 350 study process may be ideally suited to provide. Again, ICNU understands that this initiative must first concern itself with California ratepayer benefits, but California will eventually need to persuade other states that regional ratepayer interests are aligned with RSO formation.

^{6/} Id. at 9.