

Stakeholder Comments Template

Transmission Access Charge Options

February 10, 2016 Straw Proposal & March 9 Benefits Assessment Methodology Workshop

Submitted by	Company	Date Submitted
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The ISO provides this template for submission of stakeholder comments on the February 10, 2016 Straw Proposal and the March 9, 2016 stakeholder working group meeting. Section 1 of the template is for comments on the overall concepts and structure of the straw proposal. Section 2 is for comments on the benefits assessment methodologies. As stated at the March 9 meeting, the ISO would like stakeholders to offer their suggestions for how to improve upon the ISO's straw proposal, and emphasizes that ideas put forward by stakeholders at this time may be considered in the spirit of brainstorming rather than as formal statements of a position on this initiative.

The straw proposal, presentations and other information related to this initiative may be found at: <http://www.caiso.com/informed/Pages/StakeholderProcesses/TransmissionAccessChargeOptions.aspx>

Upon completion of this template please submit it to initiativecomments@caiso.com. Submissions are requested by close of business on **March 23, 2016**.

Section 1: Straw Proposal

1. The proposed cost allocation approach relies on the designation of "sub-regions," such that the current CAISO BAA would be one sub-region and each new PTO with a load service territory that joins the expanded BAA would be another sub-region. Please comment on the proposal to designate sub-regions in this manner.

PacifiCorp supports this proposal that each new PTO be treated as a distinct sub-region and believes that it addresses concerns raised in PacifiCorp's earlier comments in response to the Issue Paper about undue cost shifts that would result from any blending of

existing transmission revenue requirements of the current CAISO BAA and any new PTO joining the regional ISO.

2. The proposal defines “existing facilities” as transmission facilities that either are already in service or have been approved through separate planning processes and are under development at the time a new PTO joins the ISO, whereas “new facilities” are facilities that are approved under a new integrated transmission planning process for the expanded BAA that would commence when the first new PTO joins. Please comment on these definitions.

PacifiCorp supports this proposal and offers a clarification and refinement of the proposed defined terms in the following response for consideration, particularly as the ISO considers the development of formal definitions for purposes of new tariff provisions.

Rather than draw a distinction between “existing” and “new” facilities, PacifiCorp proposes definitions below that would distinguish between “sub-regional” and “regional” facilities following the establishment of the regional ISO, taking into account a definition for “legacy facilities” which would otherwise be considered “existing” facilities under the definition in CAISO’s straw proposal. For cost allocation purposes, “sub-regional facilities” would be allocated based on a license plate approach to the sub-region in which the facilities are located (as described on page 14 of the CAISO’s straw proposal under item #1), whereas “regional facilities” would be eligible for cost allocation across more than one sub-region according to the appropriate benefit methodology for that project type.

PacifiCorp believes the definitions provided for consideration below would help clarify terminology in instances where, for example, “new facilities” (as presently defined in CAISO’s straw proposal) are planned and approved following the establishment of the regional ISO but are not eligible for regional cost allocation if they do not meet the criteria proposed for “new regional facilities.” The cost for these facilities would be allocated on a license plate basis to the sub-region in which the facilities are located even though they would be considered “new facilities.”

PacifiCorp also recommends the addition of the definition for Necessary Lower Voltage Facilities and the inclusion of these facilities for regional cost allocation along with the supported “Regional Facilities,” consistent with the construct applied by PJM and discussed at CAISO’s March 9 stakeholder workshop.

The proposed definitions below attempt to further clarify that only Regional Facilities and Necessary Lower Voltage Facilities would be eligible for regional cost allocation upon the establishment of the regional ISO.

- Legacy Facilities – an entity’s existing facilities that are either in-service at the time of joining the regional ISO or that have been approved in the entity’s separate planning process with scheduled in-service dates. Costs for Legacy Facilities remain in each sub-region’s existing transmission revenue requirement.

- Sub-regional Facilities – an entity’s transmission facilities that are part of the expanded transmission planning process under the regional ISO and do not meet the criteria outlined for Regional Facilities. Costs for Sub-regional Facilities are allocated on a license plate basis solely to the sub-region in which the facility is located.
 - Regional Facilities – an entity’s transmission facilities that are planned and approved under the transmission planning process for the regional ISO and meet at least one of the following three threshold criteria: (a) rating > 300 kV, or (b) increases interchange capacity between sub-regions, or (c) increases inertia capacity between the expanded BAA and an adjacent BAA. This category could include a project that was being considered as an “inter-regional” project prior to the new PTO joining the regional ISO and that subsequently meets the preceding criteria and is approved and adopted as part of the expanded transmission planning process for the regional ISO. Regional Facilities are eligible for cost allocation to multiple sub-regions pursuant to the benefit methodology for that project type. Regional Facilities include Necessary Lower Voltage Facilities and do not include Legacy Facilities.
 - Necessary Lower Voltage Facilities – an entity’s transmission facilities that are below the voltage criteria limit for Regional Facilities but that must be constructed to support Regional Facilities included in the regional ISO transmission plan.
3. Using the above definitions, the straw proposal would allocate the transmission revenue requirements (TRR) of each sub-region’s existing facilities entirely to that sub-region. Please comment on this proposal.

PacifiCorp supports this proposal. See response to item #1 above.

4. If you believe that some portion of the TRR of existing facilities should be allocated in a shared manner across sub-regions, please offer your suggestions for how this should be done. For example, explain what methods or principles you would use to determine how much of the existing facility TRRs, or which specific facilities’ costs, should be shared across sub-regions, and how you would determine each sub-region’s cost share.

PacifiCorp does not agree that the TRR of existing facilities (those that PacifiCorp is proposing to clarify as Legacy Facilities) should be allocated across sub-regions. See response to item #1 above.

5. The straw proposal would limit “regional” cost allocation – i.e., to multiple sub-regions of the expanded BAA – to “new regional facilities,” defined as facilities that are planned and approved under a new integrated transmission planning process for the entire expanded BAA and meet at least one of three threshold criteria: (a) rating > 300 kV, or (b) increases interchange capacity between sub-regions, or (c) increases inertia capacity between the expanded BAA and an adjacent BAA. Please comment on these criteria for

considering regional allocation of the cost of a new facility. Please suggest alternative criteria or approaches that would be preferable to this approach.

PacifiCorp supports the criteria outlined in this proposal with the addition of Necessary Lower Voltage Facilities as described in response to item #2 above.

6. For a new regional facility that meets the above criteria, the straw proposal would then determine each sub-region's benefits from the facility and allocate cost shares to align with each sub-region's relative benefits. Without getting into specific methodologies for determining benefits (see Section 2 below), please comment on the proposal to base the cost allocation on calculated benefit shares for each new regional facility, in contrast to, for example, using a postage stamp or simple load-ratio share approach as used by some of the other ISOs.

PacifiCorp appreciates the information provided by CAISO in regard to the approaches to cost allocation taken by other ISOs and RTOs for regional cost allocation. As discussed further in Section 2 below, PacifiCorp believes there is merit to and clear precedent for applying a postage stamp or simple load ratio share approach for cost allocation that should be considered for public policy projects. PacifiCorp also believes that there is value in maintaining use of the CAISO's TEAM production cost modeling methodology for determining benefits and subsequently, regional cost allocation for reliability and economic projects.

7. The straw proposal says that when a subsequent new PTO joins the expanded BAA, it may be allocated shares of the costs of any new regional facilities that were previously approved in the integrated TPP that was established when the first new PTO joined. Please comment on this provision of the proposal.

PacifiCorp supports this concept and believes that a new PTO joining the regional ISO is a reasonable trigger for recalculating benefit and cost shares for Regional Facilities. Please see response to item #8 below. It is important to emphasize that the new PTO should not automatically be allocated shares of the costs of Regional Facilities absent the benefit methodology recalculation demonstrating that the new PTO is receiving quantifiable benefits from those Regional Facilities (see response to item #2 above for proposed revisions to definition of "Regional Facilities").

8. The straw proposal says that sub-regional benefit shares – and hence cost shares – for the new regional facilities would be re-calculated annually to reflect changes in benefits that could result from changes to the transmission network topology or the membership of the expanded BAA. Please comment on this provision of the proposal.

PacifiCorp does not support the proposal for an automatic annual recalculation of benefit and cost shares for Regional Facilities. PacifiCorp believes that such a requirement would be impracticable and create unnecessary complexities and uncertainties with the cost allocation of Regional Facilities. As an alternative, to ensure that the cost allocation of Regional Facilities is appropriate, PacifiCorp recommends that recalculation occur based

on certain defined triggering events, such as a new PTO joining the regional ISO. If the span of time from the initial calculation to a triggering event for a recalculation is a concern, PacifiCorp suggests that the requirement could include language such that a recalculation would occur upon the earlier of 1) the triggering event occurring or 2) a set time interval, such as every five years. It is important to note that recalculation of benefits and costs would only apply to Regional Facilities with previous regional cost allocation and not to the costs of Sub-regional Facilities already allocated on a license plate basis to the sub-region in which the facilities are located (see response to item #2 above for proposed definitions for “Regional Facilities” and “Sub-regional Facilities”).

9. Please offer any other comments or suggestions on the design and the specific provisions of the straw proposal (other than the benefits assessment methodologies).

PacifiCorp appreciates the opportunity to provide these comments and generally supports the concepts described in this section and proposed in the CAISO’s straw proposal with the proposed clarifications to definitions offered in PacifiCorp’s response to item #2 and the reassessment of regional cost allocation for Regional Facilities (as defined herein) to occur following certain triggering events rather than on an annual basis without a demonstrated need for recalculation.

Section 2: Benefits Assessment Methodologies

10. The straw proposal would apply different benefits assessment methods to the three main categories of transmission projects: reliability, economic, and public policy. Please comment on this provision of the proposal.

PacifiCorp supports the proposal to establish three categories for transmission projects (reliability, economic and public policy) for the purpose of benefits assessments and cost allocation. PacifiCorp encourages CAISO to consider the use of CAISO’s existing TEAM production cost modeling methodology for determining the benefits of and cost allocations for reliability and economic projects. For the public policy project category, PacifiCorp believes a different approach is necessary (see response to item #15 regarding public policy projects).

11. The straw proposal would use the benefits calculation to allocate 100 percent of the cost of each new regional facility, rather than allocating a share of the cost using a simpler postage stamp or load-ratio share basis as some of the other ISOs do. Please comment on this provision of the proposal.

PacifiCorp supports the use of a benefits calculation to allocate 100 percent of the costs for reliability and economic projects. PacifiCorp also recognizes that there is merit in and precedent for allocating costs using a simple postage stamp or load-ratio share approach

and proposes that approach for public policy projects (see response to item #15 regarding public policy projects).

12. Please comment on the DFAX method for determining benefit shares. In particular, indicate whether you think it is appropriate for reliability projects or for other types of projects. Also indicate whether the methodology described at the March 9 meeting is good as is or should be modified, and if the latter, how you would want to modify it.

While the DFAX methodology for determining benefit shares has been adopted in the PJM, PacifiCorp is not convinced that it offers a more accurate methodology for determining benefit shares when compared to the CAISO's existing TEAM production cost modeling methodology for reliability projects. While the DFAX methodology includes a component of power flow modeling, the methodology for determining benefits relies significantly on the outcome of production cost modeling. As such, PacifiCorp proposes that the regional ISO use CAISO's existing TEAM production cost modeling methodology for determining benefit shares.

13. Please comment on the use of an economic production cost approach such as TEAM for determining benefit shares. In particular, indicate whether you think it is appropriate for economic projects or for other types of projects. Also indicate whether the methodology described at the March 9 meeting is good as is or should be modified, and if the latter, how you would want to modify it.

PacifiCorp supports the use of CAISO's existing TEAM production cost modeling methodology for determining the benefits of and cost allocations for reliability and economic projects. For the public policy project category, PacifiCorp believes a different approach is necessary (see response to item #15 regarding public policy projects). PacifiCorp does not perceive any demonstrated need to modify the TEAM production cost modeling methodology at this time.

14. At the March 9 meeting some parties noted that the ISO's TEAM approach allows for the inclusion of "other" benefits that might not be revealed through a production cost study. Please comment on whether some other benefits should be incorporated into the TEAM for purposes of this TAC Options initiative, and if so, please indicate the specific benefits that should be incorporated and how these benefits might be measured.

PacifiCorp does not perceive any demonstrated need to modify the TEAM production cost modeling methodology at this time.

15. Regarding public policy projects, the straw proposal stated that the ISO does not support an approach that would allocate 100 percent of a project's costs to the state whose policy was the initial driver of the need for the project. Please indicate whether you agree with

this statement. If you do agree, please comment on how costs of public policy projects should be allocated; for example, comment on which benefits should be included in the assessment and how these benefits might be measured.

PacifiCorp understands the CAISO's position not to presume that 100 percent of Regional Facilities (as proposed to be defined in Section 1, item #2 above) costs should be allocated to the sub-region that enacted the public policy for which transmission investment is needed and supports compliance with the policy. While PacifiCorp does not necessarily agree with the statement that there could *never* be a project for which 100 percent of the benefits and costs are allocated to a sub-region enacting the public policy, there must be recognition that a regional ISO will have diverse energy policies across various states. PacifiCorp believes that the CAISO's final proposal should reflect a balance between a reasonable percentage of benefit and cost allocation to the sub-region with the public policy that the project helps address and a further allocation of remaining benefits and costs based on load ratio share.

Specifically, PacifiCorp proposes, as an alternative to 100 percent allocation, that some substantial percentage of the project benefits, at least 50 percent, be allocated to the sub-region with the public policy the project helps address with the remaining benefits to be assigned to all the sub-regions in the regional ISO on a load ratio share basis. PacifiCorp believes that this approach reasonably recognizes the balance among the benefits received by the sub-region with the public policy and the other sub-regions in the regional ISO that may also benefit from the transmission investment facilities without the need to develop and implement a complex and contentious stand-alone benefit methodology.

This proposal is consistent with Order No. 1000 requirements that costs be allocated in a way that is roughly commensurate with benefits and with FERC precedent that has accepted in other multi-jurisdiction ISO/RTOs this type of cost allocation for projects with multi-purpose functions including public policy and based on general stakeholder acceptance.

16. At the March 9 and previous meetings some parties suggested that a single methodology such as TEAM, possibly enhanced by incorporating other benefits, should be applied for assessing benefits of all types of new regional facilities. Please indicate whether you support such an approach.

PacifiCorp supports the use of CAISO's existing TEAM production cost modeling methodology for determining the benefits of and cost allocations for reliability and economic projects. For the public policy project category, PacifiCorp believes a different approach is necessary (see response to item #15 regarding public policy projects).

17. Please offer comments on the BAMx proposal for cost allocation for public policy projects, which was presented at the March 9 meeting. For reference the presentation is posted at the link on page 1 of this template.

PacifiCorp appreciates the proposal presented by the Bay Area Municipal Transmission Group at the March 9 stakeholder workshop. PacifiCorp's understanding of the proposal is that costs would be allocated proportionate to the contracted use of the transmission line. The proposal indicates that the project would be approved after meeting a threshold level of commitments as reflected by Power Purchase Agreements and merchant generators' financial commitments. PacifiCorp believes that the requirement of having contracted agreements prior to project approval or construction may be practically difficult to achieve. There would likely also be additional complexities associated with the proposal to assess TAC charges directly to LSEs and generators that are not currently assessed charges under the CAISO's TAC structure.

18. Please offer any other comments or suggestions regarding methodologies for assessing the sub-regional benefits of a transmission facility.

PacifiCorp appreciates the opportunity to provide these comments and generally supports the benefit assessment and cost allocation methodologies proposed in the CAISO's straw proposal with the specific suggestions to continue to use the CAISO's TEAM production cost modeling methodology for reliability and economic projects and to use a different methodology for public policy projects.