Stakeholder Comments Template

Transmission Access Charge Options

September 30, 2016 Second Revised Straw Proposal

Submitted by	Company	Date Submitted
Todd Dinehart (503-813-5639) Eric Arzola (503-813-5027)	PacifiCorp	November 3, 2016

The ISO provides this template for submission of stakeholder comments on the September 30, 2016 second revised straw proposal. The second revised 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 **October 28, 2016.**

Second Revised Straw Proposal

PacifiCorp appreciates the refinements that the ISO has presented in the second revised straw proposal and notes its efforts to balance various stakeholder interests and concerns. PacifiCorp offers the following comments for consideration.

1. The ISO previously proposed to allow a new PTO that is embedded within or electrically integrated with an existing sub-region to have a one-time choice to join that sub-region or become a separate sub-region. The ISO now proposes that an embedded or electrically integrated new PTO will become part of the relevant sub-region and will not have the choice to become a separate sub-region. This means that the new embedded/integrated PTO's transmission revenue requirements will be combined with those of the rest of its sub-region and its internal load will pay the same sub-regional TAC rate as the rest of the sub-region. Please comment on this element of the proposal.

   PacifiCorp supports this element of the proposal. This approach helps provide certainty for potential PTOs while removing an avenue for an embedded PTO to unfairly avoid the sub-regional TAC for use of the facilities of the sub-region in which it is embedded.

2. An embedded PTO is defined as one that cannot import sufficient power into its service territory to meet its load without relying on the system of the existing sub-region. Whether a new PTO is considered electrically integrated will be determined by a case-by-case basis, subject to Board approval, based on criteria specified in the tariff. Please comment on these provisions of the proposal.

   PacifiCorp appreciates the need to balance consistency with flexibility and supports the use of consistent criteria or principles in any case-by-case evaluations.

3. The proposal defines "new facilities" as transmission projects planned and approved in an expanded TPP for the expanded ISO BAA. The integrated TPP will begin in the first full calendar year that the first new PTO is fully integrated into expanded ISO BAA. Projects that are under review as potential "inter-regional" projects prior to the new PTO joining may be considered as "new" if they meet needs identified in the integrated TPP. Please comment on these provisions.

   PacifiCorp appreciates the clearer distinctions in this definition and does not oppose this element of the proposal. (Note responses to items 5 and 14)

4. The ISO previously defined "existing facilities" as transmission assets planned in each entity's own planning process for its own service area or planning region, and that are in service, or have either begun construction or have committed funding to construct. The ISO is now simplifying the proposal to define "existing facilities" as all those placed under operation control of the expanded ISO that are not "new." Please comment on the ISO's proposed new definition of "existing facilities."

   PacifiCorp appreciates this simplified language and does not oppose this element of the proposal.

5. Consistent with the previous revised straw proposal, the ISO proposes to recover the costs of existing facilities through sub-regional "license plate" TAC rates. The ISO has proposed that each sub-region's existing facilities comprise "legacy" facilities for which subsequent new sub-regions have no cost responsibility. Please comment on this aspect of the proposal.

   PacifiCorp continues to strongly support this provision for the formation of the new regional ISO, but also favors re-calculation of benefits and costs of facilities (identified as a result of the expanded TPP) as noted in comments to item 14.

6. The ISO proposes to use the Transmission Economic Assessment Methodology (TEAM) to determine economic benefits of certain new facilities to the expanded ISO region as a whole and to each sub-region. Please comment on these uses of the TEAM.

   PacifiCorp has previously expressed support for a modelling evaluation such as TEAM with the request that the ISO update its documentation. PacifiCorp welcomes the ISO's

November 16, 2016, overview of TEAM along with the presentation of updated documentation.

7. For a reliability project that is narrowly specified as the more efficient or cost-effective solution to a reliability need within a sub-region, and has not been expanded or enhanced in any way to achieve additional benefits, the ISO proposes to allocate the project cost entirely to the sub-region with the driving reliability need, regardless of any incidental benefits that may accrue to other sub-regions. Please comment on this provision.

   PacifiCorp generally supports this provision.

8. For a policy-driven project that is connected entirely within the same sub-region in which the policy driver originated, the ISO proposes to allocate the project cost entirely to the sub-region with the driving policy need, regardless of any incidental benefits that may accrue to other sub-regions. Please comment on this provision

   PacifiCorp generally supports this provision.

9. For a purely economic project with benefit-cost ratio (BCR) > 1, cost shares will be allocated to sub-regions in proportion to their benefits, and because BCR > 1 this completely covers the costs. A purely economic project is one that is selected on the basis of the TPP economic studies following the selection of reliability and policy projects, and is a distinct new project, not an enhancement of a previously selected reliability or policy project.

   PacifiCorp generally supports the concept of this provision.

10. For an economic project that results from modifying a reliability or policy-driven project to obtain economic benefits greater than incremental project cost, the ISO proposes to first, allocate avoided cost of original reliability or policy-driven project to the relevant sub-region, then allocate incremental project cost to sub-regions in proportion to their economic benefits determined by TEAM. This is called the "driver first" approach to cost allocation. The proposal also illustrated an alternative "total benefits" approach. Please comment on your preferences for either of these approaches.

    PacifiCorp generally favors the "driver first" approach over the "total benefits" approach because of its closer alignment with cost causation principles. However, PacifiCorp reserves detailed comments until after review of the updated TEAM documentation presented as part of the TPP.

11. The proposal outlined two scenarios for policy-driven projects involving more than one sub-region. In scenario 1, where a project built within one sub-region meets the policy needs of another sub-region, costs would be allocated to sub-regions up to the amount of their economic benefits (per TEAM) and the remaining costs would be allocated to the

sub-region that was the policy-driver. Please comment on this cost allocation approach for scenario 1.

PacifiCorp generally supports this approach but reserves detailed comments until after review of the updated TEAM documentation presented as part of the TPP.

12. In scenario 2, where a policy project meets the policy needs of more than one sub-region, costs would be allocated to sub-regions up to the amount of their economic benefits (per TEAM) and the remaining costs would be allocated to the relevant sub-regions in proportion to their internal load for project in-service year. Please comment on this cost allocation approach for scenario 2.

    PacifiCorp does not oppose this approach but reserves detailed comments until after review of the updated TEAM documentation presented as part of the TPP.

13. Competitive solicitation to select the entity to build and own a new transmission project would apply to all new transmission projects rated 200 kV or greater, of any category, regardless of whether their costs are allocated to only one or more than one sub-region, with exceptions only for upgrades to existing facilities as stated in ISO tariff section 24.5.1. Please comment on this proposal.

    PacifiCorp continues to recognize that distinct benefits can be realized through the use of transparent and fair competitive solicitation processes, but reiterates its concern that competitive solicitation should not strand development costs that have been prudently incurred by an incumbent.

14. The ISO proposes to drop the earlier proposal to recalculate benefit and cost shares for sub-regions and the proposal to allocate cost shares to a new PTO for a new facility that was planned and approved through the integrated TPP but before that new PTO joined the expanded ISO. Please comment on the elimination of these proposal elements.

    PacifiCorp shares the ISO's concern that eliminating recalculation of benefits and cost allocation may create incentive for potential PTOs to delay joining the regional ISO until after the costs of large projects have been allocated. As a result, PacifiCorp still favors a review of benefits and cost allocation upon the addition of each new PTO to the regional ISO. PacifiCorp believes that it is acceptable for this approach to be different from the treatment of facilities upon the initial formation of the regional ISO.

15. The ISO proposes to establish a single region-wide export rate ("export access charge" or EAC) for the expanded region, defined as the load-weighted average of the sub-regional TAC rates. Please comment on this proposal.

    PacifiCorp continues to oppose establishment of a single, region-wide EAC. Such a charge would be higher than the TAC in the PacifiCorp sub-region and would result in unfair cost shifts to existing PacifiCorp transmission customers. The ISO offers the rationale that different export rates in sub-regions might create scheduling distortions, but

PacifiCorp believes that other market distortions occur when the single EAC is different from the sub-regional TAC.

Currently, PacifiCorp's customers realize a benefit from PacifiCorp's ability to optimize and utilize its resources to serve load *and* make off-system sales to reduce net power costs and keep retail rates low. Imposing a higher EAC than PacifiCorp's TAC rate on off-system sales will impair its ability to compete in the bilateral markets in which PacifiCorp operates and cause a significant increase in costs to retail customers. PacifiCorp currently executes more than eight million megawatt hours of sales with multiple counterparties that are not currently members of the ISO. As a point of reference, if the ISO imposed its proposed EAC structure and added five dollars per megawatt-hour to PacifiCorp's off-system sales, PacifiCorp's costs would increase $42 million. These additional costs make it more difficult for PacifiCorp to show sufficient benefits in the business case for joining a regional ISO.

16. Under the EAC proposal, non-PTO entities within a sub-region would pay the same sub-regional TAC rate paid by other loads in the same sub-region, rather than the wheeling access charge (WAC) they pay today. Please comment on this proposal.

    PacifiCorp supports the element to charge all entities within a particular sub-region the same sub-regional TAC rate.

17. The ISO proposes to allocate EAC revenues to each sub-region in proportion to their transmission revenue requirements. In the August 11 working group meeting the ISO presented the idea of allocating EAC revenues to each sub-region in proportion to its quantity of exports times its sub-regional TAC rate. Please comment on these two approaches for EAC revenue allocation, and suggest other approaches you think would be better and explain why.

    With the assumption of a single weighted EAC, PacifiCorp opposes allocation of EAC revenues proportionally on the basis of transmission revenue requirements. This structure appears to result in a disproportionate revenue shift to participants in the existing ISO. Similarly, allocating EAC revenues to each sub-region in proportion to the sub-region's quantity of exports may also cause disproportionate revenue shifts. More data are needed to evaluate the reasonableness of any EAC revenue allocation proposals but PacifiCorp reiterates its opposition to a single, region-wide charge as detailed in item 15.

18. Please provide any additional comments on topics that were not covered in the questions above.