



Valley Electric Association, Inc.

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Valley Electric Association Comments 2012-2013 TPP Renewable Resource Portfolio Assumptions April 16, 2012

Valley Electric Association (VEA) is pleased to submit these comments to the California Independent System Operator Corporation (CAISO), the California Public Utilities Commission (CPUC) and the California Energy Commission (CEC) regarding the renewable resource portfolios (Resource Portfolios) proposed by the CPUC and the CEC for use in the CAISO's 2012-2013 Transmission Planning Process (TPP).

VEA is a member-owned electric cooperative, which is headquartered in Pahrump, Nevada, and VEA serves customers in a 6500 square mile service territory located along the border between Nevada and California. While the majority of VEA's customers are located in Nevada, it also serves customers in California. VEA owns or is in the process of constructing a 230 KV transmission system that will create a 172-mile transmission loop through southern Nevada that will run between Western Area Power Administration's Mead Substation and NV Energy's Northwest Substation. This project is expected to be completed by the end of 2012.

On October 13, 2011, VEA and the CAISO entered into a Transition Agreement, which establishes the process for VEA to join the CAISO Balancing Authority Area (BAA), as a Participating Transmission Owner (PTO), Utility Distribution Company, and Load Serving Entity, effective January 1, 2013. At the time that VEA becomes a PTO, the CAISO will assume operational control over VEA's transmission system. On October 14, 2011, the CAISO filed the Transition Agreement with the Federal Energy Regulatory Commission (FERC), and the filing was docketed as Docket No. ER12-84-000. On December 14, 2011, FERC issued an order approving the Transition Agreement, concluding "that the Transition Agreement provides a just and reasonable mechanism to integrate the Valley Electric transmission system into the larger CAISO balancing authority area." 137 FERC ¶ 61,194 at P7.

VEA is offering these comments to ensure that the TPP considers transmission upgrades necessary to integrate and deliver proposed renewable generation on the VEA system to CAISO load serving entities. In addition, VEA believes that it is important that the assumptions used in developing the TPP are consistent with the assumptions that support the Transition Agreement. With these considerations in mind, VEA offers the following comments:

- VEA's inclusion in the CAISO BAA presumes the benefits of renewable energy development on the VEA system.

In its Filing Letter related to the Transition Agreement, the CAISO noted that "[w]ith Valley Electric as part of the CAISO balancing authority area, the CAISO will be able to achieve efficiencies in providing renewable resources in the Valley Electric service area to California

and will be able to enhance the regional transmission grid.” Filing Letter at 1. The CAISO also proposed, and FERC approved, an approach to integrate the renewable resources in VEA’s generator interconnection queue into the CAISO’s Queue Cluster 4 and later generator interconnection processes (GIP). Currently, there are 810 MWs of proposed renewable generation on VEA’s system in VEA’s Cluster Alpha interconnection study process, which also are participating in Phase 2 of the CAISO’s Queue Cluster 4. In addition, there are 1370 MWs of proposed renewable generation on VEA’s system in VEA’s Cluster Beta, which also are participating in the CAISO’s Cluster 5 GIP. This means that once the CAISO assumes operational control over VEA’s transmission system, there could be up to 2180 MWs of renewable generation connecting to the CAISO Grid in Southern Nevada. In contrast, the Resource Portfolios proposed by the CPUC and CEC contain only 142 MWs of renewable resources for the entire state of Nevada.

If the CAISO adopts the Resource Portfolios without modification, VEA is concerned that there may be a fundamental conflict between the TPP and the renewable benefits offered in support of the VEA transition.

- The Portfolio Assumptions do not recognize VEA’s Service Area or appropriate Nevada Renewable Zones.

The Resource Portfolio model does not treat resources located in VEA’s service area consistently. At a minimum, there is ambiguity about the CREZ assignment, RA zone, etc. for renewable resources proposing to locate on the VEA system. Some of the VEA queue capacity is shown as being in Nevada in “non CREZ” areas, and some is shown as being in a Nevada “non CREZ” region. Yet other capacity is shown in the “Nevada C” CREZ, but in the Arizona region, with transmission interconnections ranging from zero to 350 miles in length.

In order for the CAISO’s TPP process to produce appropriate results, renewable development in VEA’s service area as well as other renewable development in the area around the Eldorado Substation should be specifically and accurately captured in the topology. Otherwise, the TPP may miss cost-effective transmission system reinforcements and upgrades. Going forward, VEA encourages the CAISO, the CPUC, and the CEC to consider establishing new more specific Nevada CREZ zones that will provide more specificity regarding the location of renewable resources in Nevada. For the 2012 – 2013 TPP, VEA requests that the CAISO ensure that the renewable generators that are being studied in VEA’s Cluster Alpha and Cluster Beta interconnection studies are consistent with those resources being studied in the CAISO’s TPP, both in terms of capacity and topological placement.

- The modification of the Discounted Core definition creates a mismatch between transmission development and generation development.

As indicated above, VEA has significant renewable development activity underway in its service area, enough so that it creates benefits from VEA joining the CAISO. However, the projects that are well underway in VEA’s service area, including those that even have

executed power purchase agreements, do not all “make the cut” for inclusion in the portfolios, simply because their permits are in process rather than issued. For projects that will not come on line in the next year or two, it is entirely reasonable for their development to be on track, yet not have all permits completed. However, if the portfolios fail to include them, and the CAISO fails to plan transmission to serve these resources, then these projects may be ready to come on line before the portfolio and TPP processes “catch up” and transmission is built. As a result, by the time the permitting processes are fully complete and the CPUC and CAISO start subsequent processes, the transmission may likely not be built out in time to support the projects. Another possible outcome is that developers would be faced through the GIP with overly inflated interconnection costs and/or interconnection financing costs or possible curtailments in Net Qualifying Capacity that might cause the projects to fail. It would be an undesirable outcome generally if good projects are forced into failure because of the mismatch in timing that is created by the Discounted Core criterion, which only accepts projects that are near the very end of their development cycle. Finally, requiring permits for generators in VEA’s service area before transmission is planned is not reasonable, because the lead time for permitting and constructing transmission from the Eldorado area into the LA Basin will likely be longer than the lead time for permitting and constructing the generation.

- Assumptions regarding placement of generic resources in non-CREZ areas with no transmission costs creates a bias against more viable projects.

VEA is concerned with the CPUC’s simplifying assumption that additional renewable resources will site in non-CREZ areas and will create zero incremental transmission costs. These assumptions tend to bias the portfolios away from commercial projects to these generic projects and will not result in the best RPS solution for ratepayers. In addition, these generic resources may have significant transmission costs that the methodology does not capture.

- The calculator’s “Serving State’s Needs First” policy should be modified.

In developing the Resource Portfolios, the CPUC assumed that a state’s renewable resources would first be used to serve the host state’s needs. This assumption should not apply to renewable projects that will be located in VEA’s service area in Nevada, because these Projects are being developed specifically to meet the RPS needs of California, and in particular, some of these developers have negotiated PPAs with California load serving entities. This may be the case for many of the renewable generators proposing to site near but outside California. For this reason, the calculator assumption about host state preference for these out of state renewables should be relaxed. Further, the host state assumption should not apply to renewable resources in VEA’s service area, because these projects will be located in the CAISO BAA, and it will likely be uneconomic to export these resources out of the CAISO BAA to NV Energy. Finally, the CPUC made this assumption without regard to whether the utilities of the host state had already acquired enough resources to meet the states RPS requirement.

- Transmission needed to deliver VEA-area renewables are overstated in the calculator.

VEA's understanding is that the portfolio calculator assigned the renewables in the Nevada-C area to the category of those requiring new transmission (Tx-Segment 1). Further the CPUC's transmission input assumptions (TXInput) suggest that a 215-mile transmission line will be required to connect these Nevada-C projects. The viable projects that are in VEA's interconnection queue generally are located close to the Eldorado substation and require a short generation interconnection. Therefore, the treatment in the calculator of VEA's resources in some large and generic Nevada-C zone does not produce results that reflect reality. In one manner or another, this must be remedied.

VEA thanks the agencies for their consideration, and would be pleased to entertain further discussion about any of our comments.