

**California Department of Water Resources
Comments to the California Independent System Operator
on the Transmission Access Charge Options for Integrating New Participating
Transmission Owners Issue Paper
November 20, 2015**

The California Department of Water Resources (CDWR) appreciates the opportunity to provide these comments in response to the Transmission Access Charge Options paper issued by the California Independent System Operator (CAISO) on October 23, 2015 and the related web-conference held by the CAISO on October 30, 2015.

CDWR believes that further integration between CAISO and PacifiCorp, as is currently being contemplated, has the potential to provide benefits to current CAISO Balancing Authority Area (BAA) entities, including CDWR. However, CDWR also believes that such further integration will be complex with the potential for many consequences. Accordingly, CDWR supports an overall schedule that will accommodate a thorough and transparent assessment of the costs and benefits to all interested market participants conducted through a stakeholder process. CDWR commends the CAISO for extending the comment period and recommends additional review, as noted below, along with the time for such review.

CAISO has requested responses to specific questions posted in a Comments Template. CDWR provides its responses to these questions below.

CAISO first asks for a response to the following: *One theme emphasized in the issue paper and in FERC orders is the importance of aligning transmission cost allocation with the distribution of benefits. Please offer your suggestions for how best to achieve good cost-benefit alignment and explain the reasoning for your suggestions.*

CDWR supports the concept of aligning transmission cost allocation with the distribution of benefits. CDWR believes that an important first step toward achieving good cost-benefit alignment is to develop a robust understanding of the cost and benefits and how they may be allocated among the various affected entities within both BAAs. The overall goal should be a balancing of benefits and burdens to various affected entities such that no entity experiences large cost increases to finance benefits accrued by others.

CDWR has provided specific questions to CAISO regarding the recently concluded benefits assessment and CDWR understands that other potential stakeholders have submitted questions as well. CDWR believes the appropriate level of understanding can only be developed through careful analysis conducted transparently with stakeholder engagement. CDWR believes posting the questions and the answers (by CAISO, PacifiCorp or both) would be an important next step towards the necessary transparency and could help inform the scope of a more thorough study. CDWR notes that the recently concluded benefits analysis was conducted without the input or involvement of stakeholders (other than PacifiCorp and CAISO).

Next, in questions 2 through 7, CAISO asks for comments on various factors identified by CAISO as possible considerations for alternative cost allocation methodologies. CDWR believes it is premature for CDWR to identify which considerations would be the most important in the context of further integration of CAISO and PacifiCorp. CDWR requests that the following additional information be made available to stakeholders so that they can make their own assessments of the alternatives:

- Inventory of existing transmission assets in PacifiCorp and CAISO;
- 10-15 years forecast of future transmission and load in PacifiCorp and CAISO;
- PacifiCorp's and CAISO's long term and short term transmission plans;

- Estimated costs for new projects identified in the transmission plans of PacifiCorp and CAISO.
- Nomograms identifying transfer limits between the existing interties between CAISO, PacifiCorp, and adjacent territories.

In addition to the considerations identified by CAISO, CDWR believes it would be prudent to explore using the principle of cost causation as an alternative primary consideration when assigning cost responsibility because of the potential difficulty in identifying the true beneficiaries of a project. CDWR also believes that it would be prudent to explore using an analysis of the actual proportional utilization of transmission projects as a consideration when assigning cost responsibility.

Finally, below are CDWR's responses to CAISO's request for other comments and suggestions:

CDWR appreciates and supports CAISO's decision to narrow the scope of this analysis by leaving intact the current structure by which Participating Transmission Owners recover their Transmission Revenue Requirements for below 200kV facilities.

CDWR believes avoiding transmission rate shock to any particular entity is an important consideration and that the transition to any new rate structure should be developed accordingly.

Lastly, CDWR requests the CAISO to address the treatment of wheeling energy from their transmission system in their study methodology.

Please contact John Yarbrough (916-574-0665 and john.yarbrough@water.ca.gov) or Aseem Bhatia (916-574-0674 and aseem.bhatia@water.ca.gov) with any questions.