

**COMMENTS OF CITIZENS ENERGY
CONCERNING THE UPDATED 2016 NEED ASSESSMENT FOR THE GATES
GREGG 230 kV TRANSMISSION PROJECT**

November 29, 2016

Citizens Energy, one of three members of the consortium proposing the Gates-Gregg 230 kV transmission line project, provides these comments on the “Preliminary Policy and Economic Assessment Results” report issued by the staff of the California Independent System Operator (“CAISO”), dated November 16, 2016.¹

Citizens appreciates the fact that Staff has posed two options for going forward – either canceling the project now, or deferring the project pending further analysis of project need given forecasting uncertainties.

Citizens submits that, in the circumstances presented here, deferral is clearly the better of these choices, for the four reasons explained below. Cancellation of the project at this juncture would be imprudent and counterproductive, given the forecasting uncertainties affecting the need assessment for the Gates-Gregg project.

1 The technical justifications for considering cancellation are speculative and premature

Given the factors that drive the revised need assessment, deferral is clearly the correct solution. The three main drivers of the revised need assessment for the Gates-Gregg project are (1) a new load forecast, (2) the estimated Additional Achievable Energy Efficiency (“AAEE”) and (3) a forecast of behind-the-meter solar photovoltaic

¹ The November 2016 CAISO staff report to which Citizens is responding can be found at the link below: <https://www.caiso.com/planning/Pages/TransmissionPlanning/2016-2017TransmissionPlanningProcess.aspx>

Along with Citizens Energy, the other members of the consortium proposing the Gates-Gregg project are Pacific Gas and Electric Company (“PG&E”) and Berkshire Hathaway Energy (formerly MidAmerican Transmission).

installations. These three factors have one important thing in common - they represent the cumulative effect of individual choices by tens of thousands of retail electric customers over an extended period of time. Especially to the extent these factors are focused specifically on developments in one local community, namely, the Greater Fresno Area, they are inherently susceptible to forecast uncertainties.

For example, Slide 115 predicts that an estimated 60 megawatts of installed solar rooftop PV generation in 2016 will grow exponentially to 600 megawatts of rooftop generation in 10 years. The rate of assumed growth in PV installations would be more than 25 percent every year. By any measure, this is an extremely ambitious rate of growth. Even the slightest inaccuracy in the base year figure or in the growth rate will be amplified into a major error by year 10.

Retail-driven factors like behind-the-meter PV installations, especially those in a particular local community, are inherently volatile and not the most reliable barometer for the purpose of transmission system planning. Because the growth of rooftop solar installations by retail customers is a major driver of the revised need assessment for Gates-Gregg, it makes common sense to *defer* the project and then evaluate the need again after more data is available.

2. The implications of premature cancellation are irreversible and potentially wasteful, especially considering the relatively minimal cost of deferring the project and reassessing need later

Cancellation of the Gates-Gregg project at this juncture would be economically unsound and could well result in waste of ratepayer dollars. To date the sponsors have invested approximately \$15 million in this project. The costs of abandoned plant have largely been dealt with by FERC in the parties' various incentive orders and will be

triggered, due and payable upon cancellation. The actions would be irreversible and cancellation will result in the loss of any value associated with the investment to date.

On the other hand, the cost of deferring the project pending further study should be minimal – not much more than the carrying cost on the funds already expended. Thus, at very low cost to ratepayers, the CAISO has the opportunity keep this project alive until forecast uncertainties decrease and a more fully considered need assessment can be completed.

In short, the best use of ratepayer dollars at this juncture is a small investment to keep the current Gates Gregg option open.

3. Cancellation of Gates-Gregg would undermine public confidence in the CAISO's new competitive bidding process

Gates Gregg was one of CAISO's first competitively bid projects. In the revised Need Assessment, at Slide 123, Staff has identified several factors creating "uncertainty" that "could impact need." These include solar photovoltaic installations, load growth, and the prospect of more frequent over-supply situations. Staff correctly observes that its need assessment would be impacted by changes in any of these factors.

Citizens respectfully submits that, in the face of this type of forecast uncertainty, abrupt cancellation of a previously selected project, especially after a successful competitive bidding process, would send the wrong signal to the market. Given the identified uncertainties, the CAISO should take extra care to act deliberately to ensure that Gates-Gregg is not prematurely cancelled. Cancellation of a previously selected and competitively bid project, in the face of acknowledged planning uncertainties, would

undermine the confidence that the CAISO needs future competitive bidders to place in its competitive bid process.

4. It would be particularly unwise to cancel the Gates-Gregg project at this time, given the role of Gates-Gregg in integrating the Helms Pumped Storage Project, and the prospect of an expanded need for facilities like Helms in an enlarged, multi-State ISO

In evaluating the need for the Gates-Gregg project, there is another key strategic issue that needs to be considered – namely, the looming prospect of a major redesign of the CAISO's entire transmission planning paradigm.

What will be the size of the CAISO footprint going forward? For whom and for what loads will the CAISO be planning its transmission system? Will it be only for current CAISO stakeholders in California and Nevada? Or might it be for stakeholders of a significantly larger Western ISO in Oregon, Idaho, Utah and beyond, in addition to California and Nevada?

In the near future, the CAISO may recognize that it will require in the future substantially more or different tools in its transmission planning tool box than it has now. This is especially likely when it comes to transmission so closely linked with a large and unique storage resource such as the Helms Pumped Storage facility. Storage itself could become significantly more important as greater reliance on renewable generation comes into its own.

This factor alone augers for deferring further consideration of the Gates-Gregg project. It would challenge common sense to irrevocably discard the opportunity of capturing the enhanced transmission access to the unique Helms storage facility, which the Gates-Gregg project affords. We may be on the cusp of a fundamental change in the CAISO's entire transmission planning paradigm, and the dawning of an era when

renewable generating resources may increase to levels greater than 50%. The Gates-Gregg project, which offers the potential to better integrate the Helms facility on the transmission grid, warrants especially careful consideration in the face of these major developments. In short, deferral is the obvious “no regrets” option.