



# ORA

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## THE OFFICE OF RATEPAYER ADVOCATES' COMMENTS ON THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR'S ECONOMIC PLANNING TEAM OVERVIEW AND REVIEW OF UPDATED DOCUMENTATION PRESENTATION

November 30, 2016

The Office of Ratepayer Advocates (ORA) is the independent consumer advocate within the California Public Utilities Commission (CPUC), with a mandate to obtain the lowest possible rates for utility services consistent with reliable and safe service levels, and the state's environmental goals.

ORA appreciates the opportunity to submit comments and recommendations on the California Independent System Operator's (CAISO) November 16, 2016 Economic Planning TEAM [Transmission Economic Assessment Methodology] Overview and Review of Updated Documentation (Presentation). The current TEAM is the appropriate methodology to use to determine whether or not a transmission project should proceed, as it assesses the project's benefits and costs to ratepayers. The CAISO also should include in the TEAM analysis the benefits of new transmission projects that might accrue to a sub-region. The economic activity associated with new transmission projects is not incidental; it directly benefits related local businesses and contributes to the economy of a sub-region. Accurately attributing these benefits is critical to compliance with Federal Energy Regulatory Commission Order No. 1000, which requires that project cost allocations be commensurate with benefits. For this reason, ORA continues to support estimating the sub-regional benefits from new transmission projects such as job and tax base increases among the benefits assessed for project cost allocations.

Going forward the CAISO should include estimates of job and tax base increases as variables in the TEAM analysis to account for all economic benefits resulting from new economic transmission projects.<sup>1</sup> After a project is completed, these job and tax base estimates can be confirmed, and the project benefits can be recalculated for cost allocation purposes.

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<sup>1</sup> It is common practice to include job and tax base increases as part of the overall project benefit analysis for public projects such as highways, airports, and port terminals. For example, to estimate the economic activity generated by port capital projects, port authorities in the United States rely on an economic impact model commissioned by the Department of Maritime Administration referred to as MARAD Port Economic Impact Kit. This kit estimates expected job and tax base increases with Port capital projects. More on this economic impact model is available at <https://www.marad.dot.gov/ports/office-of-port-infrastructure-development-and-congestion-mitigation/port-investment-and-finance/port-finance-reports/>.

ORA also recommends that the TEAM include additional sensitivity analyses such as: (1) meeting the California Renewable Portfolio System target through in-state or out-of-state renewables; (2) transmission line and system capacity; and (3) greenhouse gas compliance costs.

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