Stakeholder Comments Template

Transmission Access Charge Options Issue Paper

Submitted by	Company	Date Submitted
PacifiCorp 825 NE Multnomah, Suite 1800 Portland, OR 97232 Carolyn Barbash (775) 834-5677 Carolyn.Barbash@PacifiCorp.com Shayleah LaBray (503) 813-6176 Shayleah.LaBray@PacifiCorp.com	PacifiCorp	November 20, 2015

This template has been created for submission of stakeholder comments on the issue paper for the Transmission Access Charge Options initiative that was posted on October 23, 2015. The issue paper 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 **November 20, 2015.**

1. 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.

PacifiCorp understands that there is no singular means of achieving a just and reasonable alignment of costs and benefits. Accordingly, at this stage, PacifiCorp supports exploring a broad range of options that avoids inappropriate or disproportionate cost shifts among regional ISO PTOs.

Blending existing transmission revenue requirements ("TRRs") of the current CAISO PTOs and PacifiCorp as a new PTO would not achieve appropriate and supportable cost-benefit alignment. Not only would blending existing TRRs result in inappropriate cost shifts to PacifiCorp's customers, existing transmission constraints between the CAISO and PacifiCorp's areas limit the ability of each area to benefit from the existing transmission investment in the other area. Therefore, this TAC process for integrating new PTOs should assume existing TRR will not be blended and instead focus on achieving an alignment of costs and benefits for new transmission

facilities energized during a post-integration period. PacifiCorp also believes that it is important to identify benefit categories, methods for measuring benefits (models, benefit-cost ratios, time horizons, etc.), and mechanisms to identify and treat transmission projects that have overlapping purposes (reliability, economic, policy).

2. Please comment on the factors the ISO has identified in section 5 of the issue paper as considerations for possible changes to the high-voltage TAC structure. Which factors do you consider most important and why? Identify any other factors you think should be considered and explain why.

PacifiCorp suggests that all eight cost allocation factors in the CAISO's Issue Paper should be investigated for allocating post-integration transmission costs, with a priority focus on items 1-5 below. Additionally, PacifiCorp encourages further analysis and discussion of the cost allocation structures of other ISOs and RTOs as part of the development of a new structure for a regional ISO.

1. Is it a new or existing facility? (type)
   Legacy or pre-integration system costs should not be allocated across an expanded regional footprint. PacifiCorp offers more detailed discussion in its comments to items 5 and 6 below.

2. What are the facility's electrical characteristics? (voltage)
   PacifiCorp understands that higher voltage (greater than 300 kV) projects (or components thereof) can generally be associated with projects that provide regional benefits. PacifiCorp believes that a voltage threshold criterion can be one of the factors of a revised TAC structure for post-integration transmission investments but must also incorporate other considerations. PacifiCorp offers more detailed discussion in its comments to item 3 below.

3. What is the geographic scope of the project (e.g., system, regional, local)? (scope)
   PacifiCorp offers more detailed discussion in its comments to item 7 below.

4. What is the purpose of the project; reliability, economic, policy? (purpose)
   PacifiCorp offers more detailed discussion in its comments to item 4 below.

5. Which zones or sub-regions benefit from the project? (benefit criteria)
   PacifiCorp believes that it is important to specify, *ex ante*,
   i. benefit categories to be considered;
   ii. methods for measuring benefits; and
   iii. a mechanism for identifying and treating overlapping project purposes

6. When was the facility approved? (transition)
   PacifiCorp offers more detailed discussion in its comments to item 5 below.

7. Under what planning process was the facility approved? (procedure)
   PacifiCorp offers more detailed discussion in its comments to item 6 below.

8. What happens upon the new PTO's withdrawal? (exit)
   PacifiCorp believes that cost obligations for all parties ought to be specified in the event that a PTO separates from a new regional ISO.

3. The examples in section 7 illustrate the idea of using a simple voltage-level criterion for deciding which facilities would be paid for by which sub-regions of the combined BAA. Please comment on the merits of the voltage-based approach and explain the reasoning for your comments.

PacifiCorp understands that the current CAISO TAC blends TRR amounts above 200 kV. While a 200 kV voltage threshold criterion may be appropriate for blending TRRs within the existing CAISO footprint and has the advantage of being simple to apply, a higher voltage threshold criterion would be more appropriate given the longer distance of new transmission facilities associated with the expanded boundary of a regional ISO. PacifiCorp suggests that voltage thresholds be considered as only one of the cost allocation factors in conjunction with other factors listed above in order to align costs and benefits in a revised TAC structure.

4. Please comment on the merits of using the type of transmission facility – reliability, economic, or public policy – as a criterion for cost allocation, and explain the reasoning for your comments.

The purpose or type of transmission facility should be a consideration in the design of a cost allocation structure. It will be important to develop transparent methods for identifying and aligning the costs and benefits of new transmission facilities based on the type of facility. Any criterion for cost allocation on the basis of facility type should be sufficiently flexible to accommodate the drivers and characteristics of each transmission project.

Utilizing a criterion that is based on the type of transmission facility will also potentially identify projects that should not receive regional cost allocation. In particular, policy-driven projects may not be appropriate for regional cost allocation. A regional ISO will be subject to multiple regulatory authorities that may not accept cost allocation for projects required by another jurisdiction, even if some of the benefits radiate to those jurisdictions. For example, it may not be appropriate for transmission costs incurred to meet a jurisdictional renewable portfolio standard, local capacity requirement or underground transmission requirement in a specific sub-area of a regional ISO to be allocated to sub-areas outside that region. Furthermore, such costs would not likely be supported by regulatory authorities that do not have the same policy standards or requirements unless the investments are made as part of joint planning initiatives with clearly-defined benefits for those areas. Again, PacifiCorp believes that it is important to specify categories of benefits that ought to considered, methods for measuring benefits, and a mechanism for identifying and treating overlapping project purposes.

5. Please comment on the merits of using the in-service date as a criterion for cost allocation; e.g., whether and how cost allocation should differ for transmission facilities that are in service at the time a new PTO joins versus transmission facilities that are energized after a new PTO joins.

The in-service or energization date of a transmission facility is an important consideration for allocating the costs of transmission investments in a post-integration period. PacifiCorp believes

that mitigating cost shifts is an important consideration in the design of a new TAC structure and does not believe that blending the TRRs of the existing CAISO PTOs and a new PTO in a regional ISO, specifically PacifiCorp, would fairly align costs and benefits. The illustrative examples in the Issue Paper show that blending TRRs immediately or with a five-year phase-in result in unreasonable cost shifts to PacifiCorp customers. PacifiCorp therefore believes that the existing TRRs of the CAISO and PacifiCorp should not be blended in the foreseeable future. In particular, there are existing transmission constraints between CAISO and the PacifiCorp areas to which blending TRRs would not be commensurate with benefits as the those areas have limited ability to benefit from the existing investments of the other. PacifiCorp recognizes it may be appropriate to re-evaluate blending pre-integration TRRs in the future if additional PTOs are included in a regional ISO, transmission constraints are reduced and cost shifts are mitigated.

6. Please comment on using the planning process as a criterion for cost allocation; i.e., whether and how cost allocation should differ for transmission facilities that are approved under a comprehensive planning process that includes the existing ISO PTOs as well as a new PTO, versus transmission facilities that were approved under separate planning processes.

It is reasonable to consider the degree to which transmission projects have been evaluated in a greater regional planning process where costs and benefits of new investments can be evaluated across a broader footprint. A planning process criterion should be flexible, however, and fair alignment of costs and benefits should be the primary consideration. Any PTO that has incurred substantial costs as part of project development under an approved Order No. 1000 transmission planning process should not be subject to stranded costs upon its integration into a regional ISO.

7. The examples in section 7 illustrate the idea of using two "sub-regional" TAC rates that apply, respectively, to the existing ISO BAA and to a new PTO's service territory. Please comment on the merits of this approach and explain the reasoning for your comments.

Transmission constraints and geographic separation may exist between the CAISO's existing footprint and a new PTO. A sub-regional TAC (or TAC component) would have the benefit of more closely reflecting conditions like relative geographic and electrical isolation. PacifiCorp supports further analysis of this sub-regional approach to better align costs and benefits.

8. Please offer any other comments or suggestions on this initiative.

General

Modifications to the TAC structure should accommodate a reasonable range of potential future scenarios and changes that may occur as joint transmission planning and additional PTOs reduce transmission constraints within a regional ISO footprint. Proposed changes to the TAC structure must also recognize the need to avoid cost shifts to new PTOs in order to encourage and realize the benefits of a regional integration. The TAC structure should not be limited to solving for any one solution or outcome, and will need to evolve over time as appropriate.

Energy Gateway Clarification

PacifiCorp offers clarification in response to discussion on the CAISO's Webinar regarding the Energy Gateway transmission expansion project assumptions used in the CAISO's illustrative examples and based on PacifiCorp becoming a PTO beginning in 2019. As the presentation

materials note, both the illustrated rate impact to PacifiCorp's transmission rate and the TAC do not include Segment D (Windstar to Populus) or Segment F (Aeolus to Clover) of PacifiCorp's Energy Gateway transmission expansion project. The illustrative examples also do not include Segment E (Populus to Hemingway) or Segment H (Boardman to Hemingway). PacifiCorp's Energy Gateway transmission expansion projects are critical for maintaining and improving reliability; optimizing and delivering existing and new resources; and delivering renewable procurement benefits, such as those cited in the study conducted by E3 examining the benefits of integrating PacifiCorp and CAISO into a regional energy grid.

Illustrative Examples and Consideration of Alternative Futures

PacifiCorp understands that the illustrative examples presented in the Issue Paper and during the CAISO's first stakeholder meeting did not consider economic or public policy transmission projects that may be approved in the future. As alternatives are identified and considered through this stakeholder initiative, these illustrative examples could be updated or new examples provided.