Stakeholder Comments Template

Transmission Access Charge Options

December 6, 2016 Draft Regional Framework Proposal

Submitted by	Company	Date Submitted
Todd Dinehart (503-813-5639) Eric Arzola (503-813-5027)	PacifiCorp	January 13, 2017

The ISO provides this template for submission of stakeholder comments on the December 6, 2016 draft regional framework proposal and the discussion at the December 13 stakeholder meeting. The proposal, presentations 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 **January 11, 2017.**

NOTE: Items highlighted in yellow below refer to elements of the present proposal that have not changed from the prior proposal, the second revised straw proposal posted on September 28. If your organization's position on one of these elements has not changed from the comments you submitted on the September 28 proposal, you may simply refer to your prior comments in response to that item and the CAISO will take your prior comments as reflecting your current position.

Draft Regional Framework Proposal

1. The proposal defines "new facilities" as facilities that are planned and approved under an integrated TPP that will plan new transmission infrastructure for the entire expanded BAA and will commence upon integration of the first new PTO. Please comment on the CAISO's proposal for the definition of "new facilities."

   As expressed in prior comments, PacifiCorp appreciates the clearer distinctions in this definition and does not oppose this element of the proposal.

2. The proposal previously defined "existing facilities" as transmission facilities that are in service or have been approved in separate planning processes for the current CAISO BAA and the new PTO's area at the time the new PTO is fully integrated into the expanded BAA. Simply stated, all transmission facilities that are included in the controlled grid for the expanded BAA and are not "new" facilities will be considered "existing" facilities. Please comment on the CAISO's proposal for the definition of "existing facilities."

   As expressed in prior comments, PacifiCorp appreciates this simplified language and does not oppose this element of the proposal.

3. The CAISO provided further details on the determination of whether a candidate PTO should be deemed "integrated" within an existing sub-region rather than designated a new sub-region. The CAISO proposed that the expanded ISO would work with the candidate PTO and other stakeholders to apply criteria specified in the tariff (listed in the December 6 proposal) for making this determination. The CAISO would then present its recommendation to the Board of Governors as part of the new PTO application process, and upon Board approval would file for FERC approval of the proposal to treat the new PTO as either a new sub-region or part of an existing sub-region. Please comment on this element of the proposal.

   PacifiCorp appreciates the additional details developed for this element of the proposal that seeks to balance flexibility with consistency. PacifiCorp supports, in principle, the use of defined tariff criteria and a stakeholder process to determine recommendations to the Board of Governors and ultimately to FERC for approval.

4. Consistent with the second revised straw proposal, the CAISO proposes to recover the costs of existing facilities through sub-regional "license plate" TAC rates. The CAISO has proposed that each sub-region's existing facilities would comprise "legacy" facilities for which subsequent new sub-regions have no cost responsibility. Please comment on this aspect of the proposal.

   As expressed in prior comments, PacifiCorp continues to strongly support the provision that the costs "legacy" facilities be recovered through specific sub-regional TAC rates.

5. The CAISO proposes to use the Transmission Economic Assessment Methodology (TEAM) to determine economic benefits to the expanded ISO region as a whole and to each sub-region. Please comment on the use of the TEAM methodology to determine sub-regional shares of economic benefits.

As expressed in prior comments, PacifiCorp supports a modelling framework such as TEAM and appreciates the overview of TEAM and the TPP that the ISO has provided. PacifiCorp welcomes forthcoming updates to the documentation.

6. The CAISO assumes that a new integrated TPP for the expanded ISO will retain today's TPP structure. Please comment on the structure of the current three phase TPP process.

   PacifiCorp appreciates the general organization and opportunities for stakeholder engagement that the current three-phase TPP provides. PacifiCorp does not oppose the current assumption that this structure would be adapted to an expanded regional ISO.

7. The CAISO proposes to allocate the entire cost to a sub-region if a reliability project within that sub-region only addresses a reliability need of that sub-region or if a policy-driven project within that sub-region is approved only to support the policy mandates for that sub-region. Please comment on this element of the proposal.

   As expressed in prior comments, PacifiCorp generally supports this provision.

8. The CAISO proposes to allocate the cost of an economic project, for which the economic benefits must exceed its cost, to sub-regions in proportion to each sub-region's economic benefits. Please comment on this element of the proposal.

   As expressed in prior comments, PacifiCorp generally supports this provision.

9. For a reliability project that is enhanced or replaced by a more costly project that also provides economic benefits that exceed the incremental cost above the cost of the original reliability project, the avoided cost of the original project will be allocated to the sub-region with the original reliability need, and the incremental cost will be allocated to sub-regions in proportion to each sub-region's economic benefits. Please comment on this proposal.

   As expressed in prior comments, PacifiCorp generally supports this provision.

10. For a policy-driven project that is enhanced or replaced by a more costly project that also provides economic benefits that exceed the incremental cost above the cost of the original policy-driven project, the avoided cost of the original project will be allocated to the sub-region with the original policy need, and the incremental cost will be allocated to sub-regions in proportion to each sub-region's economic benefits. Please comment on this proposal.

    PacifiCorp generally supports this provision.

11. <u>In the December 6 proposal the CAISO introduced an approach for allocating costs more granularly than just to sub-regions for certain policy-driven projects and for the policy-driven costs of projects that provide economic benefits in addition to meeting policy needs. The proposal is based on the following principles: If a project that meets policy needs is built within a different sub-region from the state or local regulatory authorities driving the policy need, the policy-related project cost will be allocated only to the load of those regulatory authorities driving the policy need. Alternatively, if a project that meets policy needs is built within the same sub-region as the state or local regulatory authorities driving the policy need, that project is deemed to provide benefits to the entire sub-region and therefore the policy-related costs will be allocated to the sub-region as a whole rather than on a more granular basis. Please comment on these principles.</u>

    PacifiCorp appreciates that the Draft Regional Framework Proposal acknowledges the parallel discussions around governance and the potential formation of a Western States Committee with a role in transmission cost allocation.

    PacifiCorp recognizes the principles behind the proposal to assign the costs of policy-driven projects to load in the specific jurisdictions driving the need. PacifiCorp notes, however, that settlement quality data may not always be available or complete for all states or local regulatory areas (LRAs) and encourages flexibility in the proposal to account for any potential absence of revenue quality data at these levels of granularity.

    PacifiCorp also requests that the proposal explicitly acknowledge that while load within state or LRA boundaries may be used to calculate the default wholesale cost allocation informing rates for particular sub-regions, these more granular allocations may not determine cost allocations for retail-ratemaking purposes.

12. <u>Continuing with the scenario of item 10 and applying the principles above, for a policy-driven project, if the new project is built outside the sub-region where the regulatory authorities driving the policy need are located, the ISO will allocate the policy-related avoided cost to the load served under the state or local regulatory authority or authorities whose policy mandates drove the need for the original project. Please comment on this proposal.</u>

    PacifiCorp does not oppose this approach but reiterates comments in item 11 above regarding cost allocation at a level more granular than the sub-region.

13. <u>Similarly, if the policy driver of the project was a federal policy, then for sub-regions other than the sub-region in which the project is built the ISO will allocate the associated avoided cost to the load served in each state in proportion to the state's need for the project to comply with the federal policy mandate. Please comment on this proposal.</u>

PacifiCorp does not oppose this approach but reiterates comments in items 11 and 12 above regarding cost allocation at a level more granular than the sub-region.

14. For a policy-driven project that supports policy mandates of more than one sub-region, or that is built in one sub-region to meet the policy mandates of another sub-region, the ISO will calculate the economic benefits of the project and allocate costs to each sub-region in proportion to the sub-region's benefits, but only up to the point where each sub-region's cost share equals the sub-region's benefits. Any additional cost of the project will be allocated to the load served under the state or local regulatory authorities within each sub-region, other than the sub-region in which the project is built, whose policy mandates drove the need for the project. Please comment on this proposal.

    PacifiCorp does not oppose this approach but reiterates comments in items 11, 12, and 13 above regarding cost allocation at a level more granular than the sub-region.

15. Continuing with the scenario of a policy-driven project that supports policy mandates of more than one sub-region, if the policy driver of the project was a federal policy, then for sub-regions other than the sub-region in which the project is built the ISO will allocate the project costs to the load served in each state in proportion to the state's need for the project to comply with the federal policy mandate. In such cases, if the project also supports policy mandates within the same sub-region in which the project is built, the ISO will allocate that sub-region's share of the policy-driven costs to the entire sub-region as part of the sub-regional TAC. Please comment on this proposal.

    PacifiCorp does not oppose this approach but reiterates comments in items 11 through 14 above regarding cost allocation at a level more granular than the sub-region.

16. Competitive solicitation to select the entity to build and own a new transmission project would apply to all new transmission projects rated 200 kV or greater, of any category, with exceptions only as stated in ISO tariff section 24.5.1 Please comment on this proposal.

    As expressed in prior comments, PacifiCorp continues to recognize that distinct benefits can be realized through the use of transparent and fair competitive solicitation processes, but reiterates it assertion that competitive solicitation should not strand development costs that have been prudently incurred by an incumbent.

17. The proposal indicated that the ISO would establish a formula for a single export rate (export access charge or "EAC") for the expanded region, and under the proposal, non-PTO entities would pay the same sub-regional TAC rate paid by other loads in the same sub-region. Please comment on this proposal.

As noted in other and prior comments, PacifiCorp continues to oppose establishment of a single, weighted EAC but supports the element to charge all entities within a particular sub-region the same sub-regional TAC rate.

18. The EAC would be calculated as the sum of all high-voltage transmission revenue requirements (TRRs) of all PTOs within the expanded BAA divided by the sum of the projected internal load for the entire expanded BAA. Please comment on this element of the proposal.

    As noted in prior comments, PacifiCorp continues to oppose establishment of a single, weighted EAC because such a charge would be higher than the TAC in the PacifiCorp sub-region and would result in unfair cost shifts to existing PacifiCorp transmission customers.

19. The CAISO proposes to allocate shares of the EAC revenues to each sub-region in proportion to their total high-voltage TRR. Please comment.

    As noted in other and prior comments, PacifiCorp continues to oppose establishment of a single, weighted EAC. With the assumption of a single weighted EAC, PacifiCorp continues to oppose allocation of EAC revenues proportionally on the basis of transmission revenue requirements.

20. The CAISO proposes to break down each sub-region's share of the EAC revenues into portions to be allocated to the sub-regional TAC and each state or local regulatory authority whose load is paying a share of the high-voltage TRR for policy-driven transmission whose costs are not included in the sub-regional TAC. These shares of the sub-region's EAC revenue would be in the same proportion as the corresponding shares of the sub-regional high-voltage TRR. This element of the proposal would not affect the allocation of EAC revenues between sub-regions. Please comment on this proposal.

    As with comments to items 11 through 14 above, PacifiCorp requests that the proposal explicitly acknowledge that while state or LRA boundaries may be used to calculate the default EAC revenue allocation to areas within sub-regions, these allocations may not determine the ultimate cost and revenue allocations for retail-ratemaking purposes.

21. Please provide any additional comments on topics that were not covered in the questions above.