

# Stakeholder Comments Template

## Transmission Access Charge Options

### May 20, 2016 Revised Straw Proposal

Submitted by	Company	Date Submitted
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The ISO provides this template for submission of stakeholder comments on the May 20, 2016 revised straw proposal. The revised straw 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](mailto:initiativecomments@caiso.com). Submissions are requested by close of business on **June 10, 2016**.

### Revised Straw Proposal

1. In the previous straw proposal the ISO proposed to define sub-regions, with the current ISO footprint as one sub-region and each PTO that subsequently joins as another sub-region. Now the ISO is proposing an exception to allow a new PTO that is embedded within or electrically integrated with an existing sub-region to have a one-time choice to join that sub-region or become a separate sub-region. Please comment on whether such an embedded/integrated new PTO should become a new sub-region, be given a one-time choice, or whether another approach would be preferable.

PacifiCorp continues to support the creation of new sub-regions for potential Balancing Authority Areas (BAAs) are electrically separate and distinct from existing BAAs. PacifiCorp's BAAs are electrically separate and distinct from—that is, not electrically embedded within—the current ISO BAA. PacifiCorp does not depend on any ISO-controlled facilities to transmit power out of or through its BAAs. In contrast, PacifiCorp believes that new “transmission dependent” PTOs that are electrically embedded within an existing sub-region generally ought to become part of that sub-region. Without this requirement, under the current TAC proposal, a new embedded sub-region could unfairly

avoid paying the sub-regional TAC for use of the facilities of the sub-region in which it is embedded. PacifiCorp is not yet convinced that giving all such electrically embedded PTOs a one-time choice and the opportunity for this exemption would fairly balance the TAC implications to the PTOs in existing sub-regions. In an effort to improve certainty for potential PTOs, the ISO might consider some sort of *ex ante* assignment of potential PTOs to sub-regions that fairly maintains electrically-integrated potential PTOs together.

2. The proposal defines “existing facilities” as transmission assets in-service or planned in the entity’s own planning process for its own service area or planning region, and that have either begun construction or have committed funding. The ISO proposed criteria for what constitutes a facility having “begun construction” and “committed funding” and for how these criteria would be demonstrated. Please comment on these criteria and their use for this purpose.

PacifiCorp appreciates that the ISO has presented a reference point from existing, codified guidelines to better determine whether a particular facility may be considered “new” or “existing”. PacifiCorp supports the concept of using specific sources, rules or tests such as those published in IRS Notice 2013-29, but cannot yet endorse this particular framework until it is better defined for transmission-related facilities and specifically tailored for the longer planning and construction horizon of such facilities.

3. The proposal defines “new facilities” as transmission projects planned and approved in an expanded TPP for the expanded BAA. Projects that are under review as potential “inter-regional” projects prior to the new PTO joining may be considered as “new” as long as the “existing” criteria are not met. Please comment on the potential inclusion of candidate inter-regional projects in the new facilities category.

PacifiCorp supports the proposal that projects not considered “existing” and that are under interregional review may be considered “new” facilities. This provision respects the proposed definition and tests for “existing” facilities (refer to item 2 comments) while addressing the practical matter that planning and development of transmission facilities are ongoing processes, are responsive to current needs, and cannot always be put ‘on hold’ while a potential new PTO evaluates, implements, and transitions entry into the regional ISO.

4. Consistent with the previous straw proposal, the ISO proposes to recover the costs of existing facilities through sub-regional “license plate” TAC rates. The ISO’s decision to retain the previous proposal, rather than develop a new proposal for allocating some costs of existing facilities across the sub-regions, was based on the importance of retaining the principle that only new facilities planned through the expanded TPP should be eligible for region-wide cost allocation. Please comment on the license plate approach and the logic for retaining that approach, as explained here and in the revised straw proposal.

PacifiCorp supports the proposal that the costs of existing facilities be recovered through specific sub-regional rates. PacifiCorp also endorses the concept of legacy facilities as defined in the revised straw proposal to clarify that each new PTO for which a new sub-region is created will only bear the costs of its own existing facilities and not the costs of legacy facilities of any PTOs (outside of its sub-region) that have joined before it.

5. “New facilities” will undergo a two-step process to determine eligibility for regional cost allocation. First, the project must be planned and approved through the integrated TPP for the expanded BAA. Second, the project must meet at least one of three criteria to be a “new regional facility” eligible for region-wide cost allocation. Please comment on the two-step process to determine “new facilities.”

PacifiCorp supports the two-step process and the criteria for determining “new” facilities—including certain candidate interregional facilities as discussed in item 3 above.

6. The proposal would allocate the cost of new reliability projects approved solely to meet an identified reliability need within a sub-region entirely to that sub-region. Please comment on the proposed cost allocation for new reliability projects.

PacifiCorp appreciates the simplicity of allocating new reliability projects within a single sub-region to that sub-region, but seeks clarity on how sub-regional reliability need would be defined. PacifiCorp is unclear how *regional* reliability projects would be treated under the revised straw proposal and requests confirmation about the approach that the ISO intends. PacifiCorp continues to support an economic evaluation (like the TEAM approach) for determining the benefits and allocating the costs of regional reliability projects.

7. The ISO proposes that a body of state regulators, to be established as part of the new regional governance structure, would make decisions to build and decide allocation of costs for new economic and policy-driven facilities. Please comment on this proposal.

There is significant regional discussion occurring at this time about possible independent governance structures for a multi-state regional ISO and about the role of states in the governance. Despite significant efforts, including potential structures outlined in white papers and testimony, the ultimate framework that may be adopted by the California legislature as part of its Senate Bill 350 legislative revision process is unknown. Further, to the extent that specific details of an independent governance structure and the role of state decision-making are deferred to a future process, such as a stakeholder process utilizing a transitional committee structure, additional uncertainty remains around the

timing and substance of any resolution. PacifiCorp will continue to support all efforts to advance and develop workable governance frameworks, but acknowledges that this process may take time and that, as a consequence, a full understanding and resolution of TAC cost allocation may need to be sequenced behind governance.

PacifiCorp recognizes that states may wish to have a meaningful decision-making role in approving and allocating the costs of economic and policy-driven transmission projects. Having been actively engaged in the efforts to resolve governance, PacifiCorp understands the ISO's proposal to refer these decisions to a decision-making committee, such as the body of state regulators suggested in the proposal. Because the TAC stakeholder process has already accumulated extensive feedback for cost allocation proposals, PacifiCorp believes that it would be valuable for the ISO to develop and memorialize guiding principles based on this feedback.

Under this proposal, PacifiCorp supports the development of robust backstop provisions for use by the ISO to overcome potential gridlock in decision-making for transmission projects that have been determined through the expanded ISO planning processes to be needed for the region.

8. Competitive solicitation to select the entity to build and own a new transmission project would apply to: (a) economic and policy-driven transmission projects approved by the body of state regulators for regional cost allocation, and (b) new projects whose costs are allocated entirely to one sub-region but are paid for by the ratepayers of more than one PTO within that sub-region. The ISO has determined that this policy is consistent with FERC Order 1000 regarding competitive solicitation. Please comment on this proposal.

PacifiCorp recognizes that distinct benefits that can be realized through the use of transparent and fair competitive solicitation.

9. FERC Order 1000 requires that the ISO establish in its tariff "back-stop" provisions for approving and determining cost allocation for needed transmission projects, in the event that the body of state regulators is unable to decide on a needed project. The revised straw proposal indicated that the ISO would propose such provisions in the next proposal for this initiative. Please offer comments and your suggestions for what such provisions should be.

PacifiCorp supports the backstop provisions for use by the ISO to overcome (or discourage) potential decision gridlock by a possible body of state regulators. PacifiCorp recognizes that detail of the provisions may depend in part on the final definition of the responsibilities of a decision-making committee, such as the body of state regulators suggested in the proposal, but suggests that development of specific triggers for a backstop action is important. Triggers should include dispute resolution process as well

as defined time and scope requirements, but PacifiCorp is not prepared to offer detailed suggestions at this time.

10. The proposal indicated that the ISO would establish a formula for a single export rate (wheeling access charge or WAC) for the expanded region, and this rate would be a load-weighted average of all sub-regional license plate rates plus any region-wide postage stamp rate. Please comment on this proposal.

PacifiCorp does not support establishing a single WAC based on the load-weighted average of all sub-regional license plate rates plus any region-wide postage stamp rate. Consistent with PacifiCorp's comments on the ISO's Issue Paper related to blending of the existing TRR, blending of the WAC would result in inappropriate cost shifts to PacifiCorp's customers. It is unclear to PacifiCorp why a single WAC is reasonable if the TAC structure is based on a different cost-benefit alignment. PacifiCorp would like the ISO to clarify why it would be reasonable to have a non-blended TAC structure, with the principle that this structure represents a better alignment of the costs and benefits of existing transmission facilities, but a blended WAC structure that utilizes the same existing transmission facilities. In addition, please clarify if other multi-state ISOs and RTOs also utilize a load (TAC) cost structure that is different from the export (WAC) cost structure.

11. The ISO proposed to retain the provision that once the BAA was expanded and a new TPP instituted for the expanded BAA, any subsequent PTO joining at a later date could be responsible for a cost share of new regional facilities approved in the expanded TPP, based on the benefits the new PTO receives from each such facility. Please comment on this proposal.

PacifiCorp supports this provision. New PTO sub-regions are protected from legacy costs (refer to item 4 comments) and this proposal aligns with the need to create disincentives for potential PTO participants to delay participation in a regional ISO until after significant projects are approved allocated (refer to item 12 comments).

12. The ISO dropped the proposal to recalculate sub-regional benefit shares for new regional facilities every year, and instead proposed to recalculate only when a new PTO joins the expanded BAA and creates a new sub-region, but at least once every five years. Please comment on this proposal.

PacifiCorp supports the proposal to recalculate sub-regional benefits and cost allocation shares when a new PTO creates a new sub-region, but while PacifiCorp appreciates the ISO's decision to drop the proposal for yearly recalculations, PacifiCorp suggests that

any re-assessment based merely on the passage of time, including the five-year maximum time interval, may also be unnecessary.

PacifiCorp believes that reevaluating sub-regional benefit and cost allocation shares only when a new PTO creates a new sub-region and without any time-based trigger for balances the desire for i) cost certainty and stability and ii) equitable allocation of regional costs while dissuading potential PTO participants from delaying participation until after significant projects are approved.

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

PacifiCorp appreciates that the revised straw proposal clarifies definitions and further develops criteria to determine facilities eligible for regional cost allocation consideration. As noted in its comments to item 7, PacifiCorp recognizes the rationale for deferring project approval and cost allocation authority to a decision-making committee, such as the body of state regulators suggested in the proposal. With resolution of governance emerging as prerequisite, however, the scheduling and/or scope of the TAC stakeholder process may require adjustment.