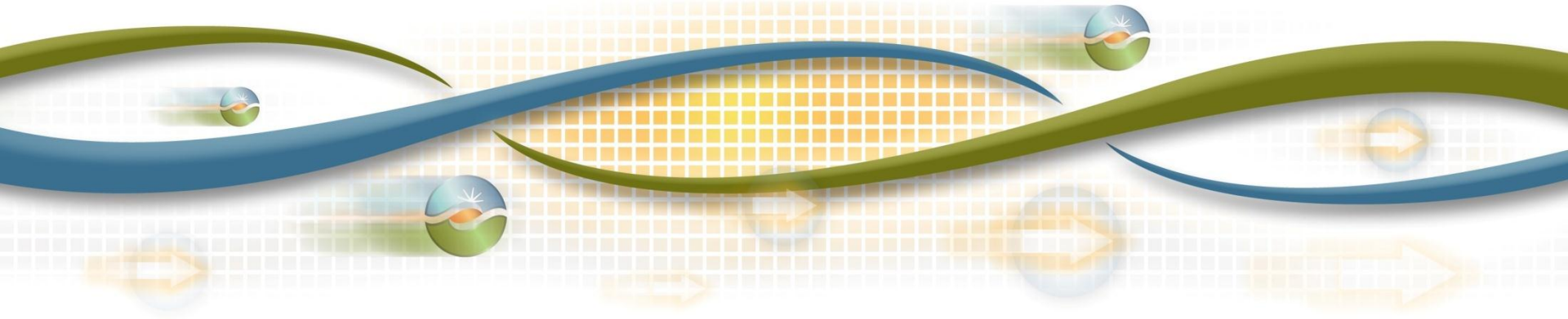


# Transmission Program Impact on High Voltage TAC *Preliminary Results*

*Draft 2012/2013 ISO Transmission Plan Stakeholder Meeting*

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# Background

- Forecasting tool developed in response to concerns over increasing upward pressure on transmission costs.
  - Replacing aging infrastructure
  - Complying with NERC planning standards
  - Meeting California energy policy goals
- Goal is to estimate future high voltage transmission access costs in an objective and transparent manner.
  - Strike a balance of top down estimates with bottom up details
  - Provides transparency to costs related to reliability, policy, and economic driven projects
  - Establish a baseline and allows the flexibility to customize each future project individually

# Building the Forecasting Tool involved Two Steps

## 1. Establishing a Solid Foundation

- The model accurately reflects current gross plant data
- Uses reasonable assumptions for costs associated with capital maintenance and O&M
- Includes other important factors such as depreciation, taxes, and capital costs

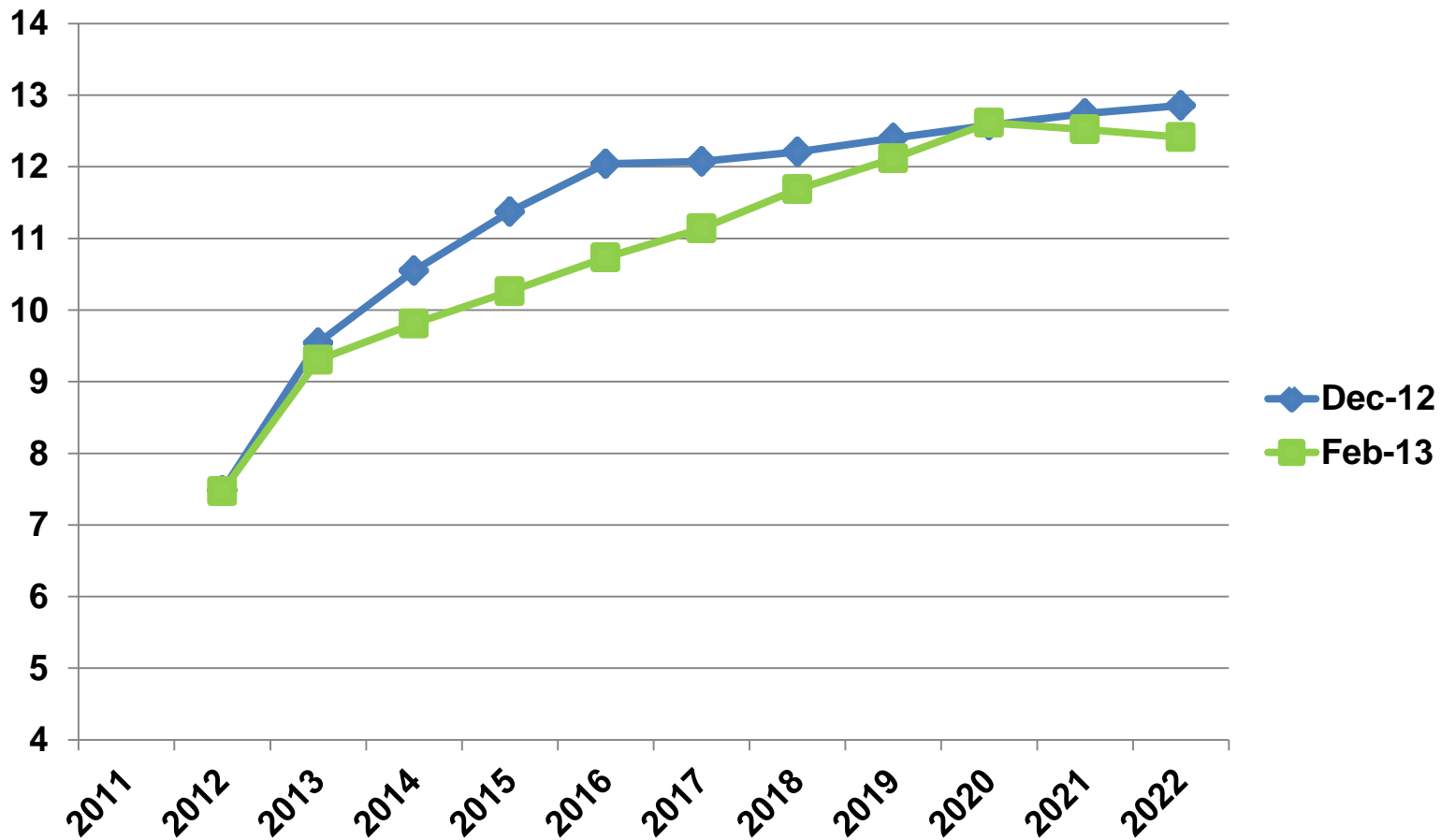
## 2. Adding the Costs of New Capital Additions

- Costs of Capital
- Treatment of Construction Work in Progress
- Financing and Tax Structure
- Estimated Incremental O&M

## Simplified modeling assumptions:

- O&M costs escalated at 2%/year.
- Capital maintenance estimated at 2% of gross plant per year.
- Reliability projects assumed to not drop below \$250 million per year once exceeding that level.
- Only major GIP-driven network projects have been identified.
- No adjustment made (yet) for other GIP-driven network upgrades or future ADNUs.
- “Typical” return, tax and depreciation rates applied.

# ISO projecting a steady increase in the high voltage transmission access charge over next eight years.



# Next Steps

- Continue to refine assumptions and costs
- Ensure accurate depreciation and tax information
- Provide annual updates as part of annual transmission planning process