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. Submissions are requested by close of business on **June 10, 2016.**

INTRODUCTION

The Utah Association of Energy Users ("UAE") and the Wyoming Industrial Energy Consumers ("WIEC") provide these comments on the Revised Straw Proposal for Transmission Access Charge ("TAC") Options dated May 20, 2016. Where the comments being provided belong to a single entity (UAE or WIEC), the comments so indicate.

UAE, whose members include industrial, commercial and other entities operating in Utah, has participated in various ISO meetings and processes regarding possible regional integration and has submitted comments. UAE is not yet persuaded that if PacifiCorp were to become a Participating Transmission Owner in the ISO it would be beneficial to or in the public interest of PacifiCorp's Utah ratepayers.

WIEC is an unincorporated, non-profit association whose members are large electric consumers that operate facilities within the service territory of Rocky Mountain Power, from whom they purchase electricity and energy services. Like UAE, WIEC has participated in various ISO meetings and processes regarding possible regional integration and has submitted

comments. However, like UAE, WIEC is not yet persuaded that if PacifiCorp were to become a Participating Transmission Owner in the ISO it would be beneficial to or in the public interest of PacifiCorp's ratepayers.

The current regional integration ISO processes are moving ahead rapidly, despite the continued absence of critical information and necessary shareholder negotiations that will be needed before UAE and WIEC can determine its ultimate positions on PacifiCorp's potential involvement in the ISO. Nevertheless, UAE and WIEC provide these initial comments on the TAC Revised Straw Proposal in an effort to identify areas of agreement and concern that UAE and WIEC have identified to date. If PacifiCorp and the ISO are serious about potential PacifiCorp participation in the ISO, UAE and WIEC suggest that substantive, good-faith discussions and negotiations among affected stakeholders – including UAE and WIEC – are critical before any meaningful governance, cost allocation or other decisions can be made.

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.

   Comment: UAE was generally supportive of the original sub-region proposal and continues to be supportive of the concept. UAE and WIEC do not object to the proposed one-time option, so long as it does not apply to PacifiCorp.

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.

   Comment: The criteria for determining the narrow questions as to whether a project has "begun construction" or "committed funding" may be reasonable, but at a higher level UAE and WIEC remain unconvinced there is yet an understandable bright-line test for distinguishing between a planned "existing facility" versus a new facility that is eligible for region-wide cost allocation.

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.

   Comment: UAE and WIEC are more comfortable with the 300 kV threshold than the proposed 200 kV threshold as a criterion for region-wide cost allocation. UAE and WIEC are also concerned that this change and other aspects of the Revised Straw Proposal make it too easy to spread the costs of projects to customers who may not benefit from them.

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.

   Comment: UAE and WIEC continue to view a "license plate" approach to recovery of costs for existing facilities to be critical. UAE and WIEC strongly support cost allocation on the basis of relative benefits. UAE and WIEC remain concerned that the proposed criteria could result in the costs of a project constructed primarily for sub-regional benefits being more broadly allocated to customers throughout the entire expanded BAA.

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."

   Comment: The distinction, if any, between a facility that is ELIGIBLE for regional cost allocation and one that is ASSURED of regional cost allocation is less than clear. On the one hand, the Revised Straw Proposal indicates that a "new" facility will be CONSIDERED for regional cost allocation if it is either a policy-driven or economic upgrade and meets at least one of the following criteria: (a) is rated > 200 kV, or (b) interconnects two or more sub-regions or upgrades an existing interconnection, regardless of voltage level, or (c) creates a new or upgrades an existing intertie with a BAA adjacent to the expanded ISO BAA, regardless of voltage level. The use of the word "considered" suggests there will be a subsequent test as to whether the facility

will actually produce regional benefits. Yet the Revised Straw Proposal then separately states that a new economic or policy-driven facility that meets at least one of criteria (a), (b) or (c) will be referred to as a "new regional facility," suggesting that such a project will be deemed to provide regional benefits irrespective of whether such regional benefits can actually be identified. UAE and WIEC believe this ambiguity should be clarified and oppose an approach that simply DEEMS regional benefits to exist for policy-driven or economic upgrades meeting one of the three stated criteria. UAE and WIEC are concerned that such an approach could result in the costs of a project constructed primarily for sub-regional benefits being more broadly allocated to customers throughout the entire expanded BAA. See also UAE and WIEC's Comments in response to paragraphs 3 and 4, above.

Additionally, UAE and WIEC oppose the following position in the Revised TAC Straw Proposal (emphasis supplied): "Costs of new facilities on the expanded ISO controlled grid that do not meet any of these criteria will be recovered <u>entirely from the sub-region in which they are connected.</u>" The point of interconnection should <u>not</u> be the sole basis of determining which sub-region pays for the costs of new facilities that do not meet the criteria in Paragraph 4 of the Revised TAC Straw Proposal. Rather, the determination of which sub-region is assigned the costs must also consider which sub-region, utility or jurisdiction is requesting the project, or which sub-region will benefit from the project.

Finally, the general lack of clarity in certain terms used in this Revised TAC Straw Proposal (for example, there is no clear definition of a "policy-driven" project vs. an "economically-driven" project vs. a "reliability-driven" project) is concerning. The CAISO should provide greater definition to these terms, and how a project would be classified to each category. Moreover, to the extent that the test of economic benefits embeds policy-driven variables (e.g., carbon costs) the lines between these definitions become further blurred. Lack of clarity in these terms will potentially lead to litigation, which is costly, causes delay, and discourages new investment.

6. <u>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.</u>

Comment: UAE and WIEC support cost allocation on the basis of benefits and thus supports this proposal in concept, assuming reasonable and workable governance and cost allocations procedures can be ensured.

7. <u>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.</u>

Comment: The details of this proposal have not yet been sufficiently explained to permit UAE and WIEC to develop a position. Notwithstanding this, UAE and WIEC offer the following preliminary comments:

First, details as to the makeup, decision-making process and authority of both the ISO board and the body of state regulators must be provided to and vetted by stakeholders. UAE and WIEC have doubts that a body of state regulators can sufficiently preserve a State Commission's necessary authority over costly projects that will affect retail rates in each State.

Second, it appears that this proposal would result in PacifiCorp customers having a drastically reduced voice in PacifiCorp's resource planning process. Customers can intervene in PacifiCorp's integrated resource plan and resource procurement/approval dockets in PacifiCorp's various jurisdictions. This proposal appears to move certain resource planning decisions away from state public utility commission proceedings to a governance forum in which customers will apparently have little or no voice or due process protections. To the extent that this proposal would result in customers having a reduced voice in the costs PacifiCorp passes onto its ratepayers, UAE and WIEC cannot support it.

Third, UAE and WIEC have concerns regarding the Revised TAC Straw Proposal's position on policy-driven facilities. The Revised TAC Straw Proposal states that the costs of a new policy-driven facility will be allocated among the sub-regions if it either (a) is rated > 200 kV, (b) interconnects two or more sub-regions or upgrades an existing interconnection, regardless of voltage level, or (c) creates a new or upgrades an existing intertie with a BAA adjacent to the expanded ISO BAA, regardless of voltage level. These are the same criteria used to evaluate whether the costs of a new economically-driven project will be allocated among the sub-regions, and as such the Revised TAC Straw Proposal fails to recognize the fundamental differences between economically-driven and policy-driven projects. Additionally, while states should have autonomy to set their own policies and develop their own policy projects, one state should not be able to impose the costs of its own policy goals and projects on another state that may disagree or be harmed by those policy goals. Furthermore, the proposed criteria appear to incent policy-driven projects to be built-up in order for the costs to be spread among sub-regions. That the Revised TAC Straw Proposal proposes to give a body of state regulators authority over the cost-allocation of policy-driven projects provides little comfort because, as discussed above (1) there is no detail in the Revised TAC Straw Proposal regarding makeup or voting authority of this body, and (2) it appears customers may be effectively excluded from this process.

8. <u>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</u>

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.

Comment: UAE and WIEC strongly support the use and protection of meaningful competition to restrain costs, and thus support this proposal in concept. However, the details of this proposal have not yet been sufficiently explained to allow UAE and WIEC to develop a detailed position.

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.

Comment: See UAE and WIEC's response to paragraph 7, above. UAE and WIEC believe that it is premature to try to determine an appropriate back-stop authority before the role and authority of the body of state regulators and the ISO board are clearly understood. UAE and WIEC would not be comfortable with the back-stop authority being the ISO board.

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.

Comment: The implications of this proposal are not yet sufficiently clear to allow UAE and WIEC to develop a position on the merits of this proposal. Also, see UAE and WIEC's Comments in response to paragraph 13, below.

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.

Comment: The details of this proposal remain sufficiently unclear to allow UAE and WIEC to develop a position on the merits of this proposal.

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.

Comment: The implications of this proposal are not yet sufficiently clear to allow UAE and WIEC to develop a position on the merits of this proposal. The specific means for measuring benefits and thus cost allocations must be fully developed, understood and vetted before UAE and WIEC can determine whether periodic re-calculation of benefits and cost shares would be appropriate. In general, UAE and WIEC believe that when facilities are constructed based on a specific set of circumstances, the resulting cost allocations should typically remain fixed absent significant changes in circumstances or relative benefits.

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

Comment: UAE and WIEC remain very concerned about the continued use of the following assumption and statement in the Revised TAC Straw Proposal: "This proposal assumes that TAC will continue to be charged on a per-MWh basis to load and exports. It does not consider whether anyone other than load or exports should pay the TAC, nor does it consider alternative billing determinants such as peak-demand based charges." UAE and WIEC strongly encourage the CAISO to take a meaningful look at this issue, as it has the potential for serious unintended consequences. UAE and WIEC are strongly opposed to changes that would create potentially significant cost shifts among the six state jurisdictions in which PacifiCorp currently provides service or among customer groups within such jurisdictions.

The CAISO's continued reliance on a per-MWh charge alone could significantly affect cost-causation and cost-allocation assumptions that have been used for many decades by regulatory authorities in states in which PacifiCorp currently does business, as it ignores the impacts of peak loads. Both at the interjurisdictional cost allocation level and in class cost allocations, regulatory authorities in many of PacifiCorp's service territories have viewed contribution to coincident system peak as an important cost-driver for generation and transmission resources. If cost causation assumptions for transmission resources are perceived to have changed to include only the contribution of MWh throughput, significant cost-shifts could occur, both among PacifiCorp jurisdictions and among classes within many of those jurisdictions. Transmission costs incurred by and allocated to PacifiCorp must continue to reflect the significant cost-causative nature of peak loads to avoid a significant and unacceptable risk to customers of unintended cost shifts, both with respect to existing resources and future transmission projects.

> ***UAE and WIEC recognize that it is not the intention of the Revised Straw Proposal to determine or otherwise influence the allocation of transmission costs among PacifiCorp's state jurisdictions or among customer classes within any PacifiCorp jurisdiction. UAE and WIEC also believe that the allocation of costs among the PacifiCorp state jurisdictions is an exercise that is conceptually distinct from the determination of a TAC applicable to PacifiCorp. However, if the depiction of PacifiCorp's transmission rates is changed to reflect the per-MWh TAC design preferred in the Straw Proposal, then that introduces the risk that at some point in the future, the TAC rate design will be conflated with cost causation.***