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.**

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.

No comments on this issue at this time. The Utah Division of Public Utilities' (Utah DPU) silence on any issue now or in the future does not necessarily signal agreement. And the Utah DPU reserves the right to make additional comments in future CAISO, FERC, State of Utah forums or proceedings, or other appropriate venues.

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.

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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.

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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.

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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."

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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.

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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.

The Utah DPU has not yet determined its position on this item, in part because of the many questions that remain under such a proposal. Who makes up this body? Will FERC restrict who might be part of the body if a state chooses a unique method of appointment? How are voting rights allocated? Should each state have equal voting? Or vote based on some energy/demand formula? Is a majority vote sufficient or must the vote be unanimous? What will the body's scope include and what may the body and the ISO board do without the other's consent? What happens if a state commission rejects a cost that was approved by the new entity? (For further comments, see the extended Utah DPU comments under item 13).

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 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.</u>

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9. <u>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.</u>

No comments on this issue at this time. The Utah DPU's silence on any issue now or in the future does not necessarily signal agreement. And the Utah DPU reserves the right to make additional comments in future CAISO, FERC, State of Utah forums or proceedings, or other appropriate venues.

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.

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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.

No comments on this issue at this time. The Utah DPU's silence on any issue now or in the future does not necessarily signal agreement. And the Utah DPU reserves the right to make additional comments in future CAISO, FERC, State of Utah forums or proceedings, or other appropriate venues.

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.

No comments on this issue at this time. The Utah DPU's silence on any issue now or in the future does not necessarily signal agreement. And the Utah DPU reserves the right to make additional comments in future CAISO, FERC, State of Utah forums or proceedings, or other appropriate venues.

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

In light of CAISO's stated intent to file general conceptual ideas on certain issues with FERC and work out the details later, the Utah DPU offers the following comments. The Utah DPU believes that this approach is unwise and inadequate based upon its past experience.

During the June 1, 2016 CAISO conference call, Denise Parrish (Wyoming OCA) commented on the state of PacifiCorp's inter-jurisdictional cost allocations. Essentially, her comment indicated that the PacifiCorp jurisdictions have been debating and disagreeing on cost allocations since the 1989 merger between the Pacific Power and Utah Power systems, approximately twenty-seven years. In view of this history, Ms. Parrish asked why we should expect a diverse group to be able to come to a general consensus on transmission cost allocation. The Utah DPU shares Wyoming OCA's concern.

The Utah DPU observes that there are several reasons for the lack of resolution on PacifiCorp's inter-jurisdictional allocations 27 years after the merger. First, the allocation method was not determined prior to the companies seeking approval of the merger. In other words, an allocation method was not part of the merger approval but was assigned to a multi-state committee/workgroup for later determination. The argument proffered by the companies then is similar to supporting claims for regional ISO expansion now: there are so many benefits that under any reasonable allocation method, all the states will be better off. While the PacifiCorp workgroup has over the years reached several compromises on allocations, in the Division's view, these allocation methods have not performed as expected and, thus, have been short-lived. Various short-term allocation methods have involved additional payments in addition to those that would be calculated by the formula by states such as Utah in order to reach a compromise. Thus, analyses at the time of merger proved incorrect as allocations changed and the contemplated coalescence never materialized.

Second, while the merged company, PacifiCorp, began planning and operating as a single system, vertically integrated company after the merger, a transition period to a single system for cost allocations was not defined. Without a defined transition period, each jurisdiction has essentially retained its own interpretation of acceptable or appropriate cost allocations, which leads to the Utah DPU's third observation.

Third, in the Utah DPU's view, it appears some parties to PacifiCorp's allocations workgroup have never warmed to the idea of a single system, but continue to this day to insist on a two-system company, divided into East and West portions, for certain cost allocations. The parties differ fundamentally on issues of what factors drive costs. Are new facilities primarily driven by demand or energy? How many annual coincident peaks are used in measuring demand? Should the same factors be used to allocate existing facilities that may have been built for other reasons? How are regions that under or over perform as compared to predicted demand factors treated? Does the system dynamically adjust? On what period is the recalculation made? These are just a few examples of the issues that cause significant differences in views between the PacifiCorp served regions.

Therefore, the Utah DPU is very skeptical of enthusiastic support for regional ISO expansion from various corners of PacifiCorp's service territory. While an ISO with healthy governance structures may be able to overcome the division that has prevented lasting allocations among PacifiCorp states, it will do so in ways that cannot be anticipated by regulators evaluating a utility's request to join an ISO. This will leave regulators unable to adequately evaluate the costs and benefits of ISO membership. Joining an ISO in order to find out what it offers and relying on a promise that it will all work out is simply not a responsible way to proceed.

In conclusion, without a detailed proposal memorialized in FERC applications or given other forms of certainty, it will not be possible for the Utah DPU to determine whether any proposal is in the public interest of Utah. In such circumstances the Division would not be able to offer a supporting recommendation for approval to the Utah Public Service Commission.