

**Stakeholder Process**

**Stakeholder Process to Date**

Activity	Date	Number of Stakeholder Representatives (Indicate phone and onsite reps)
White Paper Draft 1 posted to website	1/19/07	N/A
Stakeholder Meeting Draft 1	2/6/07	37 phone 46 onsite
Stakeholder written comment period ends Draft 1	2/14/07	13 received
White Paper Draft 2 posted to website	3/9/07	N/A
Stakeholder Meeting Draft 2	3/20/07	31 phone 25 onsite
Stakeholder written comment period ends Draft 2	3/28/07	13 received
CAISO Board of Governors Meeting for approval of final recommendations and conclusion	4/18/07	N/A
Compliance filing to FERC	5/1/07	N/A

**Describe the Issue**

Stakeholder	Comment	ISO Response
Mirant California	<p>Strongly supports the cost recovery for the LEAPS facility through the market and not through the cost based Transmission Access Charge. A merchant generation project should not be afforded the same cost recovery as transmission.</p> <p>Concerned about holding open the possibility of the facility receiving cost based recovery through TAC.</p> <p>Concerned at any suggestion that the CAISO undertake a role in the operation and management of the pumped storage portion of the LEAPS proposal.</p>	The CAISO concurs.
Williams Power Company, Inc.	<p>Market cost recovery is the only acceptable form of cost recovery that is in keeping with the CAISO's core mission of facilitating equitable, transparent wholesale competition through markets.</p> <p>The CAISO's purpose requires that the compelling value of the LEAPS pumped storage project, or any other generation project presents has to be realized through a market.</p>	The CAISO concurs.

	The LEAPS project should be treated as a merchant generation facility.	
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Constellation Energy Commodities Group, Inc., Constellation NewEnergy, Inc. and Constellation Generation Group	Market cost recovery is the most appropriate method of cost recovery for LEAPS. Any strategically placed generation resource can provide transmission benefits such as reducing congestion or eliminating the need for transmission expansion. TNHC should retain operational control of LEAPS subject only to the normal constraints that would be placed on a pumped storage plant.	The CAISO concurs.
San Diego Gas & Electric	The LEAPS project should receive market cost recovery and the LEAPS project should not be allowed TAC cost recovery. Opposes allowing generation in the TAC under any circumstances, including through the use of an auction process that is yet to be defined.	The CAISO concurs.
Southern California Edison Company	Market cost recovery is the most appropriate option for LEAPS. Recovery of costs through the TAC should only be considered under the limited circumstances described by the ISO in the Whitepaper where study demonstrates that LEAPS provides compelling value not obtainable through other sources. More detail needed in order to fully evaluate the auction option.	The CAISO concurs.
Santa Clara d/b/a Silicon Valley Power and M-S-R Public Power Agency	Remain opposed to the inclusion of LEAPS project costs in TAC, and oppose CAISO operational control of the LEAPS facility. Support the standard Large Generator Interconnection Agreement, with LEAPS operating its facilities and recovering costs through market rates.	The CAISO concurs.
Staff of the California Public Utilities Commission	In the role of protecting the interests of electric consumers of California, the CPUC staff strongly opposes financing the pumped storage component of the LEAPS project through the Transmission Access Charge, which is intended to pay for transmission infrastructure. The pumped storage component of LEAPS should be treated as a merchant generator and undergo the established Large Generator Interconnection Procedure leading to an LGIA. The CPUC could serve as a forum that can review the economics of the LEAPS pumped storage project in a manner that will allow for full stakeholder participation. In the unfortunate even that the FERC requires that the costs of a generator be recovered through the TAC, the CPUC Staff would agree that an auction to a third party would be least the harmful option to implement such a requirement.	The CAISO concurs.
Pacific Gas and Electric Company	Supports cost recovery through the market as the most appropriate cost recovery mechanism for LEAPS. Inclusion of the LEAPS facility in a cost-based fixed revenue requirement such as the Transmission Access Charge is inappropriate and premature at best. CAISO operational control would result in the CAISO acting as a market participant and would jeopardize its independence. It is premature for the CAISO to consider an auction at this time.	The CAISO concurs.

<p>California Department of Water Resources State Water Project</p>	<p>The CAISO should consider eliminating some of the existing barriers in promoting the use and development of advanced transmission technology. A number of the CAISO's charge types are indifferent to time-of-use resulting in costs being socialized to all regardless of time-of-use or location. Socializing these costs to all hours based solely on load (MWh) usage regardless of time-of-use, causes undue discrimination against Pump-Storage and Controllable Load. SWP supports treating LEAPS as a market generator on the same basis as SWP's three Pump Storage generators and SWP's Controllable Load.</p> <p>SWP opposes inclusion of LEAPS generation costs (including capital costs, costs of abandonment, operating costs, etc.) in TAC.</p>	<p>The CAISO considers value when certain services are being used. For example, energy is paid on an hourly market clearing price (whether provided by generation or participating load). In addition, CAISO is constantly considering market design changes that will create incentives to attract a sufficiently diversified fleet of resources to meet policy goals without compromising the ability to meet local and system reliability needs.</p> <p>The CAISO concurs.</p>
<p>The Nevada Hydro Company, Inc.</p>	<p>Analysis wanted to support CAISO contention that there are legitimate concerns with ISO independence and/or tax exempt status if CAISO were to operate the unit.</p> <p>Rejection of option 3 (operation by an independent agency) should be reconsidered.</p> <p>Requiring sufficient auction revenues before getting cost recovery in TAC is internally inconsistent, unworkable, and discriminatory.</p>	<p>The CAISO will fully describe the risks in its filing to the FERC.</p> <p>Option 3 was rejected based on stakeholder comment, CAISO independence threats, and market impact.</p> <p>This is an open issue presented to stimulate discussion on the topic.</p>
<p>Coral Power, L.L.C.</p>	<p>Pumped storage component's <u>net cost</u> should be included in the TAC because the location of the LEAPS facility allows it to function as a pseudo transmission line increasing overall</p>	<p>The CAISO disagrees. The primary function of the</p>

	deliverability of adjacent transmission lines.	pumped storage units is to produce electrical energy, not to move energy in bulk. The services the pumped storage units provide are services that are generally provided by generation facilities not transmission facilities.
J. Ayer	<p>The alternative in which TNCH retains control and seeks cost recovery through the market is the only reasonable alternative that can be pursued because it is the only option which properly treats LEAPS as a generation facility.</p> <p>The auction alternative will not preserve CAISO independence because the contract that is issued will inherently affect the market by virtue of the conditions that it does (or does not) contain.</p>	<p>The CAISO concurs.</p> <p>The threats to CAISO independence will depend on the terms and conditions of the auction.</p>
D. Pinnow	<p>Concurs that the best approach to deal with the LEAPS project is through the LGIP process. There are serious concerns about the alternative auction process.</p>	The CAISO concurs.
J. Pecora	<p>Comments are addressing the FERC's Final Environmental Impact Statement which is not pertinent to the subject matter at issue before the CAISO.</p>	CAISO comment not appropriate.