

Comments of the California Department of Water Resources'
State Water Project on the California Independent System Operator's
Draft Tariff Language for Location Constrained Resource Interconnection (LCRI)
October 15, 2007

The California Department of Water Resources' State Water Project (SWP) appreciates the opportunity to provide comments to the draft tariff language for Location Constrained Resource Interconnection (LCRI). CAISO efforts to incorporate parties' comments are appreciated. The SWP's past comments are still outstanding and were not addressed in the draft tariff language.

SWP's new comment deals with section 26.6 of the draft tariff. In particular the last sentence which reads "Each Participating TO shall credit its High Voltage TRR with revenues received from LCRIGs with respect to such charges by recording such revenues in its TRBA". In SWP's view it would be more appropriate to credit the generators' revenue payment directly to the capital expenditure of the trunk-line instead of the transmission revenue balancing account (TRBA).

When a Participating Transmission Owner (PTO) does work requested by other (WRO) such as a generator tie-line, the payment received from the generator to the PTO is applied directly to that tie-line capital expenditure and not placed in the TRBA account. Crediting the generator's pro-rata payment share directly against the capital expenditure, rather than the TRBA account, will reduce other associated costs such as return on investment, and federal and state taxes.

In other words, directly crediting LCRI revenues against the capital cost would more quickly and directly reduce ratebase. This in turn would protect ratepayers against unnecessarily inflated charges in rate of return on equity and related costs.

Please contact Lee Terry of the Transmission Rate Section at (916) 574-0664 if you have any questions.