

Stakeholder Comments Template

Transmission Access Charge Options

February 10, 2016 Straw Proposal & March 9 Benefits Assessment Methodology Workshop

Submitted by	Company	Date Submitted
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The ISO provides this template for submission of stakeholder comments on the February 10, 2016 Straw Proposal and the March 9, 2016 stakeholder working group meeting. Section 1 of the template is for comments on the overall concepts and structure of the straw proposal. Section 2 is for comments on the benefits assessment methodologies. As stated at the March 9 meeting, the ISO would like stakeholders to offer their suggestions for how to improve upon the ISO's straw proposal, and emphasizes that ideas put forward by stakeholders at this time may be considered in the spirit of brainstorming rather than as formal statements of a position on this initiative.

The 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 **March 23, 2016**.

INTRODUCTION

The Utah Association of Energy Users (“UAE”) appreciates this opportunity to provide initial comments on the Straw Proposal for Transmission Access Charge (“TAC”) Options. UAE, which previously submitted initial comments on the TAC Issue Paper, is a non-profit trade organization comprised of more than 30 large and diversified industrial, commercial and other entities operating in Utah. UAE members employ tens of thousands of people in Utah and consume millions of kWh of energy each month. UAE member operations include oil and gas, aerospace, healthcare, education, retail, manufacturing and other areas. UAE and its members help shape reasonable energy and environmental policy through participation in the legislative process and state and national regulatory proceedings. UAE is actively involved in representation of large energy users before the Utah Legislature and the Utah Public Service

Commission. At the regional and federal levels, UAE provides leadership and intervention on behalf of its members with the Western Electricity Coordinating Council, the Federal Energy Regulatory Commission, and elsewhere.

UAE is still climbing a steep learning curve with respect to the ISO's existing and proposed procedures and allocation methods. UAE has not yet determined whether PacifiCorp becoming a Participating Transmission Owner in the ISO will be beneficial to or in the public interest of PacifiCorp's Utah ratepayers. UAE has not yet had sufficient time or been given sufficient information to develop a detailed understanding of or specific positions with respect to the TAC Straw Proposal. Nevertheless, UAE provides these initial comments in an effort to help identify areas both of agreement and concern that UAE has identified to date with respect to the TAC Straw Proposal. UAE intends to continue analyzing relevant issues and to participate in ISO stakeholder processes, as well as in proceedings before the Utah Public Service Commission and the Federal Energy Regulatory Commission, in an effort to represent and protect the interests of PacifiCorp's large Utah ratepayers.

Section 1: Straw Proposal

1. The proposed cost allocation approach relies on the designation of "sub-regions," such that the current CAISO BAA would be one sub-region and each new PTO with a load service territory that joins the expanded BAA would be another sub-region. Please comment on the proposal to designate sub-regions in this manner.

Comment: UAE believes that these designation appear generally to be reasonable.

2. The proposal defines "existing facilities" as transmission facilities that either are already in service or have been approved through separate planning processes and are under development at the time a new PTO joins the ISO, whereas "new facilities" are facilities that are approved under a new integrated transmission planning process for the expanded BAA that would commence when the first new PTO joins. Please comment on these definitions.

Comment: UAE believes that these definitions may also be reasonable. However, further analysis and attention will be required to determine at precisely what point in any given planning and approval process proposed transmission plant should properly be considered an existing facility or a new facility. UAE does not believe that an acceptable bright line test has yet been determined or offered.

3. Using the above definitions, the straw proposal would allocate the transmission revenue requirements (TRR) of each sub-region's existing facilities entirely to that sub-region. Please comment on this proposal.

Comment: UAE supports this approach and considers such an approach indispensable to the fair treatment of PacifiCorp ratepayers.

4. If you believe that some portion of the TRR of existing facilities should be allocated in a shared manner across sub-regions, please offer your suggestions for how this should be done. For example, explain what methods or principles you would use to determine how much of the existing facility TRRs, or which specific facilities' costs, should be shared across sub-regions, and how you would determine each sub-region's cost share.

Comment: UAE strongly opposes allocation of any portion of the TRR of existing facilities between existing CAISO participants and PacifiCorp.

5. The straw proposal would limit "regional" cost allocation – i.e., to multiple sub-regions of the expanded BAA – to "new regional facilities," defined as facilities that are planned and approved under a new integrated transmission planning process for the entire expanded BAA and meet at least one of three threshold criteria: (a) rating > 300 kV, or (b) increases interchange capacity between sub-regions, or (c) increases intertie capacity between the expanded BAA and an adjacent BAA. Please comment on these criteria for considering regional allocation of the cost of a new facility. Please suggest alternative criteria or approaches that would be preferable to this approach.

Comment: UAE supports the principle that cost shares for new cost-effective regional facilities should be allocated on the basis of relative sub-region benefits as closely as possible. However, UAE is concerned that the proposed threshold criteria might be inadequately defined or developed, or overly broad. For example, UAE is concerned that the proposed criteria could result in the costs of a high-voltage project that is constructed primarily for sub-regional benefit being more broadly allocated to customers throughout the entire expanded BAA.

6. For a new regional facility that meets the above criteria, the straw proposal would then determine each sub-region's benefits from the facility and allocate cost shares to align with each sub-region's relative benefits. Without getting into specific methodologies for determining benefits (see Section 2 below), please comment on the proposal to base the cost allocation on calculated benefit shares for each new regional facility, in contrast to, for example, using a postage stamp or simple load-ratio share approach as used by some of the other ISOs.

Comment: UAE supports the principle that cost shares should be allocated on the basis of sub-region relative benefits as closely as possible, assuming the use of reasonable methods for determining relative benefits.

7. The straw proposal says that when a subsequent new PTO joins the expanded BAA, it may be allocated shares of the costs of any new regional facilities that were previously approved in the integrated TPP that was established when the first new PTO joined. Please comment on this provision of the proposal.

Comment: The details of this proposal are not yet sufficiently clear to allow UAE to develop a position on the merits of this proposal.

8. The straw proposal says that sub-regional benefit shares – and hence cost shares – for the new regional facilities would be re-calculated annually to reflect changes in benefits that could result from changes to the transmission network topology or the membership of the expanded BAA. Please comment on this provision of the proposal.

Comment: The details of this proposal are not yet sufficiently clear to allow UAE to develop a position on the merits of this proposal. The specific means for measuring benefits and thus cost allocation shares must be fully explained and understood before UAE can determine whether periodic re-calculation of benefits and cost shares would be appropriate. In general, UAE believes 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.

9. Please offer any other comments or suggestions on the design and the specific provisions of the straw proposal (other than the benefits assessment methodologies).

Comment: UAE believes in general that the Straw Proposal for existing facilities is probably reasonable and that the Straw Proposal for new facilities might be reasonable, depending on the specifics of cost/benefit analyses and cost allocation procedures.

UAE also wishes to reiterate comments that it provided in response to the TAC Issue Paper regarding the potential for cost shifting among the six state jurisdictions in which PacifiCorp currently provides service and among customer groups within some of those jurisdictions resulting from cost allocations within the ISO or any sub-region. Currently, seventy-five percent (75%) of PacifiCorp's fixed generation and transmission costs are allocated among its six-state service territories, and also among customer classes within several of the PacifiCorp states, based upon the contribution of each such service territory or class to PacifiCorp's coincidental peak load in each of the twelve calendar months. Twenty-five percent (25%) of these fixed costs are allocated to states and classes based upon energy usage. This allocation method, which recognizes important cost-causation principles relevant to PacifiCorp's system, has been in place for decades. It is critical to UAE that individual states retain the right to continue to use this type of interstate allocation method within an ISO sub-region for both existing and future transmission facilities.

Section 2: Benefits Assessment Methodologies

10. The straw proposal would apply different benefits assessment methods to the three main categories of transmission projects: reliability, economic, and public policy. Please comment on this provision of the proposal.

Comment: UAE believes that this demarcation could be reasonable, although further specificity is required before UAE can take a firm position. Among other things, further specificity is needed as to how these categories will be defined and determined and how costs and benefits will be measured and how costs will be allocated.

11. The straw proposal would use the benefits calculation to allocate 100 percent of the cost of each new regional facility, rather than allocating a share of the cost using a simpler postage stamp or load-ratio share basis as some of the other ISOs do. Please comment on this provision of the proposal.

Comment: UAE strongly supports this proposal, predicated upon adoption of a reasonable method of measuring and determining costs and benefits.

12. Please comment on the DFAX method for determining benefit shares. In particular, indicate whether you think it is appropriate for reliability projects or for other types of projects. Also indicate whether the methodology described at the March 9 meeting is good as is or should be modified, and if the latter, how you would want to modify it.

Comment: UAE does not have a sufficient understanding of the various methodologies used or proposed by the ISO for measuring benefits or allocating costs to take a firm position on this issue. In general, UAE has concerns with the use of the DFAX method, as it understands it. UAE generally supports the use of robust production cost modeling for estimating regional benefits. UAE will require further specificity, understanding and analysis before it can take a firm position on the use of the DFAX method for any purpose.

13. Please comment on the use of an economic production cost approach such as TEAM for determining benefit shares. In particular, indicate whether you think it is appropriate for economic projects or for other types of projects. Also indicate whether the methodology described at the March 9 meeting is good as is or should be modified, and if the latter, how you would want to modify it.

Comment: UAE does not have a sufficient understanding of the various methodologies used or proposed by the ISO for measuring benefits or allocating costs to take a firm position on this issue. In general, UAE supports the use of robust

production cost modeling for estimating regional benefits, and allocation of costs in light of relative benefits. However, UAE is not sufficiently familiar with specific aspects of TEAM to support that particular method, and its initial view is that some adjustments to the TEAM method may well be necessary. UAE will require further specificity, understanding and analysis before it can take a firm position on the use of the TEAM method for any purpose.

14. At the March 9 meeting some parties noted that the ISO’s TEAM approach allows for the inclusion of “other” benefits that might not be revealed through a production cost study. Please comment on whether some other benefits should be incorporated into the TEAM for purposes of this TAC Options initiative, and if so, please indicate the specific benefits that should be incorporated and how these benefits might be measured.

Comment: See UAE’s Comments in response to Question 13, above. In general, UAE has strong concerns over potential use of “other” benefits determined outside of production cost modeling to allocate costs. UAE will require further specificity, understanding and analysis before it can take a firm position on this issue.

15. Regarding public policy projects, the straw proposal stated that the ISO does not support an approach that would allocate 100 percent of a project’s costs to the state whose policy was the initial driver of the need for the project. Please indicate whether you agree with this statement. If you do agree, please comment on how costs of public policy projects should be allocated; for example, comment on which benefits should be included in the assessment and how these benefits might be measured.

Comment: See UAE’s Comments in response to Question 13, above. In general, UAE has strong concerns over allocation of costs to states other than those whose policy decisions drive the necessity for a particular project. While potential benefits of each proposed project should be evaluated on its merits, UAE believes at a minimum there should be a strong but rebuttable presumption that transmission investment driven by state policy directives should be allocated to the state whose policies drive the need for the project.

16. At the March 9 and previous meetings some parties suggested that a single methodology such as TEAM, possibly enhanced by incorporating other benefits, should be applied for assessing benefits of all types of new regional facilities. Please indicate whether you support such an approach.

Comment: See UAE’s Comments in response to Question 13, above.

17. Please offer comments on the BAMx proposal for cost allocation for public policy projects, which was presented at the March 9 meeting. For reference the presentation is posted at the link on page 1 of this template.

Comment: UAE does not have a sufficient understanding of the various methodologies used or proposed by the ISO for measuring benefits or allocating costs to take a firm position on this issue. In general, UAE has concerns with the use of the BAMx method, as it understands it. UAE generally supports the use of robust production cost modeling for estimating regional benefits. UAE will require further specificity, understanding and analysis before it can take a firm position on the use of the BAMx method for any purpose.

18. Please offer any other comments or suggestions regarding methodologies for assessing the sub-regional benefits of a transmission facility.

Comment: UAE appreciates this opportunity to provide additional comments on the TAC structure. As indicated above, stakeholders from PacifiCorp's service territories are relatively new to ISO procedures and methods. Although we continue to expend significant resources evaluating these proposals, further specificity, analyses and understanding are necessary. UAE will continue to analyze these issues and will offer further comments when possible.