

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**.

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.

The proposal to designate sub-regions based on each new PTO and their respective transmission revenue requirements to establish sub-regional Transmission Access Charges is the only reasonable, equitable method to create the expanded ISO while making sure that the load serving entities are paying for the facilities that were built to serve them and, for the PacifiCorp load serving entities, not suffering a 250% rate increase.

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.

The term of “separate planning processes” needs to be specifically defined. For some of the facilities greater than 200 MW currently “planned” in the PacifiCorp BA there was not any separate, independent planning process. They were not planned for existing or forecasted native load.

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.

The term “existing facilities” needs to be defined as facilities that are already part of the TRR. Planned facilities need to be evaluated to determine the purpose for the facility and if it is not for the TO’s native load, no matter what planning process it went through, then it should not be built or allocated as a new facility.

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.

We do not believe any existing facilities should be allocated.

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.

The criteria appear to be sufficient to start with.

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.

The validity of the proposal depends on the methodology of determining benefits. As they say, benefits are in the eye of the beholder, and so having someone, no matter their "independence", unilaterally tell an entity or customer group that they benefit and so should pay without their acceptance of the determination of benefits would be unacceptable in the long run.

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.

The new PTO, and more importantly its transmission customers, has to have participated fully in the integrated TPP before and costs are allocated. Or the new PTO's transmission customers should have the right to not joining the expanded BAA. The PTO should not be able to unilaterally make all customers pay for a new facility if they, or their load serving affiliate, are the only beneficiaries.

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.

The part of the proposal again depends on the methodology used to calculate 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).
As mentioned above, all viewpoints should be considered with the expansion of the BAA, not just the PTO and/or its affiliated load serving entity. There are always other transmission customers involved that may or may not agree with the expansion.

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.

The major problem is that benefits are in the eye of the beholder and that transmission customers within a BA are not homogenous. All three benefits assessment methods make this erroneous assumption. There needs to be a more granular evaluation of benefits and the evaluation should be on benefits to all load serving entities, not to the PTO.

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.

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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. **As we understand it, the PJM DFAX method has a lot of problems in allocating costs over a period of time, i.e. the life of a facility, based on a snapshot of the system benefits. These issues need to be addressed before this method is considered for adoption.**

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.

Economic production cost modeling is based on estimated cost(bid) prices in a competitive generation market. Because of the lack of transmission infrastructure in an expanded ISO footprint and the fact that the PTO, PacifiCorp, owns a vast majority of the generation in the expanded footprint, a production cost model cannot give valid results to use for a cost allocation of facilities.

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.

We are not familiar enough with the TEAM approach to offer comments.

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.

The assumption that one state's public policy decision would benefit everyone and therefore costs of public policy projects should be allocated to everyone is completely fallacious. For a load serving entity that is serving its loads according to the choices made by its customers, any allocation of costs caused by choices made by elected or appointed officials of a different state or government is wrong.

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.

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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.

The BAMX methodology appears to address some of the concerns that UAMPS has with the CAISO proposal.

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