

## DOCKETED

<b>Docket Number:</b>	16-RGO-01
<b>Project Title:</b>	Regional Grid Operator and Governance
<b>TN #:</b>	212293
<b>Document Title:</b>	State Water Contractors Request for Meeting with California Independent System Operator Corporation
<b>Description:</b>	N/A
<b>Filer:</b>	Misa Milliron
<b>Organization:</b>	State Water Contractors
<b>Submitter Role:</b>	Public
<b>Submission Date:</b>	7/14/2016 10:54:28 AM
<b>Docketed Date:</b>	7/14/2016



July 12, 2016

Mr. Steve Berberich  
President and Chief Executive Officer  
California Independent System Operator Corporation  
250 Outcropping Way  
Folsom, CA 95630

Dear Mr. Berberich:

The State Water Contractors<sup>1</sup> (SWC) appreciate the challenges facing the California Independent System Operator (CAISO) as it proposes to evolve to meet the energy and transmission demands of the future. As the comments from the various stakeholders at the workshops and meetings in the Governor's Office have pointed out, continued review of the studies conducted by your organization in conformance with SB 350 of last year is a high priority for all of us affected by the regionalization scenarios. Just as important is the evaluation of the assumptions that undergird the studies. A robust discussion will continue to ensue on the governance models and how a regional ISO will affect utilities, climate policy, energy procurement, grid stability, and prices to end users.

As you no doubt already realize, the current and future needs of the State Water Project (SWP) are considerably different than those of the utilities. The SWP is in a position to help advance a climate change agenda given its low existing carbon footprint and an ability to shape load to utilize local renewables without having to use new regional transmission. We seek a dialogue and specific proposals from the CAISO to address our unique circumstances so that our overall costs and benefits via regionalization would be at parity with the electricity utilities.

By way of background, the SWC is an organization representing 27 of the 29 public water agencies, hereinafter referred to as SWP contractors, which hold contracts with the California Department of Water Resources (DWR) for the delivery of water from the SWP. Collectively, the SWP contractors provide all, or a part, of the water supply delivered to approximately 25 million Californians, roughly two-thirds of the state's population, and to over 750,000 acres of irrigated agriculture. The members of the SWC provide this water to retailers, who, in turn, serve it to consumers throughout the San Francisco Bay Area, the San Joaquin Valley, the Central Coast, and Southern California.

To date, the CAISO regionalization studies show that the proposal could produce overall benefits – saving Californians \$1 to \$1.5 billion annually by 2030. No doubt those studies will continue to be closely scrutinized. No similar study has been conducted on costs. There is not sufficient information available to demonstrate how the higher transmission costs for SWP could be offset by any benefits

Letter to Mr. Steve Berberich  
Page 2  
July 12, 2016

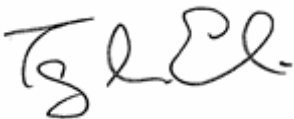
given the considerable differences in low-carbon energy needs between the SWP and the electricity utilities.

Our own preliminary analysis suggests that under the proposal, the Transmission Access Charge could raise our annual transmission costs by up to 50 percent. During the past decade, transmission costs for the SWP (which are borne by the SWP contractors and ultimately ratepayers) have risen 500 percent in order to build out and help the state's utilities meet renewable portfolio standard requirements and climate change goals under Assembly Bill 32. Meanwhile, the SWP is also one of the cleanest, most carbon-free, electricity users in the state, and it is an important contributor to grid stability in the CAISO markets.

At this important stage in the regionalization process, the SWC asks that you take a proactive leadership role in identifying specific ways that regionalization and a modified rate/tariff structure would align costs and benefits for the SWP that are distinct from those that will emerge for the electric utilities and their different circumstances. Such a dialogue could result in a joint analysis by CAISO, SWC and DWR to better identify the costs and benefits specific to the SWP. We are eager and prepared to be constructive participants in such a dialogue. Your commitment to recognizing and addressing the equity challenges that are specific to the SWP is essential at this time.

Thank you for the opportunity to share our perspective. We request a meeting with you and/or your staff to develop a mutually-agreeable scope of work for the joint study and look forward to your response on how best to proceed.

Sincerely,



Terry Erlewine, General Manager  
State Water Contractors, Inc.



Curtis Creel, General Manager  
Kern County Water Agency



Jeffrey Kightlinger, General Manager  
The Metropolitan Water District of Southern  
California



Douglas Headrick General Manager  
San Bernardino Valley Municipal Water District

<sup>1</sup>The SWC members are: Alameda County Flood Control & Water Conservation District, Zone 7; Alameda County Water District; Antelope Valley East Kern Water Agency; Casitas Municipal Water District on behalf of the Ventura County Flood Control District; Castaic Lake Water Agency; Central Coast Water Authority on behalf of the Santa Barbara County Flood Control & Water District; City of Yuba City; Coachella Valley Water District; County of Kings; Crestline-Lake Arrowhead Water Agency; Desert Water Agency; Dudley Ridge Water District; Empire-West Side Irrigation District; Kern County Water Agency; Littlerock Creek Irrigation District; The Metropolitan Water District of Southern California; Mojave Water Agency; Napa County Flood Control & Water Conservation District; Oak Flat Water District; Palmdale Water District; San Bernardino Valley Municipal Water District; San Gabriel Valley Municipal Water District; San Geronimo Pass Water Agency; San Luis Obispo County Flood Control & Water Conservation District; Santa Clara Valley Water District; Solano County Water Agency; and, Tulare Lake Basin Water Storage District.

Copies to:

Clifford Rechtschaffen, Senior Advisor, Office of the Governor  
John Laird, Secretary, California Natural Resources Agency  
Mary Nichols, Chairwoman, California Air Resources Board  
Robert B. Weisenmiller, Ph.D., Chairman, California Energy Commission  
Karen Douglas, J.D., Commissioner, California Energy Commission  
Michael Picker, President, California Public Utilities Commission  
Mike Florio, Commissioner, California Public Utilities Commission  
Liane M. Randolph, Commissioner, California Public Utilities Commission

Richard Maullin, Chair of the CAISO  
Keith E. Casey, Ph.D., VP, Market and Infrastructure Development, CAISO  
Stacey Crowley, VP, Regional and Federal Affairs, CAISO  
Mary McDonald, Director, State Affairs, CAISO

Mark Cowin, Director, Department of Water Resources