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**Joint Agency Workshop SB 100 Resource Build- Transmission
Sessions 1 and 2, July 22, 2021**

Additional submitted attachment is included below.

COMMENTS OF THE PUBLIC ADVOCATES OFFICE ON THE JOINT AGENCY WORKSHOP: NEXT STEPS TO PLAN FOR SENTATE BILL 100 RESOURCE BUILD – TRANSMISSION SESSIONS 1 AND 2, JULY 22, 2021

INTRODUCTION

The Public Advocates Office at the California Public Utilities Commission (Cal Advocates) is an independent consumer advocate with a mandate to obtain the lowest possible rates for utility services, consistent with reliable and safe service levels, and the state’s environmental goals.¹

BACKGROUND

Skyrocketing transmission costs provide a backdrop for the Joint Agency Workshop between the California Independent System Operator (CAISO), California Public Utilities Commission (CPUC) and the California Energy Commission (CEC) on July 22, 2021. Since 2009, CAISO Transmission Access Charge (TAC) increased 255 percent.² Between 2016 and 2021 alone, California’s transmission revenue requirement increased approximately 38 percent while gross load declined over the same time frame.³ These transmission costs are anticipated to rise with the State’s increased renewable portfolio (RPS) targets and transportation electrification goals.

New Transmission Projects to Integrate Renewables

In February 2021, the CPUC submitted three renewable portfolios for the CAISO to study in the 2021-2022 TPP to meet the state’s 2031 clean energy goals. The base case portfolio includes 18,000 megawatts (MW) of new renewable generation, including 1,062 MW out-of-state wind resources. The policy driven portfolio consists of nearly 22,000 MW of new renewable generation, including 3,000 MW of out-of-state wind resources. The sensitivity portfolio includes 8,000 MW of California offshore wind resources at several locations.⁴ These procurement portfolios require significant in-state and out-of-state transmission investments.

¹ Cal. Pub. Util. Code § 309.5.

² *Utility Costs and Affordability of the Grid of the Future, An Evaluation of Electric Costs, Rate and Equity Issues Pursuant to P.U. Code Section 913.1*, (California Utility Cost - May 2021) CPUC, May 2021, pp. 41-42.

³ California Utility Cost - May 2021, pp. 38 & 41.

⁴ *Fact Sheet: Decision Transferring Electric Resource Portfolios to California Independent System Operator (CAISO) for 2021-2022 Transmission Planning Process*, CPUC, February 11, 2021, p. 2.

Required Interregional Transmission Project Cost Allocation Analysis

In compliance with FERC Order No. 1000, the CAISO and other western public utilities and planning regions referred to as Northern Grid⁵ and WestConnect,⁶ are required to include interregional transmission coordination and cost allocation requirements in their respective tariffs.⁷ The proposed out-of-state transmission projects presented during the July 22, 2021 Joint Agency stakeholder meeting are interregional transmission projects that require cost allocation coordination between the CAISO and the western planning regions per their respective tariffs. So, far the CAISO and the western planning regions have not conferred on the cost assignments for these interregional transmission projects per their tariffs.

RECOMMENDATIONS

To support any forthcoming discussions on interregional transmission cost allocation for the presented out-of-state transmission projects, Cal Advocates recommends the following:

1. The CAISO should provide a transmission cost analysis that includes all known costs. These known costs should include:
 - a) The costs for new transmission lines to deliver renewable resources to California load centers in-state, not just to the California border. In-state transmission upgrades may also be needed to bring the proposed 1,000-3,000 MW of out-of-state wind to California load centers. To understand the total cost of delivering out-of-state wind to California load centers, all transmission costs should be included in the CAISO's analysis.
 - b) The expected revenue requirements for the proposed new transmission projects. The expected revenue requirement, rather than capital cost estimate, for a transmission project, is a better indicator of how a project will economically impact California ratepayers.

Conservative assumptions indicate that every dollar included in transmission rate base costs ratepayers in excess of \$3.50 over the life of the transmission asset. For example, the \$2.75 billion in capital additions for the three investor-owned utilities (IOUs) in 2020 alone can be expected

⁵ Northern Grid includes the states of Washington, Oregon, Idaho and portions of Wyoming and Utah.

⁶ West Connect includes portions of Nevada, Arizona, New Mexico, Colorado, and Wyoming. It also includes the California municipal utility districts.

⁷ California ISO, 2014-2015 Conceptual Statewide Transmission Update, 2015 – 2016 Regional Transmission Planning Process, August 31, 2015, CAISO, pp. 11-12.

to cost ratepayers at least \$9.7 billion over the life of the assets, using a conservative asset life estimate of 36 years.⁸

2. The Joint Agencies should provide an economic benefits analysis of the transmissions options to meet the state’s clean energy goals.

Cal Advocates requests that the CAISO, CPUC, and the CEC conduct a cost and benefit analysis of the proposed in-state and out-of-state transmission projects listed on slide 3 of the July 22, 2021, Joint Agency workshop presentation.² Consistent with the CAISO’s tariff section on Interregional Transmission Project Assessment, ¹⁰the CAISO is required to compare California’s in-state resource and transmission options to meet the state clean energy goals with the out-of-state resource and transmission alternatives to determine the more cost-effective and efficient solution.

These proposed interregional transmission lines will also provide transmission reliability and economic benefits to out-of-state regions where the lines pass through. Consistent with FERC Order No. 1000 and the Interregional Cost Allocation Principle 1, the cost for these interregional projects must not be solely borne by California ratepayers. This Order requires that the cost allocation for new transmission facilities be allocated in a manner that is roughly commensurate with estimated benefits.¹¹ Thus the CAISO should also analyze the potential regional economic benefits generated from the proposed interregional transmission projects to meet the state’s clean energy goals. The regional economic activity generated from large infrastructure projects, such as new interregional transmission projects, directly benefit local businesses and contribute to the economy of the regions that the interregional project passes through.¹² These benefits include transmission reliability as well as new job and tax revenue growth. Assessing these benefits will assist with forthcoming negotiations between the CAISO and the other western planning regions that benefit from the proposed interregional transmission projects on the cost allocation for these projects.

⁸ California Utility Costs, May 2021, p. 39.

² Joint Agency Workshop: Next Steps to Plan for Senate Bill 100 Resource Build – Transmission Session 1, July 22, 2021, slide 3.

¹⁰ CAISO Fifth Replacement FERC Electric Tariff, September 9, 2020, Section 24.17.2

¹¹ *Transmission Planning and Cost Allocation by Transmission Owning and Operating Public Utilities*, Federal Energy Regulatory Commission, Docket No. RM10-23-000; Order No. 1000, July 21, 2011, section 622, p. 447.

¹² It is common practice to include job and tax base increases as part of the overall project benefit analysis for large public projects such as bridges, airports, and port terminals. For example, to estimate the economic activity generated by port capital projects, port authorities in the United States rely on an economic impact model commissioned by the Department of Maritime Administration referred to as MARAD Port Economic Impact Kit. This Kit estimates expected job and tax base increases with Port capital projects.

Table 1 below provides additional information on three of the presented interregional transmission projects.

Table 1. CAISO 2021-2022 TPP Out-of-State Transmission Alternatives			
Project Name/Company	Description	Planning Region Submitted to for Cost Allocation	Estimated Cost
TransWest Express/TransWest Express LLC	732-mile 500 kV line connecting Wyoming, Utah and Nevada. 1,500- 3,000 MW of capacity	CAISO & NorthernGrid	\$3 billion
Southwest Intertie North Project (SWIP) North/Western Energy Connection LLC	275-mile 500 kV line between southern Idaho and central Nevada. Capacity estimated at 2,000 MW	WestConnect, CAISO & NorthernGrid	\$525 million (estimate from 2018)
Cross-Tie Project TransCanyon, LLC	213-mile 500-kilovolt (kV) line from Utah-Nevada. 2026. Estimated capacity at 1,500 MW	WestConnect, CAISO & Northern Grid	\$667 million. \$78 million annually over a 50-year life cycle

Since 2016, the CAISO and the other western planning regions have reviewed and considered the above proposed out-of-state transmission projects. The developer submittals provided characterized the projects’ regional benefits as follows:

TransWest Express would:

- 1) Assist with meeting California’s, Arizona’s and New Mexico’s RPS targets.¹³

¹³ TransWest Express Transmission Project 2016-2017 Interregional Transmission Project Submittal to California Independent System Operator, WestConnect and Northern Tier Transmission Group, March 31, 2016, slide 2.

- 2) Provide economic opportunities through an expanded grid and accommodate planned resources.¹⁴

SWIP North:

- 1) “Improves transfer capability between CAISO, PacifiCorp, NV Energy, Idaho Power, and Bonneville Power Association.”¹⁵
- 2) “Helps meet west wide” renewable portfolio standards (RPS) and greenhouse gas (GHG) goals.”¹⁶
- 3) “Enhances system reliability for the entire western Grid.”¹⁷

The 2018 presentation on SWIP-North to the western planning regions states that the project will also create 250-300 construction jobs and local and state tax revenues.¹⁸ These benefits will likely accrue to just Idaho and New Mexico, where the proposed SWIP North project would be located.

Cross-Tie would:

- (1) “Increase transmission capacity between PacifiCorp, NV Energy, CAISO and Idaho Power Balancing Areas.”¹⁹
- (2) Facilitate “development of renewables to meet RPS and GHG goals of western states - enable lower cost ways to meet policy objectives by tapping the best resources in the West and sharing those resources across the region.”²⁰
- (3) “Substantially interconnect Berkshire Hathaway Energy’s two largest load and generation centers (BAs) in the west (PacifiCorp East and NV Energy).”²¹

¹⁴ TransWest Express Transmission DC Project 2018-2019 Interregional Transmission Project Submittal to California Independent System Operator, WestConnect and Northern Tier Transmission Group, March 31, 2018, slide 2.

¹⁵ Southwest Intertie Project (SWIP) North, Overview of March 2016 ITP Submissions to CAISO, NTTG & WestConnect, LS Power (SWIP North Presentation 2016), slide 11.

¹⁶ SWIP North Presentation 2016, slide 11.

¹⁷ 2018-2019 Interregional Transmission Coordination – Interregional Transmission Project Submittal, Great Basin Transmission ITP Submission to California ISO presentation (SWIP-North Presentation 2018), May 2018, slide 6.

¹⁸ SWIP North Presentation 2018, slide 6.

¹⁹ 2018-2019 Interregional transmission coordination – Interregional Project Submittals, 2018 TransCanyon Cross Tie Transmission Line Project Summary, TransCanyon, May 18, 2018, (Cross-Tie Presentation 2018) slide 3.

²⁰ Cross Tie Presentation 2018, slide 3.

²¹ 2018-2019 Interregional transmission coordination – Interregional Project Submittals, 2018 TransCanyon Cross Tie Transmission Line Project Summary (Presentation), TransCanyon, May 18, 2018, slides 3-4.

Thus, it is clear based on the TransWest, SWIP-North and Cross-Tie project submittals to the western planning regions that at least three of the proposed out-of-state transmission projects will have multiple benefits to regions outside of California. It is also clear that it is necessary to determine the scope of benefits and beneficiaries of these interregional projects consistent with FERC Order No. 1000.