BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of DCR TRANSMISSION, LLC for a Certificate of Public Convenience and Necessity for the Ten West Link Project.	Application 16-10-012 (Filed October 12, 2016)

REPLY BRIEF OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION

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The California Independent System Operator Corporation (CAISO) submits this reply brief pursuant to the *Email Ruling Setting Procedural Schedule* (Ruling) issued on January 25, 2021. The CAISO recommends the Commission approve DCR Transmission, L.L.C.'s (DCRT's) application for a certificate of public convenience and necessity (CPCN) to construct the Ten West Link Transmission Project (Proposed Project). This reply brief primarily responds to opening briefs submitted by the Public Advocates Office (Cal Advocates).

I. Introduction

The Commission should approve DCRT's application to construct the Proposed Project. The evidence in this proceeding demonstrates the Proposed Project provides significant economic and reliability benefits. The CAISO's studies demonstrate the Proposed Project consistently produces positive benefit-to-cost ratios, even after heavily discounting the potential capacity benefits. DCRT's also show consistently positive benefit-to-cost ratios. Importantly, both CAISO and DCRT conducted economic modeling based on fundamentally sound transmission planning principles. DCRT and CAISO used resource portfolios and assumptions consistent with those adopted in the Commission's integrated resource planning (IRP) process, without modifications.

In contrast, Cal Advocates' economic modeling starts by arbitrarily modifying the underlying resource portfolio, thereby increasing the total resource cost. Cal Advocates' modified portfolio is not consistent with the Commission's IRP-developed portfolios or least-cost resource planning. As a result, Cal Advocates portfolio does not provide a sound basis to analyze the Proposed Project's economic benefits.

Cal Advocates also selectively modifies resource cost and location assumptions, in ways that are internally inconsistent, thereby reducing its estimate of the Proposed Project's forecasted benefits. By selectively modifying assumptions, Cal Advocates fails to provide a holistic economic analysis of the Proposed Project. Cal Advocates selective modifications are both inappropriate and incorrect.

Finally, Cal Advocates asserts the Commission should require DCRT to submit the Proposed Project for interregional cost allocation to WestConnect. However, this would serve no purpose, other than to delay the Proposed Project's construction. The WestConnect planning region has never identified regional needs within its footprint and its interregional coordination process specifically provides that it will only consider interregional projects for cost allocation to meet a regional need. Without a regional need, WestConnect will not study the need for an interregional project. Submitting the Proposed Project to WestConnect will not lead to interregional cost allocation.

The Proposed Project provides significant economic and reliability benefits to California ratepayers. The Commission should approve the Proposed Project to achieve those benefits.

II. Standard of Review

In opening briefs, parties generally agreed the applicant in a CPCN proceeding must demonstrate a "present or future public convenience and necessity" requiring construction of a proposed project.[1] The Commission has approved a rebuttable presumption in favor of CAISO economic analyses in certain circumstances, but neither the CAISO nor the applicant argued the rebuttable presumption applies in the present case. Instead, the CAISO and the applicant provided updated economic analyses to demonstrate the Proposed Project's public convenience and necessity.

Notwithstanding the general agreement regarding the burden of proof and applicable standard of review, Cal Advocates suggests the CAISO erred by not submitting its updated

[1] Pub. Util. Code § 1001. *See also* Cal Advocates Opening Brief, p. 5; DCR Transmission, LLC Opening Brief, p. 10.

economic analysis of the Proposed Project to the CAISO Board of Governors.[2] Contrary to this suggestion, there is no legitimate reason for the CAISO Board to revisit project need, particularly given the updated economic analysis continues to show the project provides net economic benefits to CAISO ratepayers, nor does the CAISO tariff require the CAISO Board to revisit project need. To support the record in this proceeding, the CAISO provided a fully updated economic analysis based on the most recent transmission planning and resource development data. This establishes a firm basis for a public convenience and necessity finding. The suggestion to revisit previously approved projects that continue to be found necessary in updated analysis appears to simply introduce unnecessary delay in the permitting process.

Rather than considering delaying this permitting process, the Commission should take into account the CAISO's updated economic analysis. The CAISO submitted its updated economic analysis consistent with principles the Commission adopted in Investigation (I.) 05-06-041 where the Commission found it "reasonable to use the CAISO's standardized benefit-cost methodology…to measure the economic benefits of a proposed transmission project."[3] Furthermore, the Commission instructed that "[e]conomic evaluations of proposed transmission projects shall use baseline resource plans and assumptions about the system outside the applicant's service territory that are consistent with resource plans and system assumptions used in procurement or other recent Commission proceedings, updated as appropriate."[4] The CAISO's assessment of project benefits and costs remains fundamentally consistent with the Commission's decision in that proceeding. As a result, the Commission should afford the CAISO's analyses significant weight in determining Proposed Project benefits in this case.

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[2] Cal Advocates Opening Brief, p. 5.

[3] *In Re Ord. Instituting Rulemaking on Commission's Own Motion into Methodology for Econ. Assessment of Transmission Projects*, No. D-06-11-018, 2006 WL 3328154 (Nov. 9, 2006).

[4] *Id.*

III. The CAISO's Economic Modeling Demonstrates the Proposed Project's Public Convenience and Necessity.

A. Cal Advocates' Modeling Approach Is Subjective and Inconsistent with Commission Policy.

The CAISO and DCRT provided opening testimony supporting the Proposed Project's public convenience and necessity in December 2019. Both CAISO and DCRT analyzed the economic benefits of the Proposed Project using the most up-to-date data available. The CAISO and DCRT used baseline resource plans and assumptions consistent with the Commission's updated integrated resource planning (IRP) processes. The CAISO and DCRT used the IRP-developed resource plans and assumptions as a cohesive package to conduct their economic modeling.

Cal Advocates now asserts the CAISO and DCRT analyzed the Proposed Project's benefits based on outdated resource portfolios and incorrect resource planning assumptions. However, Cal Advocates relies on its subjective judgment to selectively modify certain assumptions and resource portfolios from the IRP to conduct and support its own economic modeling. Cal Advocates' fundamental approach rejects the comprehensive planning process—which contemplates using an entire set of inputs from the IRP in the transmission planning process. Cal Advocates' piecemeal approach to transmission planning is inconsistent with the Commission-developed framework, which recognizes the importance of agency coordination in developing and studying the portfolios and assumptions used to identify and permit transmission projects. The Commission should reject this attempt to undermine the coordination between resource and transmission planning.

Cal Advocates economic modeling illustrates how using subjective resource planning assumptions undermines sound transmission planning. Cal Advocates' economic modeling purportedly shows Proposed Project benefit-to-cost ratios ranging from 0.55 to 0.65.[5] However, the resource portfolio Cal Advocates used in its economic analyses fundamentally differs from—and is selectively less economic than—the portfolios adopted and provided to the CAISO in the Commission's IRP process.

[5] Cal Advocates Opening Brief, p. 17.

As the CAISO explained in rebuttal testimony, Cal Advocates resource portfolio is arbitrary. Unlike the CAISO and DCRT's analyses, the starting resource portfolio for Cal Advocates' analysis is not supported by any Commission-developed portfolio and is inconsistent with the Commission's resource planning software, RESOLVE. Thus, Cal Advocates' resource portfolio is fundamentally flawed from the outset.[6] Cal Advocates selectively modified its resource portfolio to show reduced benefits from the Proposed Project, but it simultaneously increases overall resource costs, by substituting more costly resources than those included in the RESOVE portfolio, thereby undermining the Commission's IRP. It is fundamentally unsound to modify the baseline resource portfolio—and *increase* total resource costs—to reduce modeled benefits from the Proposed Project. Cal Advocates has not justified its arbitrary modifications to the Commission's resource portfolio. The Commission should afford Cal Advocates' economic modeling no weight because it failed to justify the subjective resource selections underlying its analysis.

Furthermore, in early 2020 the Commission directed the CAISO to use the 2017-2018 preferred system plan as the reliability and policy-driven base case in its 2020-2021 transmission planning process.[7] That portfolio is consistent with the resource portfolio the CAISO used in this proceeding. The Commission's directive to use the 2017-2018 preferred system plan for the 2020-2021 transmission planning process, which is still underway, provides strong evidence the Commission continues to believe it is appropriate for transmission planning purposes.

B. The CAISO's Economic Analysis Used Appropriate and Up-To-Date Resource Cost Assumptions.

Cal Advocates argues the CAISO used "outdated" information from the Commission's IRP to support its finding the Proposed Project will benefit CAISO ratepayers. Cal Advocates argues the difference between solar resource costs in Arizona and California is narrower than the CAISO assumed in its analysis, thereby undercutting the value of the Proposed Project. Cal Advocates' claims are again inconsistent with sound resource planning principles. Cal Advocates acknowledges the CAISO used the "2017 resource portfolio" for its economic

[6] The CAISO estimated that Cal Advocates resource portfolio increases costs by roughly $273 million in 2016 dollars. Exhibit CAISO-05 (Yimer), p. 23:21-27.
[7] Exhibit CAISO-05 (Yimer). P. 4:1-10.

analysis.[8] Indeed, the Commission directed the CAISO to use that portfolio for 2020-2021 transmission planning analysis. Cal Advocates then claims the Commission's direction to use this portfolio "only applies to the CAISO's system-wide transmission planning process, not to this CPCN application."[9] Suggesting different assumptions should be used for transmission planning and permitting is fundamentally flawed. Inconsistent assumptions would produce inconsistent outcomes, ultimately resulting in confusion and waste of resources associated with studying and developing transmission solutions not aligned with resource planning. The Commission recently reaffirmed its commitment to coordination in Decision 21-02-008, which adopted the base case portfolio for the 2021-2022 transmission plan, by noting the portfolio "aligns with the direction given to the LSEs for planning in D.20-03-028, and *one of the key objectives of this process is to maintain close alignment between planning and resource development, including transmission development*." (emphasis added). The Commission should maintain this close alignment through the permitting process, which is an integral component of the overall planning and resource development process.

Cal Advocates particularly objects to the CAISO using the 2017 IRP assumptions regarding the cost differential between Arizona and California solar resources. Based on the IRP, the CAISO assumed California solar resource capital costs to be 9.0% greater than Arizona solar. Cal Advocates argues the CAISO should have used the 2019 IRP assumptions, which show a 3.2% cost differential, to calculate Proposed Project benefits. Again, Cal Advocates approach seeks to selectively change one variable in the context of a comprehensive set of resource planning assumptions to reduce the value of the Proposed Project. Nonetheless, as discussed in rebuttal testimony, the CAISO reviewed and assessed third-party analyses to determine a reasonable cost differential between California and Arizona solar resources. Recent data from both National Renewable Energy Labs (NREL) and the Energy Information Administration (EIA) continue to support the 2017 IRP 9.0% cost differential. Table 1, below, provides a comparison:

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[8] Cal Advocates Opening Brief, p. 10. See footnote 41, specifically.
[9] Cal Advocates Opening Brief, p. 10-11.

Table 1: Summary of Cost Variation of Southern California Solar Relative to Arizona Solar[10]

	2017-2018 IRP[11] (Used in the CAISO's benefits analysis)	2019-2020 IRP (Basis for Cal Advocates assertions)[12]	2018/19 NREL ATB	2020 EIA Report[13]
CA vs. AZ Solar Costs (CA/AZ)	109%	103.3%	110.5%	110%-112%

The data does not support Cal Advocates' assertion that the difference in the cost of building solar resources in Arizona versus California has narrowed significantly since the 2017 IRP.

Finally, Cal Advocates purports to conduct a "real world" check on the solar cost differential by citing an article from "pv magazine" summarizing a 25-year power purchase agreement between the Los Angeles Department of Water and Power and a developer for solar energy priced at $19.97 per megawatt-hour. The cited article provides little detail regarding the structure of the power purchase agreement outside of touting the headline energy prices. An industry news article about a single project should not supplant actual data compiled by reputable independent sources such as EIA and NREL. Further, the article does not attempt to compare the general costs of Arizona solar to the costs of California solar, which is the issue here.

[10] Exhibit CAISO-05 (Yimer), p. 10.
[11] For project years 2018/2022.
[12] For project year 2020.
[13] For project year 2019.

C. The CAISO's Analysis Properly Allocates Arizona Solar Resources.

Cal Advocates argues the CAISO improperly allocates Arizona solar resources across the Hassayampa, Hoodoo Wash, and Delaney substations to make the Proposed Project look more effective. Cal Advocates states, "the CAISO assumes that without the Proposed Project, 3,364 MW of Arizona solar would be delivered to California through the Hassayampa and Hoodoo Wash substations equally, even though Hassayampa generators earn much higher annual revenues ($87.3 million) than those located at Hoodoo Wash substation ($8.89 million)."[14] Cal Advocates then states, "Because generators at the Hassayampa Substation earn higher revenues than generators at the Hoodoo Wash Substation, the CAISO should have modeled higher capacity at the Hassayampa Substation instead of dividing it equally."[15]

Again, Cal Advocates inserts its subjective judgment regarding resource development based on how it will influence the modeling results. In contrast, the CAISO based its assumptions on actual generator interconnection data from the CAISO queue. At the time the CAISO conducted its original analysis, interconnection requests at Hoodoo Wash (1,370 MW) exceeded requests at Hassayampa (1,170 MW).[16] In rebuttal testimony, the CAISO updated the interconnection figures based on updated requests. At that time, interconnection requests at Hassayampa (2,000 MW) slightly outpaced Hoodoo Wash (1,735 MW).[17] This actual interconnection data supports the CAISO's decision to model resource interconnection equally at Hoodoo Wash and Hassayampa substations. Cal Advocates' suggestion to model more resources at Hassayampa substation simply because generators "earn higher revenues" in the model is inconsistent with reality on the ground. Developers decide where to locate their resources based on their commercial interests, and the interconnection queue provides the most up-to-date, transparent, unbiased, and indicative data regarding future generator locations.

IV. The CAISO's Economic Analysis Appropriately Considers Changed System Conditions since the CAISO Approved the Project in 2014.

Cal Advocates argues the "regional electric system has changed significantly since the CAISO first approved the Proposed Project in its 2013-2014 Transmission Plan. Thus, it is

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[14] Cal Advocates Opening Brief, p. 13.
[15] *Id*.
[16] Exhibit CAISO-05 (Yimer), p. 14:1-3.
[17] *Id.*

critical that the Commission consider the need for the Proposed Project given the evolved circumstances on the electric transmission system."[18] The CAISO agrees. To address these changed circumstances, the CAISO submitted a thoroughly updated economic analysis incorporating system changes since it initially approved the project. However, Cal Advocates argues the CAISO failed to "justify a need for the Proposed Project based on changes in Arizona and the Western United States' resource mixes, new energy markets, and the growth of battery storage."[19] The CAISO does not justify the economic need for transmission projects "based on" discrete system changes. Instead, the CAISO incorporates observed or projected system changes into its economic models—consistent with assumptions from other planning processes—to establish a holistic picture of the electric system and the impact of particular transmission projects.

Cal Advocates specifically cites changes in resource mix, the impact of the Energy Imbalance Market (EIM), and the growth of battery storage as changed system conditions the CAISO failed to adequately incorporate into its analysis. The CAISO's analysis appropriately considers the changing resource mix in the western interconnection and the projected increase in storage resources to meet system requirements. To provide a conservative benefit analysis, the CAISO did not directly consider the EIM's impact on project benefits. However, as explained below, the Proposed Project provides additional transmission capacity that will be optimized in the EIM, thereby increasing its utility.

A. The CAISO's Analysis Considers Changing Resource Conditions in the Western Interconnection.

Cal Advocates claims the CAISO "fail[s] to explain how changes in Arizona's and the Western United States' resource mix will impact demand for Arizona solar resource in Arizona."[20] Cal Advocates supports this statement by noting the Western Electricity Coordinating Council (WECC) expects 15,000 MW of coal capacity in the western interconnection to retire by 2030.[21] However, as Cal Advocates concedes, the CAISO's analysis incorporates these expected coal resource retirements into its economic model.[22] There currently

[18] Cal Advocates Opening Brief, p. 22. (internal quotations omitted).
[19] *Id*.
[20] *Id*.
[21] *Id*. at 23.
[22] *Id*. at 23. *See* footnote 119.

are 34.5 gigawatts (GW) of coal capacity in the WECC region,[23] and the CAISO's production cost modeling assumed 21.5 GW of coal capacity in the WECC region in 2029.[24] This reduced capacity is a significant change from the CAISO's 2013-2014 transmission plan analysis, which assumed 33.2 GW of coal capacity would be in the WECC region in 2023.[25] This clearly demonstrates the CAISO updated its economic model to reflect the most recent available data when it conducted its analysis in this proceeding.

Cal Advocates further asserts the significant coal retirements and new Arizona renewable portfolio standards will reduce California's access to affordable Arizona solar resources. Cal Advocates states, "If [Arizona Public Service] is using Arizona solar resources, those resources would not be available to the California ratepayers funding the Proposed Project."[26] This assertion is incorrect for many reasons. First, Cal Advocates appears to assume ownership and control of Arizona solar resources is a zero-sum trade-off between CAISO and Arizona ratepayers. To the contrary, if Arizona resources provide the most economic benefits, more resources will be built there to serve both CAISO and Arizona ratepayers.

Second, this assertion ignores the significant quantity of Arizona solar (and storage) resources currently requesting to interconnect to the CAISO transmission system through the Proposed Project. As of June 18, 2020, 7,071 MW of new solar resources had requested interconnection to the CAISO grid through the Proposed Project or the CAISO-portion of the new Delaney Substation.[27] With the Proposed Project, these resources can connect directly to the CAISO grid, though they would be physically located in Arizona. California load serving entities would be able to access these resources without the need for additional transmission capacity into the CAISO.

B. The Proposed Project and the EIM Are Mutually Beneficial.

The CAISO explained in testimony, it took a relatively conservative approach in its economic assessment by not studying the impact of EIM. Not including the impact of the EIM

[23] DCRT, CAISO, Cal Advocates Stipulation of Fact 3.
[24] DCRT, CAISO, Cal Advocates Stipulation of Fact 4.
[25] DCRT, CAISO, Cal Advocates Stipulation of Fact 2.
[26] Cal Advocates Opening Brief, p. 23-24. According to the CPUC 2017 IRP Inputs & Assumptions document there are 19,270 MW of solar resource potential in Arizona. Out of this potential, CAISO testimony demonstrated the 3,262 MW economically selected by RESOLVE was sufficient to make the Proposed Project economic.
[27] Exhibit CAISO-05 (Yimer), p. 13:15-14:3.

avoids putting CAISO ratepayers at risk if a transmission upgrade can only be justified with the EIM modeled.[28] The EIM encourages energy exchange in the real-time market and, as a result, increases use of transmission capacity of interties, thereby potentially increasing ratepayer's benefits.[29] Essentially, the EIM optimizes the use of existing transmission in the real-time market. This relationship is mutually beneficial because the EIM increases the usage—and economic benefits—of transmission infrastructure, and the additional transmission increases the value of the EIM. Cal Advocates' suggestion that the EIM would somehow cannibalize the benefits provided by the Proposed Project is incorrect and unsupported by its own testimony.[30]

C. The CAISO Considered Growth in Battery Storage Capacity in its Economic Modeling.

Cal Advocates correctly points out the expected growth in battery storage capacity in California over the long-term planning horizon. The CAISO used the most updated battery storage capacity forecasts in its production cost modeling analysis.[31] Despite this, Cal Advocates asserts DCRT "has not presented a preponderance of evidence that the Proposed Project will lead to a correspondingly significant change in the future needs for transmission projects, such as the Proposed Project."[32] This mischaracterizes the burden of proof. A CPCN applicant is not required to show a project will lead to a change in future needs for transmission. It must only show the project serves the public convenience and necessity. In this case, the Proposed Project serves the public convenience and necessity by reducing California ratepayer costs. Cal Advocates' assertion increased battery storage capacity will affect the Proposed Project's economic benefits has no logical basis.

V. The Commission Should Reject Cal Advocates' Recommendation to Require DCRT to Seek Interregional Cost Allocation.

Cal Advocates recommends the Commission require DCRT to seek interregional cost allocation for the Proposed Project, if approved. Cal Advocates' argues DCRT must seek

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[28] Exhibit CAISO-06 (Millar), p. 7:17-24.
[29] *Id*. at p. 8:5-9.
[30] Notably, the testimony Cal Advocates cites to support this arguments notes "EIM is already capturing some of the congestion reduction benefits that the *Applicant* is attributing to the Proposed Project." Exhibit Cal PA-3 (Wagle), p. 2-34:1-3 (emphasis added). This assertion is specifically related to DCRT's assumptions regarding intertie scheduling constraints. Cal Advocates' testimony does not assert that CAISO's analysis overestimates benefits by not including EIM impacts.
[31] 1653 MW of battery in the CAISO controlled grid was modeled in the CAISO economic model as shown in the CAISO Response to Cal Advocates Data Request Cal Advocates-A1610012-CAISO-001, Question 1.f.
[32] Cal Advocates Opening Brief, p. 25.

interregional cost allocation because the Proposed Project will benefit Arizona ratepayers. This argument misunderstands the interregional transmission coordination process and would only further delay the Proposed Project's construction timeline. It is impractical and unnecessary for the applicant to seek cost recovery in the interregional transmission coordination process because WestConnect has identified no regional needs the Proposed Project could address or displace.

A. The Purpose of the Interregional Transmission Coordination is to Identify More Efficient or Cost Effective Solutions to Meet Individual Needs Identified in Local and Regional Transmission Planning Processes.

Federal Energy Regulatory Commission (FERC) Order No. 1000 adopted an interregional transmission planning framework for is jurisdictional utilities. In adopting Order No. 100, FERC noted the interregional transmission planning framework would "result in the sharing of information regarding common needs and potential solutions across the seams of neighboring transmission planning regions" and "facilitate the identification of interregional transmission facilities *that more efficiently or cost-effectively could meet the needs identified in individual regional transmission plans*."[33]

Regarding interregional cost allocation, FERC specifically noted its intent to require "interregional cost allocation requirements to remove impediments to the development of transmission facilities that are identified as needed by the relevant regions."[34] The WestConnect planning region adopted an interregional transmission planning process consistent with this framework, specifically providing as "a threshold matter, for a project to be eligible for consideration as an interregional project for interregional cost allocation, it must first be selected for *regional* cost allocation by at least two regions."[35] FERC Order No. 1000 and the resulting interregional transmission planning processes provide an opportunity to advance interregional transmission development by allowing for interregional cost allocation where a project meets an identified regional need.[36] Cal Advocates' interpretation would turn the intent (and literal

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[33] FERC Order No. 1000, P 368. (emphasis added).
[34] FERC Order No. 1000, P 579.
[35] Exhibit CAISO-08, WestConnect Business Process Manual, p. 21.
[36] FERC Order No. 1000, P. 368 ("As the Commission stated in the Proposed Rule, in the absence of coordination between transmission planning regions, public utility transmission providers may be unable to identify more efficient or cost-effective solutions to the individual needs identified in their respective local and regional transmission planning processes, potentially including interregional transmission facilities. Clear and transparent procedures that result in the sharing of information regarding common needs and potential solutions across the seams of neighboring transmission planning regions will facilitate the identification of interregional transmission

requirements) of FERC Order No. 1000 on its head and create a new, unjustified impediment to transmission development. The Commission should reject this erroneous interpretation of FERC Order No. 1000 and Cal Advocates' proposal to require DCRT to submit the Proposed Project for interregional cost allocation.

B. WestConnect Has Never Identified Regional Transmission Planning Needs.

WestConnect has concluded two interregional transmission planning process cycles. In both the 2016-2017 and 2018-2019 cycles WestConnect found no need for regional transmission solutions within its footprint.[37] As a result, WestConnect did not study the need for interregional transmission projects (ITPs) submitted in by developers in its interregional process. WestConnect's 2018-2019 Regional Transmission Plan provides as follows:

> If regional needs are identified, then the ITPs have an opportunity to indicate which need they would seek to address, and the ITP would be studied alongside any other regional project submittals. However, *since there were no regional transmission needs identified by WestConnect in the 2018-19 Planning Process, the submitted ITPs were not studied in this cycle*.[38]

Because WestConnect has not identified any regional transmission needs, WestConnect has not studied any ITPs submitted by developers.

Despite this reality, Cal Advocates suggests the Commission require DCRT to submit the Proposed Project into WestConnect's interregional coordination process. To support this suggestion, Cal Advocates notes other developers submitted interregional project proposals into WestConnect's interregional process. However, WestConnect has not studied any of the projects cited in Cal Advocates' brief in its regional planning process. Cal Advocates provided the June 14, 2020 ITP Evaluation Process Plan for the SWIP-North project as an example of a project submitted to WestConnect for interregional cost allocation.[39] However, WestConnect's study plan clearly indicates it will not study the SWIP-North project (or any other project) until WestConnect identifies a regional need. The study plan provides as follows:

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facilities that more efficiently or cost-effectively could meet the needs identified in individual regional transmission plans.")

[37] Exhibit CAISO-06 (Millar), p. 15:5-11, citing the WestConnect 2016-2017 Regional Transmission Needs Assessment Report available at https://doc.westconnect.com/Documents.aspx?NID=17749 and 2018-2019 Regional Transmission Needs Assessment Report available at https://doc.westconnect.com/Documents.aspx?NID=18393.

[38] WestConnect 2018-19 Transmission Plan, p. 35. https://doc.westconnect.com/Documents.aspx?NID=18530&dl=1.

[39] Cal Advocates Opening Brief, p. 32; Exhibit CAL PA-18.

> If regional needs are identified during Q4 of 2020, WestConnect will solicit alternatives (transmission or non-transmission alternatives (NTAs)) from WestConnect members and stakeholders to determine if they have the potential to meet the identified regional needs. If an ITP proponent desires to have their project evaluated as a solution to any identified regional need, ***they must re-submit their project during this solicitation period*** (Q5) and complete any outstanding submittal requirements. In late-Q5 and Q6 of the 2020-21 planning cycle, WestConnect will evaluate all properly submitted alternatives to determine whether any meet the identified regional needs, and will determine which alternatives provide the more efficient or cost-effective solution.[40]

There is no reason to require DCRT to submit the Proposed Project for cost allocation in the interregional coordination process, because WestConnect has consistently and repeatedly indicated it would only study ITPs after it identifies a regional need. And WestConnect has identified no regional need. Requiring DCRT to submit the Proposed Project to WestConnect will cause unnecessary and unjustifiable delay and incremental costs for a project that is currently needed for economic and reliability reasons. The Commission should reject Cal Advocates' proposal to require DCRT to submit the Proposed Project to WestConnect because the additional delay would only reduce CAISO ratepayer benefits.

C. FERC Order No. 1000 Appropriately Incentivizes Transmission Developers to Seek Interregional Cost Recovery When Appropriate.

Cal Advocates asserts that if the Commission dos not condition the Proposed Project's CPCN approval on the condition that DCRT seek interregional cost allocation, other CPCN applicants may attempt to subvert FERC Order No. 1000.[41] Cal Advocates misunderstands transmission developers' incentives for requesting interregional cost allocation. Contrary to Cal Advocates understanding, developers have no incentive to "request that California ratepayers fund the entirety of their transmission project, even though evidence exists that those projects may benefit ratepayers in other regions."[42] Transmission project developers have strong incentives to request interregional cost allocation where a project meets the needs of more than one planning region. If a project meets multiple regions' identified needs, the planning regions can coordinate to implement interregional cost allocation, thereby reducing the cost impact to each individual region and increasing the likelihood the project will be built. Transmission

[40] Exhibit CAL PA-18, p. 3-4.
[41] Cal Advocates Opening Brief. P. 32.
[42] *Id*. at pp. 32-33.

developers do not benefit by attempting to shift all project costs to one planning region if the project meets multiple regions' needs.

The interregional transmission planning process does not allow a transmission developer to impose costs on a planning region if it has not identified a regional need for the project. Identifying regional needs is a threshold issue that protects each planning region from incurring costs for interregional projects that do not meet a regional need. This is a fundamental tenet of Order No. 1000. The CAISO notes this relationship is reciprocal—the CAISO would not incur costs for a WestConnect regional project unless the project met a CAISO-regional need, even if the project provided economic benefits to CAISO ratepayers.

If WestConnect had identified regional transmission needs, DCRT would have an incentive to request regional cost allocation for the Proposed Project. Without an identified regional need, there is no reason to pursue interregional cost allocation. A Commission directive to submit the Proposed Project for interregional cost allocation would not modify WestConnect's determination position regarding its regional needs (or lack thereof), nor would it change any future developer's efforts to obtain interregional cost allocation, where appropriate.

VI. Conclusion

For the reasons detailed above and in the CAISO opening brief, the Commission should approved DCRT's application for CPCN to construct the Proposed Project. The Proposed Project will provide economic benefits to CAISO ratepayers in excess of project costs and it will increase system reliability.

Respectfully submitted

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