

# THE ACADEMY

AMERICAN PUBLIC  
POWER ASSOCIATION

## Transmission

**Increasing Rates Demand Increasing Scrutiny**

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# NCPA Overview

## Members

- ALAMEDA
- SF BART
- BIGGS
- GRIDLEY
- HEALDSBURG
- LODI
- LOMPOC
- PORT OF OAKLAND
- PALO ALTO
- PLUMAS-SIERRA
- REDDING
- ROSEVILLE
- SANTA CLARA
- SHASTA LAKE
- TRUCKEE DONNER
- UKIAH



## Facilities

- ◆ NCPA HEADQUARTERS
- ◆ GEYSERS GEOTHERMAL PROJECT
- ◆ CT-1 COMBUSTION TURBINE PROJECT
- ◆ CT-2 COMBUSTION TURBINE PROJECT
- ◆ STANISLAUS RIVER HYDROELECTRIC PROJECTS
- ◆ LODI ENERGY CENTER

- California joint powers agency founded in 1968
- 16 members and one associate member serving 750,000 residents in communities throughout Northern California
- Builds and operates jointly owned power plants and operates a power pool for members
- Represents agency and members before legislative and regulatory bodies
- NCPA provides a variety of wholesale energy market services to members and customers

## Joint Efforts To Scrutinize Costs in CAISO

- FERC Order 890 Claim
- Transmission Tariff Filings
- Energy Imbalance Market (EIM)

# FERC Order 890 Claim

- NCPA Members are concerned about raising TAC rates (~10%/yr) and balancing these costs with California's other climate change objectives
- Significant amounts of new transmission capacity have been added in the CAISO to meet California's renewable energy and climate change objectives
- NCPA supports transmission investment – it must be for transparent projects needed and built at the right time and for the right price.
- In early 2017, NCPA coordinated with California Public Utilities Commission, State Water Contractors, and the Transmission Agency of Northern California in filing a joint Order 890 claim against Pacific Gas & Electric (PG&E).
- Order 890 requires transparency, stakeholder involvement, and full access to the data and analyses underlying each transmission plan.
- In CA, PG&E conducts 80% of transmission planning – equal to 60% (\$1.5B) on annual capital investment without any opportunity for stakeholder input or review.

# Attempts at Settlement Discussions

- Over a dozen voluntary settlement discussions with PG&E following the February 2017 Order 890 complaint (FERC Docket No. EL17-45). The Complainants' goals in those meetings were:
  - To develop Order 890-Compliant tariff language (stakeholder process), and
  - To understand PG&E's internal transmission planning and replacement processes
- Better understanding of PG&E's planning processes, from data requests, Joint PG&E TO18 litigation, and recent Wildfire Investigation Reports found:
  - PG&E's spending on self-approved projects is of a much greater order of magnitude than other IOUs (PG&E has spent more than \$4.6 billion on self-approved projects since 2010)
  - Clear failure to manage and monitor capital spending and lack of prudent asset management tracking
  - Apparent discrimination in funding priorities against POU's
  - Lack of capital spending prioritization has created safety and reliability risks

## FERC Decision - Order 890 Claim

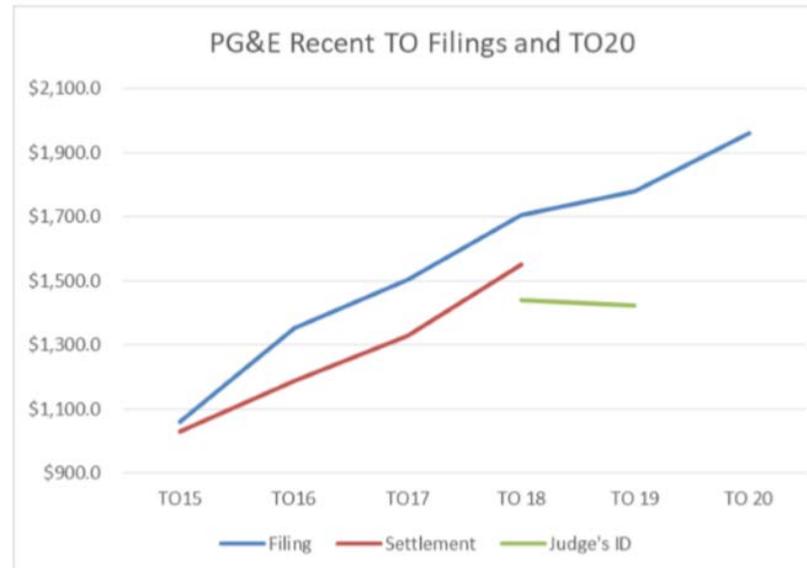
- Before FERC decision on the matter, Southern California Edison (SCE) filed with FERC a stakeholder review process for their transmission investment that was outside of the CAISO process.
- On August 31, 2018, FERC issued two orders on Order No. 890 compliance;
  - In the first order, it denied our complaint against PG&E, which alleged that PG&E had failed to run some 60% of its transmission work through a transmission planning process in violation of Order No. 890.
  - In the second order, it accepted as just and reasonable, SCE's transmission planning tariff, despite the fact that that tariff was not in accordance with Order No. 890.
  - In both cases, the Commission ruled that "asset management" projects like those the PTOs are performing without CAISO review do not fall within Order No. 890's ambit and, therefore, that no planning process is required.
- Parties filed a FERC Request for Rehearing and re-opened negotiations with PG&E and SCE.

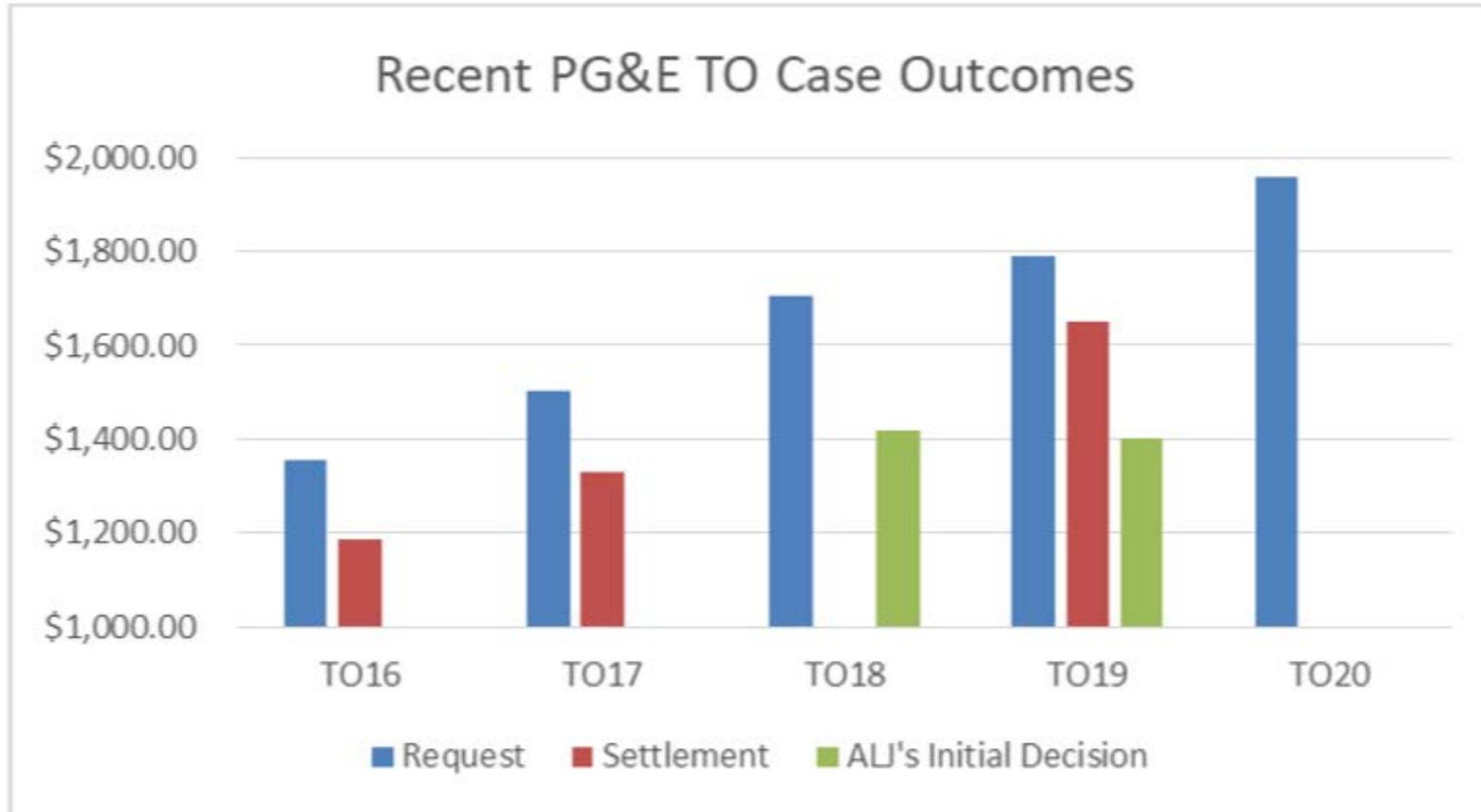
# Order 890- PTOs Need to be Transparent

- Complete documentation of all “local” planning procedures;
- Documentation that shows the procedures are actually being applied;
- Access to long-term project plans – like PG&E’s Five Year Plan that lists the projects it intends to pursue;
- Access to the documentation justifying the projects in those plans, including:
  - The estimated costs and the bases for the estimates;
  - The underlying assumptions and criteria used to develop the plans;
  - Information showing how those assumptions and criteria were applied to develop the plans;
  - How the PTO’s prioritized the projects in the plans; and
  - The data behind those prioritizations.
- This is not a comprehensive list – just a sampling
- And we need to see all of this sooner, rather than later.

# PG&E TO20 Status

- PG&E Formula Rate
- Base TRR of \$1.96 Billion
- ROE of 12.5 percent
- Currently Pending Settlement





# Transmission Tariffs

- On July 29<sup>th</sup>, 2016 PG&E filed its eighteenth transmission owner rate case (TO18) seeking a \$1.718 billion retail transmission revenue requirement (TRR)
- TO18 represents one of the largest TO rate cases reviewed by FERC, \$387M (29%) increase over TO17
- Joint Action entities coordinated with the largest transmission customers to seek a significant re-adjustment to PG&E's revenue requirements
- Attempts at settlement remained far apart, so the stakeholders filed for litigation
- Lengthy and numerous data requests were issued, PG&E filed TO19 and prepared TO20 (27% LV and 6% HV increase and moved to formula rate) while still waiting for a formal decision
- Parties settled TO19 using a 98.85% settlement factor to TO18 decision, before it was issued.
- FERC issued its TO18 decision on October 1, 2018 finding that PG&E had failed to show that its proposed rate increase was just and reasonable, and identifying a number of adjustments that should be made to reduce the rates. Reductions totaled approximately \$300M

# Energy Imbalance Market

- EIM Governance – Strong engagement in stakeholder process and governance selection
- Market has documented over \$650M in savings since inception, Nov 2014
- Challenges exist with GHG tracking and monitoring
- Expansion of Market over next two years includes several of the largest POU systems; LADWP, SRP, TID, and Seattle
- New Market products being considered such as an extension of the Day-Ahead
- Organic Growth to a Western RTO?

