

From: Shea, Karen M.  
Sent: 4/27/2010 12:27:26 PM  
To: Cherry, Brian K (/O=PG&E/OU=CORPORATE/CN=RECIPIENTS/CN=BKC7);  
Kozlowski, Lanette (/O=PG&E/OU=Corporate/cn=Recipients/cn=LLK1)  
Cc:  
Bcc:  
Subject: RE: FERC Cost Allocation

Hello Brian and Lanette,

I've been trying to address this question too but right now I am not working in this area and have limited info for Comr. Simon; I am sure Comr. Simon would appreciate further background.

Although for transmission projects built and turned over to CAISO there is a solution for the cost allocation issue - it is spread to all users of the CAISO grid as part of TAC ratemaking. However, for lines that are longer -- that may go through multiple jurisdictions there is a huge cost allocation issue. Internally we learned from Larry Chasset that this is an issue to watch and in a paper I prepared for Comm. Simon for his trip I included the following-

### **Transmission Infrastructure Cost Allocation**

A major issue with building long transmission lines spanning many jurisdictions is who will pay for the new infrastructure.

There are new issues now in getting renewables to market because frequently renewable resources are far away from load. Larry Chasset indicated that we need to monitor developments in MISO and SPP and that the approaches may be different. He suggested there may be a FERC Inquiry after these regions make some decision so to bring the issue forward nationally.

However, I know there is a lot more being discussed that I am not in the middle of. For example when FERC Chair Jon Wellinghoff provided the keynote speech to the CAISO on Oct 7 he referred to Transmission cost allocation issues. (please see page

7-9) In his conclusion, Wellinghoff provided the group with two challenges, "The second is to continue development of creative solutions to transmission infrastructure cost allocation issues that allow for development of cost-effective renewable energy resources both in CA and throughout the West". (Wellinghoff p. 9)

Anyway, my thought is there is a start of a deeper discussion going on in DC and in other RTOs because they are facing questions about cost allocation across multiple jurisdictions and perhaps across multiple RTOs.

Anyway, if there are some high-level points and background to flesh this out and perhaps discuss what PG&E may see on the horizon that may help Comr. Simon. I don't have crystal clear guidance, others may have thoughts on background points that could be helpful to Comr. Simon.

Thanks!

Karen

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**From:** Cherry, Brian K [mailto:BKC7@PGE.COM]  
**Sent:** Tuesday, April 27, 2010 10:44 AM  
**To:** Shea, Karen M.; Kozlowski, Lanette  
**Subject:** FW: FERC Cost Allocation

Karen - can you give us more context.

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**From:** Cherry, Brian K  
**Sent:** Tuesday, April 27, 2010 10:21 AM  
**To:** Metague, Stephen; Hapner, Dede  
**Cc:** Allen, Meredith; Stock, William; Redacted

**Subject:** FERC Cost Allocation

Steve/DD - Commissioner Simon sat with Chris Johns and I today at the Supplier Diversity Awards and mentioned that he was headed to DC tomorrow to meet with Commissioner Spitzer. He told us Spitzer wanted to talk to him about cost allocation at the FERC. Commissioner Simon asked us to provide him some background and talking points on FERC cost allocation. I have no idea what he wants, but he would like it by COB today. Steve - can you get the material together and provide Bill with the material to forward to Tim Simon today work