UNITED STATES OF AMERICA BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Public Service Company of Colorado	Docket No. ER13-75-000
Tucson Electric Power Company	Docket No. ER13-77-000
UNS Electric, Inc.	Docket No. ER13-78-000
Public Service Company of New Mexico	Docket No. ER13-79-000
Arizona Public Service Company	Docket No. ER13-82-000
El Paso Electric Company	Docket No. ER13-91-000
Black Hills Power, Inc.	Docket No. ER13-96-000
Black Hills Colorado Electric Utility Company, LP	Docket No. ER13-97-000
NV Energy, Inc.	Docket No. ER13-105-000
Cheyenne Light, Fuel and Power Company	Docket No. ER13-120-000

(not consolidated)

MOTION FOR LEAVE TO FILE COMMENTS OUT OF TIME AND COMMENTS OF
THE AMERICAN WIND ENERGY ASSOCIATION
AND
INTERWEST ENERGY ALLIANCE

Pursuant to Rule 211 of the Federal Energy Regulatory Commission's ("Commission" or "FERC") Rules of Practice and Procedure,[1] the American Wind Energy Association ("AWEA") and the Interwest Energy Alliance ("Interwest") hereby files this motion to file comments out of time and comments in the above-captioned

[1] 18 C.F.R. §§ 385.211, 214.

proceedings. In compliance with the Commission's *Final Rule on Transmission Planning and Cost Allocation by Transmission Owning and Operating Public Utilities*,[2] on October 11, 2012, El Paso Electric, Arizona Public Service Company, Xcel Energy Services Inc., Public Service Company of New Mexico, Tucson Electric and Power Company, Black Hills Electric, Black Hills Colorado Electric Utility Company, LP, Cheyenne Light, Fuel and Power Company, Nevada Power Company and Sierra Pacific Power Company, and UNS Electric, Inc. (collectively "WestConnect") submitted in the above-captioned dockets their compliance filing with that final rule.

Due to the large number of compliance filings that AWEA is submitting responses to and the unique and, at times, complex compliance tariff provisions contained in those compliance filings, AWEA and Interwest were not able to submit comments in this proceeding by the November 26 due date. AWEA and Interwest did submit timely Notices of Intervention. Because good cause exists and because no party will be prejudiced, AWEA and Interwest respectfully request that the Commission grant this motion for leave to file these comments four days late.

I. INTRODUCTION

Since the mid-1990s, the Commission has presided over an industry in transition. The Commission's groundbreaking Order No. 888 required open access to the

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[2] *Transmission Planning and Cost Allocation by Transmission Owning and Operating Public Utilities*, Order No. 1000, FERC Stats & Regs., ¶ 31,323 (2011) ("Order No. 1000"), *order on reh'g and clarif*., Order No. 1000-A, 139 FERC ¶ 61,132 (2012) ("Order No. 1000-A"), *order on reh'g and clarif.*, Order No. 1000-B, 141 FERC ¶ 61,044 (2012) ("Order No. 1000-B").

transmission system. And, Order No. 890 required open and transparent transmission planning. Both orders focused on creating a level playing field to make transmission accessible to all market participants at fair prices.

As a result, in part, of these orders, the industry transitioned from a group of large, vertically-integrated electric companies that generated, transmitted, and distributed power to an industry that also includes a variety of specialized generators, transmission companies, distribution companies, and power marketing companies. This shift has enabled increased competition and lower electric prices, as well as increased selection of generation types, including renewable resources like wind energy.

However, this transition has not yet overcome a Balkanized grid in regard to transmission planning and cost allocation, and the nation still has a grid that is not adequate for meeting current needs. Over the coming years, there will be an increasing need for new long distance transmission capabilities to help markets work effectively and reduce costs to customers, and to connect new power sources, including more clean energy resources.

This much needed augmentation of the nation's transmission infrastructure appears to be only the beginning of a longer-term period of investment in new transmission facilities, which is being driven in part by changes in the generation mix. As the Commission has noted, existing and potential environmental regulation and state renewable portfolio standards are driving significant changes in the mix of resources, resulting in the early retirement of some coal-fired generation, increased reliance on natural gas for electricity generation and the large-scale integration of renewable generation. The Commission has recognized that these shifts in the generation fleet increase the need for new transmission and that the existing transmission grid is not built to accommodate them. Specifically, investment in new transmission facilities will be required in the future to meet reliability needs and integrate new sources of generation in order to meet public policy goals.

This increased focus on investment in new transmission projects makes it even more critical to implement reforms, as the Commission has recognized in Order No. 1000, to ensure that the more efficient and/or cost-effective projects come to fruition. There are, of course, many issues that affect the building of more transmission. Among these is the difficulty of determining where transmission will be built and who will pay for it, and we think that Order No. 1000 makes some progress in those areas.

In recognition of these issues, the Commission rightfully concluded in Order No. 1000 that it was appropriate to adopt a package of reforms addressing transmission planning and cost allocation. The Commission found that its review of the record and recent studies indicated the transmission planning and cost allocation requirements of Order No. 890 were an inadequate foundation for public utility transmission providers to address the transmission challenges they currently face or will face in the near future. Accordingly, the Commission found that the record was adequate to support its conclusion that the existing requirements of Order No. 890 are too narrowly focused geographically and fail to provide for adequate analysis of the benefits associated with transmission facilities within and between transmission planning regions.

AWEA and Interwest believe that Order No. 1000 represents a pivotal new rule for addressing some of the barriers discussed. However, this change going forward all depends on whether Order No. 1000 is ultimately implemented in a manner that will achieve its goals. Specifically, AWEA and Interwest think that, if implemented robustly, Order No. 1000 is likely to have a profound impact on renewable energy in the following ways:

- Providing clearer guidance on the collaborative processes that public utilities need to follow when identifying transmission needs and solutions;
- Requiring transmission plans to take into account public policy requirements, such as state or federal renewable portfolio standards and other public policy objectives when evaluating needs; and
- Prescribing principles for regional transmission cost allocations, which assure that benefits and costs are appropriately distributed.

While Order No. 1000 removes some barriers to updating the nation's inadequate grid infrastructure, which in turn should help facilitate the integration of diverse resources into the energy market and foster competition among those resources, this will only occur if FERC reconciles the Order No. 1000 compliance filings implement true reforms consistent with the principles and policies in that order.

With respect to the members of WestConnect's compliance filings, AWEA and Interwest believe they are generally consistent with those requirements. Specifically, their revised regional planning process should help expedite the development of transmission, allowing for more renewable energy development to be brought to markets. AWEA and Interwest also believe their cost allocation reforms should remove some of the burdens associated with transmission development by spreading transmission costs broadly among beneficiaries. However, AWEA and Interwest express below concerns with the proposal. We respectfully request that the Commission accept the WestConnect members' filings subject to a further compliance filing revising the tariff consistent with the reforms raised herein.

II. COMMENTS

A. Public Policy Requirements

Order No. 1000 adopted reforms under which transmission needs driven by Public Policy Requirements ("PPRs") are considered in local and regional transmission planning processes. Transmission Providers' ("TPs") tariffs must describe procedures that provide for consideration of transmission needs driven by PPRs in local and regional transmission planning processes.[3] The Commission's stated purpose for the requirement is to ensure that regional transmission planning processes support the development of more efficient

[3] Order No. 1000 at P 82, 203.

and cost-effective transmission facilities to meet needs driven by PPRs, thereby helping to ensure that the rates for FERC jurisdictional services (which include transmission facility and electric energy costs) are just and reasonable under the Federal Power Act ("FPA") and reducing opportunities for undue discrimination by TPs.[4]

Specifically, a TP tariff must describe: (i) procedures to identify local and regional PPR-driven needs, including a process for selecting PPR-driven needs for which potential solutions will be evaluated; and (ii) procedures for conducting solution evaluations in the planning processes. TPs, in consultation with their stakeholders, must establish the procedures for identifying PPR-transmission driven needs, allowing all stakeholders to provide input and offer proposals on PPR needs.[5] The procedures must allow stakeholders to suggest grid needs driven by any PPR, including EPA regulations or any other enacted state or federal regulation or law that drives transmission needs.[6]

For the reasons discussed below, we think that WestConnect has made significant progress toward adopting a transmission planning process that satisfies the requirements of Order No. 1000 for PPRs. However, there are clear areas where WestConnect has fallen short, including with regard to its process for the identification and evaluation of PPRs. If the reforms discussed below are included in the WestConnect utility OATTs, we think that the WestConnect region will have a "just and reasonable and not unduly

[4] *Id.* at P 203.
[5] *Id.* at P 206, 207, 212.
[6] *Id.* at P 215.

discriminatory process through which [they] will identify, out of this larger set of needs, those needs for which transmission solutions will be evaluated."[7]

i. Definition of Public Policy Requirements

Order No. 1000 defined "Public Policy Requirements" as those requirements established by state or federal laws and regulations.[8] Order No. 1000 explained that the "state or federal laws and regulations" mean "enacted statutes (i.e., passed by the legislature and signed by the executive branch) and regulations promulgated by a relevant jurisdiction, whether within a state or at the federal level."[9]

WestConnect appears to adopt the Commission's definition of PPRs. Specifically, the WestConnect members properly identify these "requirements as those enacted by state or federal laws or regulations, including those laws enacted by local governmental entities, such as a municipality or county."[10] Accordingly, AWEA and Interwest support WestConnect's definition as just and reasonable and consistent with Order No. 1000.

We appreciate that WestConnect recognizes that Order No. 1000 requires the consideration of laws and regulations enacted by local governments. As the Commission explained in Order 1000-A, PPRs established by state or federal laws or regulations includes duly enacted laws or regulations passed by a local governmental entity, such as a municipal or county government. "This is the intent of the word 'within' in Order No.

[7] Id., 209.
[8] Id. at P 357.
[9] Id. at P 319.
[10] *See, e,g,, Arizona Public Service Company*, Docket No. ER13-82-000, Transmittal Letter dated Oct. 11, 2012, at 13.

1000's explanation that 'state or federal laws or regulations,' meant 'enacted statutes . . . and regulations promulgated by a relevant jurisdiction, whether within a state or at the federal level.'"[11]

However, we note that WestConnect's definition of PPRs does not appear to be included in its members' OATTs. Thus, we request that the Commission require the WestConnect members' OATTs to explicitly include the term PPR as defined in their transmittal sheets as enacted state or federal laws or regulations, including those laws enacted by local governmental entities, such as a municipality or county. Further, to ensure proper application of PPRs in all facets of the regional transmission planning and cost allocation process, the numerous references to PPRs and considerations (used in lower case form) throughout the OATTs should be replaced with the upper case defined term PPRs. This replacement would ensure that there is no ambiguity in terms of transmission planning and cost allocation going forward with respect to PPRs.

We also note that Order No. 1000 permitted TPs to adopt a broader definition of a PPR than set forth in Order No. 1000. Specifically, Order No. 1000 stated that, "after consulting with stakeholders, a public utility transmission provider may include in the transmission planning process additional public policy objectives not specifically required by state or federal laws or regulations." To that end, we think it is unfortunate that WestConect did not include the consideration of potential future public policy directives and requirements that affect infrastructure needs. We think that any type of

[11] Order 1000-A at P 319.

legal or regulatory requirements or standards that take effect in future years affecting transmission development should be included in the transmission planning process, such as anticipated Clean Air Act rules governing emissions from electric generating units. The transmission planning process should be sufficiently flexible to include reasonably foreseeable public policy objectives not yet explicitly required by existing law or regulation and also to consider "at risk" generation and, therefore, should consider reasonably foreseeable future regulatory requirements given their likely impact on the power system.

ii. Identification of Transmission Needs

Order No. 1000 requires that a TP establish procedures for the identification of transmission needs driven by PPRs for which transmission solutions should be evaluated. Specifically, in response to commenters seeking greater clarity as to how transmission needs driven by PPRs must be considered by public utility transmission providers, the Commission stated that "by considering transmission needs driven by Public Policy Requirements, we mean: (1) the identification of transmission needs driven by Public Policy Requirements; and (2) the evaluation of potential solutions to meet those needs."[12] The Commission further stated: "as with other reforms adopted in this Final Rule, these requirements are intended to be an additional set of minimum obligations for public utility transmission providers."[13]

[12] *Id.* at P 205.
[13] *Id.* at P 204.

TPs must establish, in consultation with stakeholders, procedures under which they and stakeholders will identify those transmission needs driven by PPRs for which potential transmission solutions will be evaluated.[14] As part of the process for identifying transmission needs driven by PPRs, the Commission stated such procedures must allow stakeholders an opportunity to provide input, and offer proposals regarding the transmission needs they believe are driven by PPRs.[15]

WestConnect's identification of planning needs begins with a Planning Management Committee ("PMC"), which will review enacted PPRs and determine which transmission needs will be included in the modeling for that cycle. The PMC will be comprised of representatives from five membership sectors: (1) Transmission Owners with Load Serving Obligations; (2) Transmission Customers; (3) Independent Transmission Developer s and Owners; (4) State Regulatory Commissions; and (5) Key Interest Groups.

At a minimum, the Commission requires that "all such procedures allow for input from stakeholders, including but not limited to those responsible for complying with the Public Policy Requirement(s) at issue and developers of potential transmission facilities that are needed to comply with one or more Public Policy Requirements."[16] As such, all stakeholders for WestConnect should have an opportunity to participate in the identification of the needs driven by PPRs and the evaluation of the projects proposed to

[14] Order No. 1000 at P 206.
[15] Order No. 1000-A at P 207.
[16] Order No. 1000 at P 208.

satisfy those needs through both the local and regional planning processes. This participation should be in the form of participation at both local and regional open meetings, through study requests submitted in the local and regional planning processes, and by submitting project proposals under the regional-planning process. However, Westconnect's description of how membership on the PMC would work does not provide sufficient detail to determine whether it would in practice be inclusive enough (specifically, how participation, through the PMC, will be ensured for all interested stakeholders) to establish a "just and reasonable and not unduly discriminatory process."[17]

Under WestConnect's proposal, transmission needs driven by public policy requirements will also be identified by TPs within the WestConnect planning region through their respective local planning processes. Those needs and any projects necessary to satisfy them will be submitted to WestConnect in accordance with the regional planning process for inclusion in the regional transmission plan.

We appreciate that WestConnect is planning for PPRs on the local level, as required by Order No. 1000. However, we think this process needs to ensure that local projects, if warranted, are rolled-up into a regional plan that addresses identified PPRs. Order No. 1000 requires the consideration of PPRs on a regional level that might not be local in nature. As the Commission stated, Order No. 1000 requires "transmission needs driven by Public Policy Requirements be taken into account in the local and *regional*

[17] Id. at P 203.

transmission planning process to ensure that each public utility transmission provider's transmission planning process supports rates, terms, and conditions of transmission service in interstate commerce that are just and reasonable and not unduly discriminatory or preferential."[18]

Contrary to this requirement, it appears that WestConnect is doing very little to identify PPRs on a regional basis rather than just focusing on identifying these requirements locally. For instance, one WestConnect member's regional planning language states that "WestConnect stakeholders will review enacted public policy requirements and determine which regional planning needs will be included in the modeling for that cycle"[19] and that "at a minimum, any regional transmission needs driven by [PPRs] will be included in the transmission system models underlying development of the Regional Plan."[20] However, while the proposal states that PPRs on a regional basis will be reviewed and that they will be incorporated, it does not describe, as required by Order No. 1000, the processes or criteria to be used to meet the obligations for regional planning for PPRs. In other words, the tariff must state more than that WestConnect will review PPRs and determine which regional transmission needs will be included in regional modeling; rather, it must explain the process and explicit procedures proposed for identifying which needs driven by PPRs will be included in the development of the regional plan.

[18] Order No. 1000 at P 166.
[19] El Paso Electric Company Filing at (IV)(C)(14)(a).
[20] *Id.*

We also note that if local transmission plans will be rolled-up into the larger WestConnect regional transmission planning, each WestConnect member OATT needs clearly defined opportunities for stakeholders to propose transmission to support PPRs, and comment on proposed solutions, at the local level before they are rolled up. In addition, each WestConnect member OATT should require the utility to post on its website an explanation of why it did or did not identify a transmission need for evaluation.

The WestConnect Business Practice Manual appears to describe much of the process to be used to identify regional PPR-driven needs. As these identifications and ultimate evaluations for solutions impact rates, terms, and conditions of service, they should be included in the WestConnect members' OATT. Without increased specificity in the individual tariffs of the WestConnect members regarding the procedures for identification of PPR-driven grid needs and the determination of which PPR-driven grid needs will be evaluated for solutions, AWEA and Interwest believe the proposed tariff language in the individual filings fails to meet Order No. 1000's requirements and provides insufficient assurances of meaningful stakeholder input on PPR-driven grid needs. In fact, we believe that the individual WestConnect OATTs will not be Order No. 1000 compliant without incorporating the terms of this process.

In short, the WestConnect proposal needs to make explicit how all identified regional PPR-driven needs will be evaluated for solutions and provide the criteria by

WestConnect stakeholders can choose which needs merit such solutions. Without increased specificity regarding these procedures, WestConnect's proposal fails to meet Order No. 1000's requirements for the consideration of PPRs. Therefore, we request that the Commission require WestConnect in a further compliance filing to describe in more detail the procedures it will use to identify both local and regional transmission needs driven by PPRs and the process it will follow to select such needs for evaluation in a regional plan.

B. Planning Requirements

In Order No. 1000, the Commission determined that transmission providers must participate in a regional transmission planning process that produces a transmission plan, and to evaluate alternatives that may meet regional needs more efficiently or cost effectively than local transmission plans. Specifically, Order No. 1000 requires that each public utility transmission provider participate in a regional transmission planning process that produces a regional transmission plan and complies with Order No. 890 transmission planning principles. The order establishes an affirmative obligation to engage in regional planning, without requiring a stakeholder to request it.

The Commission concluded that it was necessary to adopt regional transmission planning reforms in order to ensure just and reasonable rates and prevent undue discrimination by TPs. In order to ensure those goals, the Commission set forth transmission planning principles of: (1) coordination; (2) openness; (3) transparency; (4)

information exchange; (5) comparability; (6) dispute resolution; and (7) economic planning studies. These principles have proven their value since they were first required in Order 890.

The Commission also stated that stakeholder involvement is essential. In particular, stakeholders must have the opportunity in regional transmission planning processes to express their needs, provide information, access the models and data used in planning, and participate in the identification and evaluation of regional solutions.[21] In order to satisfy this requirement, a TP's compliance proposal must contain tariff language that delineates the actions it will take to consult with stakeholders in each of the Order No. 1000 mandated processes. The Commission emphasized throughout the order that consultation with stakeholders is critical to the identification of grid solutions that may be more efficient or cost-effective. "[T]he Commission finds that a transparent transmission planning process is the appropriate forum to address these issues, and by addressing these issues, there will be a greater likelihood that regions can build the new transmission facilities selected in the regional transmission plan for purposes of cost allocation."[22]

Many parts of the Filing Parties' compliance filing dealing with transmission planning are consistent with the directives of Order No. 1000, and the Filing Parties correctly point out that many of the region's existing transmission planning processes are

[21] Order No. 1000 at P 150-52.
[22] *Id.* at P 670.

already consistent with Order No. 1000. However, as discussed below, some sections of the filing's planning processes do fall short of the requirements of Order No. 1000.

1. Planning Horizon

AWEA and Interwest believe WestConnect's proposed planning horizon of 10 years is too short, and will likely prevent the region from evaluating transmission plans that would meet regional needs more efficiently or cost effectively than plans produced under a longer planning horizon. Failure to use a longer planning horizon could result in undue discrimination against those proposing transmission plans that meet the needs of the region most efficiently, because in many cases a short planning horizon will tend to bias the selection of transmission plans towards proposers of smaller, local transmission plans, such as incumbent transmission service providers.

While the Commission declined to specify an exact number of years that would constitute a minimum planning horizon for all filings, it is clear that the Filing Parties' proposed time horizon falls short of a horizon that would ensure that more cost effective or efficient plans are being evaluated.

Just as the Commission has recognized that, due to inherent economies of scale in transmission construction, transmission plans crafted for a narrow geographic area will often prove to be sub-optimal relative to transmission plans for a larger region, transmission plans crafted for a narrow chronological scope will often prove to be sub-optimal due to the same economies of scale. Longer planning horizons allow greater quantities of load growth and generating resource development to be considered in the planning process, often allowing for a more cost-effective solution to the long-term needs of the region.

In Order No. 1000, the Commission acknowledged that transmission planning requires a lengthy time horizon: "Transmission planning is a complex process that requires consideration of a broad range of factors and an assessment of their significance over a period that can extend from present out to 20, 30 years or more in the future."[23]

Transmission assets are long-lived investments, often remaining in service for 40 years or more, and in many cases new transmission infrastructure will be rebuilt on a right-of-way once the initial transmission infrastructure has reached the end of its useful life. A 10-year planning horizon is far too short to appropriately weigh the costs and benefits of a transmission investment, and will result in transmission investment that falls short of the efficient level because while the costs of a transmission asset are nearly all front-loaded, the benefits are realized over the life of the asset. Therefore, AWEA and Interwest encourage the Commission to require the time horizon in the proposal to be increased to a length that would ensure the most efficient and cost effective plans are evaluated.

2. Integrated Planning

[23] Order No. 1000 at P 565.

WestConnect's proposal falls short of Order No. 1000's intended goals by establishing separate planning processes for what are claimed to be different categories of transmission (*e.g.*, reliability-driven, economic-driven, public policy-driven), even though in reality nearly all transmission serves multiple purposes. Placing transmission plans into artificial categories ignores the fact that the most cost-effective transmission projects are typically those that serve multiple purposes simultaneously. Using the proposed planning categories will tend to produce a result that is sub-optimal for cost-effectiveness and efficiency, and will also tend to bias the planning process against larger transmission projects, resulting in undue discrimination against some proposers of transmission projects.

3. Lack of Openness in planning process

The Order No. 1000 "Openness" requirement is not met, as membership on the Planning Management Committee is dependent on payment of dues: "All active PMC Members in all PMC Member Sectors will be entitled to vote on WestConnect PMC decision items, pursuant to the Agreement. In order to qualify as an active PMC Member, a PMC Member must actively participate in the WestConnect PMC by attending at least three WestConnect PMC meetings each year in person or by phone and must be current with annual dues."[24]

[24] BPM Page 8

Another concern regarding the proposal's compliance with the Openness principle is that oversight of base case development is limited to "individuals with expertise," without any explanation of how and by whom an individual is determined to have "expertise." As explained in WestConnect's filing, "The Planning Subcommittee may choose to use individuals in subcommittee groups that have expertise or request a third party contractor be hired (at the approval of the WestConnect PMC) to perform the studies with oversight from individuals with expertise."[25]

4. Lack of Openness and use of Economic Planning Studies in planning process

Order 1000's requirements that the planning process abide by the principles of Openness and the use of Economic Planning Studies are not met, as production cost model analysis is only allowed if there is a WECC Board-approved recommendation from TEPPC to evaluate an area or if a regional scenario is approved by the WestConnect PMC. As explained in the filing, "The EPWG may perform production cost model analysis if there is a WECC Board-approved recommendation from TEPPC to evaluate a regional area of concern (areas with high utilization) in the WestConnect region, or if a regional scenario is approved for study by the WestConnect PMC."[26] Because membership in the groups that could recommend or approve a production cost model analysis is restricted, these proposed provisions do not meet the Openness principle of Order 1000. In addition, the principle of Economic Planning Studies is not met, because

[25] BPM page 19.
[26] BPM page 20.

economic studies are only conducted under these limited circumstances and do not form an integral part of the planning process. We request that the Commission remedy this shortcoming by requiring WestConnect to make economic planning studies an integral part of the transmission planning process.

5. Reliability Benefits of Transmission

The proposed planning methodology fails to account for many of the benefits transmission provides for improving power system reliability. A primary benefit of many transmission projects is a reduced need for reserves where transmission allows greater diversity in generation and load, greater sharing of reserves, and/or for generating resources to provide additional capacity into a congested area. These savings can include reduced capacity costs and operating costs. Many transmission projects also reduce the risk of customer outages, and there is considerable economic value in reducing the quantity of load not served, as many estimates of the value of lost load range in the thousands of dollars per MWh.[27] Finally, many transmission projects reduce losses on the transmission system by reducing overloading on existing transmission lines or by transmitting electricity at higher voltages than existing lines.[28]

A failure to account for these benefits in the planning process will tend to bias the selection away from some transmission projects, potentially resulting in undue

[27] See P. Cramton and J. Lien, "Value of Lost Load," University of Maryland, 2000
[28] See AEP, "Transmission Facts," available at http://www.aep.com/about/transmission/docs/transmission-facts.pdf.

discrimination. Not accounting for these benefits could also cause the planning process to fall short of the Commission's goal for a region to select the most efficient and cost effective transmission solutions. Finally, not including these benefits fails to adequately address the Commission's planning principle of "economic planning studies."

B. Cost Allocation

The Commission required that TPs include in their tariff clear and upfront cost allocation methodologies for regionally beneficial transmission projects "included in the regional plan for purposes of regional cost allocation." A transmission provider may have one cost allocation methodology that applies to all types of regional transmission additions (reliability, economic, and public policy). Or, it may have a separate cost allocation methodology for each type of transmission upgrade. In either case, the cost allocation methodologies must meet the Commission's six principles including:

1) – Costs must be allocated roughly commensurate with estimated benefits to beneficiaries within the region.[29]

2) – Those expected to receive no benefit from transmission facilities must not be involuntarily allocated the costs of the facilities.[30]

3) – If a benefit-to-cost threshold is used as a criteria to qualify for regional cost allocation, it may not exceed 1.25, unless the Commission approves a higher ratio as justified by the region or TP.[31]

[29] Order No. 1000 at P 622.
[30] Id. at P 637.

4) –Regional cost allocation methods must allocate costs only within that region unless another entity outside the region or another region voluntarily agrees to assume a portion of the costs.[32]

5) – Methods for determining cost allocation, benefits and beneficiaries must be transparent with adequate documentation to allow stakeholders to determine how they were applied to a proposed transmission facility.[33]

6) – TPs may choose different cost allocation methods for different types of transmission facilities, but each method must be set out clearly and explained in detail.[34]

The Commission has determined that these requirements are necessary to avoid free riders,[35] to ensure the most effective regional transmission planning, and to avoid barriers to development of transmission facilities identified through the planning process as necessary to meet the region's needs.[36] While WestConnect has made progress towards meeting the requirements of Order No. 1000 with regard to cost allocation, additional modifications, as discussed below, are necessary to fully comply.

1. WestConnect's Cost Allocation Methodology

TPs must develop one or more cost allocation methodologies, not just principles, for

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[31] Id. at P 646.
[32] Id. at P 657.
[33] Id. at P 668.
[34] Id. at P 685.
[35] Id. at P 486, 534.
[36] Id. at P 559.

new transmission facilities that are "selected for purposes of cost allocation" in their regional transmission plan.[37] This method or methods must meet the Commission's six cost allocation principles detailed above. WestConnect proposes cost allocation methodologies that apply to each of three types of regional projects, those that may address reliability, economic, and public policy needs. WestConnect also suggests that there would be a methodology for allocating costs of a project that addresses more than one type of need, though this method is not clarified.

First, for a reliability project to be eligible for regional cost allocation, the project must be necessary to meet a NERC TPL standard. Costs of the project would be allocated to each beneficiary based on that entity's proportional share of the total reliability benefits of the regional project.

Second, for an economic project to be eligible for regional cost allocation the project must show an average benefit to cost ratio of 1.25 or higher for all scenarios evaluated. If this criterion is met, the costs of the project will be allocated to each beneficiary based on that entity's proportional share of the total economic benefits of the regional project.

Third, for a public policy project to be eligible for regional cost allocation, the project must be demonstrated to meet a public policy requirement. The costs of public policy projects will be allocated to each beneficiary based on that entity's proportional share of the total MW of public policy resources enabled by the regional project.

[37] Id. at P 558.

Lastly, the costs of projects that result in multiple types of benefits shall be shared according to the amount of cost that is justified by each type of benefit. WestConnect states the determination to consider multiple types of benefits for a particular project shall be made through the WestConnect stakeholder process, though this process is not clearly defined

AWEA and Interwest appreciate that WestConnect has included cost allocation approaches for reliability, economic, and public policy projects, as well as consideration for projects that bring more than one type of these benefits. Yet, there is not enough clarity on the details of these cost allocation approaches, and we believe additional modifications will be necessary to comply with the requirements of all six of the Commission's cost allocation principles.

2. WestConnect's Cost Allocation Methodology Does Not Meet the Requirements of Order No. 1000

The Commission's first principle requires that costs must be allocated in a manner that is at least roughly commensurate with estimated benefits to those within a region. Benefits can include reliability, economic savings and congestion relief, and/or meeting PPRs.[38] WestConnect's approaches to cost allocation do not meet this requirement in every case, as they do not include a full consideration of benefits, without which costs cannot be assumed to be allocated commensurate with the benefits.

While WestConnect's regional reliability cost allocation approach does address benefits related to reliability through its consideration of the avoided costs of local

[38] Order No. 1000 at P 622.

transmission projects that meet such needs, it does not consider the full potential of benefits of the addition of these new regional transmission projects. It is likely that additional benefits such as reduced losses, reduction of energy not served, etc. may also accrue to transmission providers in the region and WestConnect must consider these benefits in addition to the elimination of the need for a local transmission project. It is too easy to only consider those parties who cause the need for a new transmission line, but the Commission has clearly indicated that cost allocation must also consider those who did not necessarily cause the need, but yet who will benefit from the new project.[39] This is one aspect of the Commission's goal in Order No. 1000 to reduce the possibility of free riders. The Commission states "Western Area Power Administration takes the position that beneficiaries should be limited to those that it describes as making direct use of the transmission facilities in question, but this fails to acknowledge that other benefits may accrue to an interconnected transmission grid."[40]

In addition, we appreciate that WestConnect states that it can consider multiple types of benefits for each regional project. Yet, this approach is left up to stakeholder input, so we cannot be assured that all benefits and beneficiaries will be included for each regional project, or that this approach will meet the required six cost allocation principles.

WestConnect's filing also fails to fully comply with the Commission's fifth principle, which requires that methods for determining benefits and beneficiaries be transparent with adequate documentation to allow stakeholders to determine how they

[39] Id. at P 535, 536, 537.
[40] Id. at P 625.

were applied to a proposed transmission facility.[41] WestConnect's cost allocation methodologies do not all provide adequate detail regarding how benefits and beneficiaries will be determined. WestConnect does not detail how it will identify reliability benefits other than to indicate that benefits will go to those transmission providers who no longer need a local reliability project because a regional project meets that need more cost effectively.

It is also not clear how WestConnect will calculate the number of MW of public policy projects enabled by each project driven by PPRs, namely their identified measure of public policy benefits. AWEA and Interwest also believe public policy benefits could include consideration of avoided carbon tax, or avoided RPS penalties (where applicable) in the case of renewable energy resources. The benefits for multi-benefit projects is clearly not transparent in the filing due to the fact that WestConnect states these benefits will be determined by stakeholders, but the details on this process are not presented.

Finally, the Commission requires that benefit definitions in cost allocation methodologies include benefits related to likely future scenarios. WestConnect does not seem to consider reliability, economic, or public policy benefits based on scenario analysis. This lack of consideration of future needs using future scenarios, results in an analysis of benefits that is incomplete and may not adequately consider the range or extent of possible future benefits from a regional transmission project.

AWEA and Interwest request the Commission require WestConnect to provide

[41] Id. at P 668.

additional detail and clarity, as discussed above, and to expand its consideration of benefits for reliability and public policy projects.

3. Other Concerns

WestConnect's cost allocation approach does not seem to be binding for those parties determined to be beneficiaries. What happens then after the regional plan and cost allocation are approved?

III. CONCLUSION

WHEREFORE, for the foregoing reasons, AWEA and Interwest respectfully request that the Commission grant this motion, accept these comments into the record in this proceeding, and grant the relief requested herein.

Respectfully submitted,

By: __/s/ _Gene Grace_

Tom Vinson
Senior Director of Regulatory Affairs

Natalie McIntire
Consultant

Michael Goggin
Manager of Transmission Policy

Gene Grace

Senior Counsel

American Wind Energy Association
1501 M Street, NW
Washington, DC
Phone: (202) 383-2500
Fax: (202) 383-2505
E-mail: ggrace@awea.org

Sarah Cottrell Propst
Executive Director

Interwest Energy Alliance
P.O. Box 8526
Santa Fe, NM 87504
propst@interwest.org

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