

Public Service Company of New Mexico

ATTACHMENT K

ATTACHMENT K - Transmission Planning Process

I. Overview of the PNM Transmission Planning Process.

PNM is a vertically integrated public utility engaged in the generation and transmission of electric power and energy in the states of New Mexico and Arizona and in the distribution of electric power and energy in the State of New Mexico. PNM provides electric transmission and related reliability services under state and federal statutes and regulations. PNM's transmission planning process is based on the following three core objectives:

- Maintain safe and reliable electric service;
- Improve the efficiency of electric system operations, including the provision of open and non-discriminatory access to the transmission facilities under its control; and
- Identify and promote new investments in transmission infrastructure in a coordinated, open, transparent and participatory manner.

PNM's transmission planning process is intended to facilitate a timely, coordinated and transparent process that fosters the development of electric infrastructure that both maintains reliability and meets load growth so that PNM can continue to provide reliable and cost-effective service to its customers.

The PNM transmission planning process includes a series of open planning meetings that PNM will conduct at least twice a year to allow anyone including, but not limited to, network and point-to-point transmission service customers, sponsors of transmission solutions, generation solutions and solutions utilizing non-transmission alternatives ("NTAs"), interconnected neighbors, regulatory and state bodies and other stakeholders, input into and comment on the PNM transmission plan through all stages of its development.

In addition to its local transmission planning process, PNM coordinates its transmission planning with other transmission providers and stakeholders in the Desert Southwest area, and the Western Interconnection as a whole, through its active participation in the Southwest Area Transmission Planning ("SWAT") group, membership in WestConnect,¹ membership in the Western Electricity Coordinating Council ("WECC") and participation in the WECC Transmission Expansion Planning Policy Committee ("TEPPC") and its Technical Advisory

¹ WestConnect was formed under a memorandum of understanding (the "MOU") voluntarily entered into by FERC jurisdictional and non-jurisdictional transmission providing electric utilities in the Western Interconnection. The purposes of WestConnect are to investigate the feasibility of wholesale market enhancements, work cooperatively with other Western Interconnection organizations and market stakeholders, and address seams issues in appropriate forums. WestConnect has initiated an effort to facilitate and coordinate regional transmission planning across the WestConnect footprint. Following the effective date of PNM's September 20, 2013 Order No. 1000 compliance filing, the WestConnect Order No. 1000 regional transmission planning management committee will commence the regional transmission planning process under the principles set forth in FERC's order Preventing Undue Discrimination and Preference in Transmission Service, Order No. 890, FERC Stats. & Regs. ¶ 31,241 (2007), et al. (collectively, "Order No. 890"), and carried forward in FERC's order Transmission Planning and Cost Allocation by Transmission Owning and Operating Utilities, Order No. 1000, 136 FERC ¶ 61,051 (2011), et al. (collectively, "Order No. 1000").

Subcommittee (“TAS”).

Three subregional planning groups operate within the WestConnect footprint: SWAT, Colorado Coordinated Planning Group (“CCPG”) and the Sierra Subregional Planning Group (“SPPG”). WestConnect’s planning effort, which includes funding and provision of planning management, analysis, report writing and communication services, supports and manages the coordination of the subregional planning groups and their respective studies. Such responsibilities are detailed in the WestConnect Project Agreement for Subregional Transmission Planning (WestConnect “STP Project Agreement”) dated May 23, 2007 (see Hyperlinks List on PNM’s Open Access Same-Time Information System (“OASIS”) as www.oasis.oati.com/pnm/index.html). PNM is a signatory to the STP Project Agreement.

The subregional planning groups within the WestConnect footprint, assisted by the WestConnect planning manager, coordinate with other Western Interconnection transmission providers and their subregional planning groups through TEPPC. TEPPC provides for the development and maintenance of an economic transmission study database for the entire Western Interconnection and performs annual congestion studies at the Western Interconnection region level.

II. PNM Local Transmission Planning

A. PNM Planning Process

Participation in PNM’s local planning process is open to all affected parties, including but not limited to, all network and point-to-point transmission customers, sponsors of transmission solutions, generation solutions and solutions utilizing NTAs, interconnected neighbors, regulatory and state bodies, and other stakeholders.

1. PNM Contact for Transmission Planning Process

(see Hyperlinks List on PNM’s OASIS at www.oasis.oati.com/pnm/index.html)

2. Confidential or Proprietary Information

PNM’s local transmission planning studies may include base case data that are WECC proprietary data or classified as Critical Energy Infrastructure Information (“CEII”) by the Federal Energy Regulatory Commission (“FERC” or “Commission”). A stakeholder must hold membership in or execute a non-disclosure agreement with WECC (see Hyperlinks List on PNM’s OASIS at www.oasis.oati.com/pnm/index.html) in order to obtain requested base case data from PNM. A stakeholder may obtain PNM transmission planning information classified as CEII from PNM by following PNM’s Procedures for Requesting Access to CEII posted on PNM’s OASIS at www.oasis.oati.com/pnm/index.html.

3. Types of Planning Studies

- a. Transmission Planning Studies. PNM will conduct local reliability studies to ensure that all North American Electric Reliability Corporation (“NERC”),

WECC, and local reliability standards are met for each year of the ten-year planning horizon, including all PNM customer's requirements for planned loads and resources, including NTAs. These reliability studies will be coordinated with the other regional transmission planning organizations through SWAT studies.

- b. Economic Studies. Economic planning studies are performed to identify significant and recurring congestion on the transmission system and the effects of load growth, load management programs and adding new resources. Such studies may analyze any, or all, of the following: (i) the location and magnitude of the congestion, (ii) possible remedies for the elimination of the congestion, in whole or in part, including transmission solutions, generation solutions, and solutions utilizing NTAs, (iii) the associated costs of congestion, (iv) the cost associated with relieving congestion through system enhancements (or other means), and as appropriate (v) the economic impacts of load growth, load management programs and adding new resources. PNM will perform, or cause to be performed, economic planning studies at the request of any transmission customer or stakeholder. All economic planning studies performed, either by PNM or TEPPC, will utilize the TEPPC public data base or other appropriate public data.
 - c. Consideration of Public Policy Requirements. For purposes of this Attachment K, "Public Policy Requirements" means those requirements enacted by state or federal laws or regulations, including those enacted by local governmental entities, such as a municipality or county. Enacted Public Policy Requirements, as applicable, are incorporated into the load forecasts and/or are modeled in the local planning studies. For example, PNM incorporates existing and planned energy efficiency, demand response and distributed generation programs that are required as a result of state-mandated renewable energy standards and energy efficiency rules in its transmission planning analysis. Proposed public policy (public policy proposed before a governmental authority, but not yet enacted), may be studied if time and resources permit.
4. PNM's Local Transmission Planning Study Process

- a. Overview. PNM's local transmission planning process consists of an assessment of the following needs:
 - i. Provide adequate transmission to access sufficient resources in order to reliably and economically serve retail and network loads.
 - ii. Where feasible, identify NTA's that could meet or mitigate the need for transmission additions or upgrades
 - iii. Support PNM's local transmission and sub-transmission systems.
 - iv. Provide for interconnection of new generation resources.
 - v. Coordinate new interconnections with other transmission systems.

- vi. Accommodate requests for long-term transmission access.
 - vii. Consider transmission needs driven by Public Policy Requirements.
- b. PNM's Local Transmission Planning Cycle.
- i. Calendar Year Planning Cycle. PNM conducts its local transmission planning on a calendar year cycle for a ten-year planning horizon.
 - ii. Annually Updated Ten-year Plan. PNM updates its ten-year plan annually and publishes an annual Ten-year Transmission Plan on its OASIS in the first quarter of each calendar year (see Section II.A.4.c. below).
- c. Transmission Customer's Responsibility for Providing Data
- i. Use of Customer Data. PNM uses the information provided by its transmission customers to, among other things, assess network load and resource projections (including NTAs), transmission needs, operating dates and retirements for generation resources in PNM's system and to update regional models used to conduct planning studies.
 - ii. Submission of Data by Network Transmission Customers. Network Customers are required, pursuant to the PNM Open Access Transmission Tariff ("OATT") to submit their ten-year projected network load and network resources (including NTAs) to PNM on an annual basis. Such information shall be submitted annually by March 1st of each year to the PNM Contact for Transmission Planning Process: (see Section II.A.1).
 - iii. Submission of Data by Other Transmission Customers. All other transmission customers shall provide their ten-year needs in the form of relevant data for inclusion in the PNM transmission planning process. Such information shall be submitted annually by March 1st each year by forwarding such data to the PNM Contact for Transmission Planning Process (see Section II.A.1.).
 - iv. Transmission Customer Data to be submitted. To the maximum extent practical and consistent with protection of proprietary information, data submitted by network transmission customers and other transmission customers shall include for the ten-year planning horizon:
 - a. Generators – planned additions or upgrades (including status and expected in-service date), planned retirements and environmental restrictions.

- b. NTAs – include, without limitation, technologies that defer or possibly eliminate the need for new and/or upgraded transmission lines, such as distributed generation, demand side management (load management, such as energy efficiency and demand response programs), energy storage facilities and smart grid equipment that can help eliminate or mitigate a grid reliability problem, reduce uneconomic grid congestion, and/or help to meet grid needs driven by Public Policy Requirements.
 - c. Network customers – forecast information for load and resource requirements over the planning horizon and identification of demand response reductions.
 - d. Point-to-Point transmission customers – projections of need for service over the ten-year planning horizon, including transmission capacity, duration, and receipt and delivery points.
- v. Notification of Material Changes to Transmission Customer Data. Each transmission customer shall submit timely written notice to PNM of material changes in any of the information previously provided to PNM related to the transmission customer's load, resources (including NTAs), or other aspects of its facilities or operations which may, directly or indirectly, affect PNM's ability to provide service.

d. Stakeholder Participation

- i. During its 1st Quarter open public meeting, PNM shall: (a) review its transmission planning process and current study plan with stakeholders; (b) request stakeholder review and input on any aspect of PNM's current study plan (including, but not limited to, methodology, study inputs, Public Policy Requirements, and potential stakeholder-suggested transmission needs driven by Public Policy Requirements and study results) and transmission planning process; (c) invite the submittal of transmission study requests from stakeholders for review and discussion; (d) solicit information from its transmission customers on loads and resources (including NTAs) and other needs for the preparation of its ten-year plan; and (e) provide updates on its planned projects.

After the 1st Quarter meeting, but not less than 30 days before the 4th Quarter meeting, PNM will post on its OASIS an explanation of those transmission needs driven by Public Policy Requirements that have been identified for evaluation for potential solutions in the local transmission planning process and an explanation of why any suggested transmission needs driven by Public Policy Requirements will not be evaluated.

- ii. During its 4th Quarter open public meeting, PNM will present a draft of its Ten-year Plan for the following calendar year for stakeholder review and comment.
 - iii. This schedule may be modified to coordinate with subregional and regional transmission planning processes, subject to updated postings on the PNM OASIS and WestConnect websites.
 - e. Coordination of Transmission Study Cycle with SWAT and WestConnect Study Cycle. PNM will coordinate the timing of its local transmission planning study cycle process with the development of the assumptions, and coordinated base cases, used within the SWAT and WestConnect planning group, which is open to participation by all interested parties.
 - f. PNM Point of Contact for Local Reliability Study Requests. Customer/stakeholder questions regarding modeling, criteria, assumptions and data underlying system plans shall be directed to the PNM Contact for Transmission Planning Process (see Section II.A.1.).
 - g. PNM Local Study Criteria and Guidelines. Customers are advised to refer to the PNM Study Criteria and Guidelines on the PNM OASIS. (see Hyperlinks List on PNM's OASIS at www.oasis.oati.com/pnm/index.html).
 - h. PNM and Stakeholder Alternative Solutions Evaluation Basis. PNM's local planning process is an objective process that evaluates use of the transmission system on a comparable basis for all customers. All solution alternatives that have been presented on a timely basis (per Section II.A.4.c. and II.A.4.d. of this Attachment K), including transmission solutions, generation solutions and solutions utilizing NTAs, whether presented by PNM or another stakeholder, will be evaluated on a comparable basis. The same criteria and evaluation process will be applied to competing solutions and/or projects, regardless of type or class of stakeholder. Solution alternatives will be evaluated against one another on the basis of the following criteria to select the preferred solution or combination of solutions: (1) ability to practically fulfill the identified need; (2) ability to meet applicable reliability criteria or NERC Transmission Planning Standards issues; (3) technical, operational and financial feasibility; (4) operational benefits/constraints or issues; (5) cost-effectiveness over the time frame of the study or the life of the facilities, as appropriate (including adjustments, as necessary, for operational benefits/constraints or issues, including dependability); and (6) where applicable, consistency with State or local integrated resource planning requirements, or regulatory requirements, including cost recovery through regulated rates.
5. PNM Economic Planning Study Process.
- a. Requesting Economic Planning Studies. Any PNM transmission customer or

other interested stakeholder, including sponsors of transmission solutions, generation solutions and solutions utilizing NTAs (“Requester”) may submit a study request for an economic planning study directly to PNM, WestConnect, or TEPPC. PNM’s Economic Planning Study Request Form may be downloaded from PNM’s OASIS (see Hyperlinks List on PNM’s OASIS at www.oasis.oati.com/pnm/index.html). The Requester must submit its study request(s) no later than September 30th of each year for PNM to review the study request(s) with stakeholders at its 4th Quarter open public meeting. All such requests submitted to PNM shall be sent to the PNM Contact for Transmission Planning Process (see Section II.A.1.). PNM will make reasonable efforts to coordinate the timing of its economic planning study cycle process with WestConnect and TEPPC planning processes.

- b. Process for Handling Economic Transmission Planning Study Requests. PNM shall manage any economic planning study requests it receives under this Attachment K in the following manner:
 - i. TEPPC Master List. PNM shall forward the request to TEPPC for inclusion in the TEPPC Master List of economic planning studies for the Western Interconnection and for consideration by TEPPC as a priority request. TEPPC’s Master List is publicly available (see Hyperlinks List on PNM’s OASIS at www.oasis.oati.com/pnm/index.html).
 - ii. Stakeholder Review of Economic Transmission Study Requests. PNM shall review local requests timely submitted per II.A.4.a. above in the PNM 4th Quarter open public meeting. Based on stakeholder input, PNM shall determine whether (i) the study should be considered a local priority request and performed by PNM; (ii) whether the study request encompasses a sub-region or region, in which case PNM will transfer the request to WestConnect for consideration as a regional priority request at WestConnect’s stakeholder meeting; or (iii) whether the study request encompasses the Western Interconnection, in which case PNM will transfer the request to TEPPC for consideration as a Western Interconnection priority request at TEPPC’s stakeholder meeting. The criteria WestConnect utilizes to prioritize requests for regional economic studies is described in Section III below. The criteria TEPPC utilizes to prioritize requests for regional economic studies are posted on the TEPPC page of the WECC website (see Hyperlinks List on PNM’s OASIS at www.oasis.oati.com/pnm/index.html).
 - iii. Criteria Used for Local Priority Economic Transmission Planning Study Request. Based in part on the number and type of local study requests received, PNM shall consider the following criteria to determine whether the economic transmission planning study request is a local priority request:

- (a) Whether the study request does not affect interconnected transmission systems, and
 - (b) Whether the remedies are confined to a local area and can be resolved within the PNM's transmission system.
- iv. Economic Transmission Planning Study Requests Determined to be a Local Priority.
 - (a) If PNM determines, with input from stakeholders obtained through the PNM open public meeting that the economic planning study request is a local priority, *e.g.*, if the study request does not affect interconnected transmission systems, and the remedies are confined to a local area and can be resolved within the PNM transmission system, then PNM may conduct the study internally and coordinate assumptions and results with its customers, stakeholders and interconnected neighbors. PNM will have no obligation to conduct more than three priority local economic planning studies per calendar year.
 - (b) If PNM receives more than three requests for local economic studies that are determined to be priority local requests, it may perform one or more additional studies at its sole discretion. If PNM elects not to perform such additional study, the Requester may request, and PNM will provide, PNM's assistance in having a third party perform the economic planning study at the Requester's expense. The Requester will have use of the TEPPC economic study data base and PNM will support the Requester in ensuring that the study is coordinated as necessary through local, subregional or regional planning groups.
- c. Process for Handling Economic Study Requests Received by TEPPC. TEPPC will review economic planning study requests received from Transmission Providers or from Requesters directly. TEPPC shall review such study requests during its open stakeholder meeting and, together with its stakeholders, prioritize requests for economic planning studies in accordance with TEPPC's Transmission Planning Protocol. PNM shall participate in the TEPPC prioritization process and provide input as to whether a study request should be included in the TEPPC study plan. The Requester is also encouraged to participate and provide input in the TEPPC prioritization process. Additionally, WestConnect will provide advice, on an as needed basis, to TEPPC regarding prioritizing regional economic planning study requests and potential clustering of requested regional economic planning studies, if those studies involve facilities in the WestConnect footprint. For more detail regarding the TEPPC economic planning study process, see the TEPPC Transmission Planning Protocol **Error! Hyperlink reference not valid.**

- d. Low Priority Economic Study Requests. If either PNM, WestConnect and/or TEPPC determine, after reviewing through an open stakeholder process, that the requested economic planning study is not a priority study, the Requester may request PNM's assistance in having a third party perform the economic planning analysis at the Requester's expense. The Requester will have use of the TEPPC economic study data base, or other appropriate public data, and PNM will support the Requester in ensuring that the study is coordinated as necessary through local, subregional or regional planning groups.
- e. Clustering Local Priority Economic Planning Studies. PNM may determine that any number of Requester's economic planning study requests should be studied together or a Requester may request that PNM study its request together with other requests. PNM will combine such studies as it deems appropriate in accordance with the following criteria:
 - i. Transmission Provider Proposed Clusters

In the event that PNM proposes to cluster certain Local Priority Studies on any reasonable grounds, including without limitation, upon its determination that the proposed cluster of studies are sufficiently similar, from an electrical perspective, to be feasibly and meaningfully studied as a group, it shall provide notice to each Requester that it proposes to include in the study. Each Requester shall be provided the opportunity to opt out of the cluster within ten (10) days of notice from PNM, such notice to be given in writing to the PNM Contact for Transmission Planning Process (see Section II.A.1.).
 - ii. Requester Proposed Clusters

If a Requester wishes to propose a cluster study, such request must be provided in writing to the PNM Contact for Transmission Planning Process (see Section II.A.1.). Prior to submitting an economic planning study cluster request to PNM, the Requester must contact all of the other Requesters whose requests it proposes to cluster, and obtain written consent that they are willing to have their request clustered with other identified requests. PNM will reasonably determine whether the economic planning study requests that the Requester proposes to cluster and for which the other affected Requesters have provided consent, are sufficiently similar, from an electrical perspective, to be feasibly and meaningfully studied together. PNM reserves the right to reject a Requester-proposed cluster on any reasonable grounds, including, without limitation, upon its determination that the proposed cluster cannot be feasibly studied as a group or if the proposed clustering impairs administration or timely processing of the economic study process. PNM will make the determination whether to reject a proposed cluster, and provide notice of any decision to reject, within twenty (20) days of receipt of all of the written consents of the Requesters that propose to be clustered.

f. Cost Responsibility for Economic Studies

- i. Priority Local Economic Planning Studies. Priority local economic planning studies selected pursuant to Section II.A.5.b.iv. including clustered priority local economic planning studies selected pursuant to Section II.A.5.e. will be performed or caused to be performed by PNM at PNM's expense. PNM shall recover the costs of such studies through its transmission rates.
- ii. Priority Regional Economic Planning Studies. Regional economic studies performed by TEPPC will be funded by WECC.
- iii. Other Local Economic Study Requests. Local economic study requests not selected pursuant to Section II.A.5.b.iv. or II.A.5.e. will be performed at the Requester's expense. At the Requester's request, PNM may perform the study work or work with the Requester and its third party contractor.

g. Exchange of Data Unique to Economic Planning Studies

- i. Data Used for Economic Planning Studies. PNM obtains all data used for its economic planning studies from the TEPPC data base, or uses other appropriate public data.
- ii. Request for Base Case Data. Requester requests for detailed base case data must be submitted to WECC in accordance with the WECC procedures.
- iii. Posting of Customer's Requests for Economic Planning Studies. All requests for economic planning studies and responses to such requests shall be posted on the PNM OASIS and the WestConnect website (see Hyperlinks List posted on PNM's OASIS at www.oasis.oati.com/pnm/index.html), subject to confidentiality requirements.

h. PNM Point of Contact for Study Requests. Customer/Requester questions regarding modeling, criteria, assumptions and data underlying economic planning studies shall be directed to the PNM Contact for Transmission Planning Process (see Section II.A.1.).

- i. PNM Study Criteria and Guidelines. Requesters are advised to refer to the PNM Study Criteria and Guidelines posted on the PNM OASIS (see Hyperlinks List posted on PNM's OASIS at www.oasis.oati.com/pnm/index.html).

6. Communication of Transmission Study Plans and Study Results. PNM transmission

study plans and study results will be communicated through presentations at the PNM Open Public Meetings (*see* Section II.B.2. below) and all documents and presentations will be posted on the PNM OASIS or the WestConnect website (*see* Hyperlinks List posted on PNM's OASIS at www.oasis.oati.com/pnm/index.html).

B. PNM Open Public Meetings

PNM will hold at least two open local public meetings a year that will allow, and promote, all network and point-to-point transmission customers, interconnected neighbors, regulatory and state bodies, sponsors of transmission solutions, generation solutions and solutions utilizing NTAs, and other stakeholders to participate in a coordinated, nondiscriminatory process for development of the PNM local transmission plan.

1. Purpose and Scope

PNM's open public meetings will provide an open transparent forum whereby electric transmission stakeholders can comment and provide advice to PNM during all stages, including the early stages, of its local transmission planning. Open public meetings will serve to:

- a. Provide a forum for open and transparent communications among New Mexico transmission providers, state regulatory authorities, customers, sponsors of transmission solutions, generation solutions and solutions utilizing NTAs, and other interested stakeholders;
- b. Promote discussion of all aspects of the PNM local transmission planning activities, including, but not limited to, methodology, study inputs and study results; and
- c. Provide a forum for PNM to understand better the specific electric transmission interests of key stakeholders.

2. PNM Public Local Planning Process

- a. Open Public Meetings. PNM public planning meetings will be open to all stakeholders.
- b. PNM Local Planning Meeting Schedule. PNM will establish its open local public meeting schedule as needed, but such meetings will occur no less than twice annually.
- c. Meeting Purpose. Open public meetings will be conducted to: (i) allow PNM to maximize its understanding of its customers' forecast needs for the PNM transmission system; (ii) offer customers' sponsors of transmission solutions, generation solutions and solutions utilizing NTAs, and other stakeholders an opportunity to be informed about and offer input to the PNM local planning process and any proposed upgrades identified by PNM; (iii) review study results; and (iv) review local transmission plans.

- d. Coordination with SWAT and WestConnect. PNM anticipates that much of its local transmission planning process will be conducted through and coordinated with SWAT and WestConnect (see Section III.B. below).
- e. Posting of Meeting Notices. All open public meeting notices, including date, time, place and proposed meeting agenda, will be posted on the PNM OASIS and WestConnect website **Error! Hyperlink reference not valid.** and circulated to PNM's distribution list at least thirty (30) days prior to the PNM open local public meeting.
- f. Posting of Study Plans and Planning Results. Local study plans and planning results will be posted on the PNM OASIS or WestConnect website (see Hyperlinks List on PNM's OASIS at www.oasis.oati.com/pnm/index.html) and notice of such posting will be circulated to PNM's distribution list at least two (2) weeks prior to the PNM open local public meeting.
- g. Meeting Process. At the PNM open local public meetings, PNM shall: (i) review its local transmission planning process and current local study plan with stakeholders; (ii) request stakeholder review of the current local study plan; (iii) provide opportunity for comment on any aspect of its local transmission planning process; (iv) invite the submittal of local transmission study requests from stakeholders for review and discussion; (v) review local economic planning study requests; (vi) solicit information from its transmission customers on loads and resources and other needs for the preparation of its ten-year plan; and (vii) provide updates on its planned projects. During the meeting and for fifteen (15) calendar days following the meeting, all stakeholders and interested parties are encouraged to submit comments to PNM on study results presented during the meetings.
- h. Input and Comments. Stakeholders and interested parties are also encouraged to provide input, comments, advice and questions on PNM's local transmission planning process at any time by sending them to the PNM Contact for Transmission Planning Process (see Section II.A.1.).
- i. PNM's Local Open Public Meeting Schedule and Agenda. PNM holds at least two open public meetings each year with respect to the development of the PNM transmission plan, one in the 1st Quarter and one in the 4th Quarter. At the 1st Quarter meetings, PNM will solicit information on loads and resources (including NTAs), and other needs from its transmission customers for the preparation of its ten-year plan. At the 4th Quarter meetings, PNM will present a draft of its ten-year plan for stakeholder review and comment. This schedule may be modified to coordinate with the subregional, regional and Western Interconnection-wide transmission planning processes, subject to updated postings on the PNM OASIS and WestConnect website (see Hyperlinks List on PNM's OASIS at www.oasis.oati.com/pnm/index.html).

- j. PNM Distribution List. All existing PNM network and point-to-point transmission customers and interconnection service customers will be included on PNM's distribution list and actively notified *via* email of all upcoming local open public meetings. Any other stakeholder, including but not limited to sponsors of transmission solutions, generation solutions, and solutions utilizing NTAs, wanting to be included on PNM's email distribution list should submit its information to the PNM Contact for Transmission Planning Process (see Section II.A.1)
- k. Posting of Meeting Documents. PNM will post all meeting-related notes, documents and draft or final reports on its OASIS or the WestConnect website at **Error! Hyperlink reference not valid.**
- l. Posting of Public Documents. In order to permit all stakeholders access to the information posted on the PNM OASIS and WestConnect website, only public information will be shared, and public business conducted, in the PNM open public meetings.

C. **Planning for Public Policy Requirements in the Local Planning Process**

- 1. Procedures for Identifying Transmission Needs Driven by Public Policy Requirements.

Stakeholders may participate in identifying local transmission needs driven by Public Policy Requirements by contacting PNM's point of contact on PNM's OASIS at www.oasis.oati.com/pnm/index.html. In addition, stakeholders have the opportunity to offer input or make proposals at PNM's open meetings held pursuant to this Attachment K.

The process by which PNM is to identify those local transmission needs for which a local transmission solution(s) will be evaluated, out of what may be a larger set of local transmission needs, is to utilize the two communication channels it has in place with stakeholders, identified above, through which local transmission needs driven by Public Policy Requirements are to be part of the open dialogue: (a) direct electronic communication to the PNM dedicated email address, through which a stakeholder desiring to communicate directly with PNM transmission planners may offer its views on which local transmission needs are ripe for evaluation for solutions, and (b) through participation in PNM's open meetings held pursuant to this Attachment K.

In selecting those local transmission needs driven by Public Policy Requirements that will be evaluated for solutions in the current planning cycle, PNM is to consider, on a non-discriminatory basis, factors, including but not limited to, the following:

- (i) whether the Public Policy Requirement is driving a local transmission need that can be reasonably identified in the current planning cycle;

(ii) the feasibility of addressing the local transmission need driven by the Public Policy Requirement in the current planning cycle;

(iii) the factual basis supporting the local transmission need driven by the Public Policy Requirement; and

(iv) whether the Public Policy Requirement has been identified for which a local transmission need has not yet materialized, or for which there may exist a local transmission need but the development of a solution to that need is premature. One example is a renewables portfolio increase that is enacted for implementation in a future year, and for which the process by which the renewable resource is to be identified, selected, and sited under the governing state-regulated resource adequacy process has not yet begun (making it premature to identify the location and scope of the local transmission need and/or the appropriate solution for the need).

No single factor shall necessarily be determinative in selecting among the potential transmission needs driven by Public Policy Requirements.

PNM is not required to identify any particular set of local transmission needs driven by Public Policy Requirements, but if PNM chooses not to identify any stakeholder suggested local transmission need driven by a Public Policy Requirement as a transmission need for which solutions will be evaluated in the local transmission planning process, PNM will post on its OASIS an explanation of why the suggested transmission need will not be evaluated. PNM's OASIS posting will include both an explanation of those local transmission needs driven by Public Policy Requirements that have been identified for evaluation for potential solutions in the local transmission planning process, and an explanation why other stakeholder suggested transmission needs driven by Public Policy Requirements were not identified for further evaluation. After considering the input of stakeholders, PNM is to determine whether to move forward with the identification of a local solution to a particular local need driven by Public Policy Requirements.

2. Procedures for Evaluating Solutions to Identified Transmission Needs.

Stakeholders may use the two communication avenues identified above (direct electronic communication via email and/or participation in PNM's open meetings) to participate in the evaluation of solutions to identified local transmission needs driven by Public Policy Requirements that are selected by PNM for further evaluation. Stakeholders may provide comments on proposed solutions or may submit other proposed solutions to such local transmission needs.

After seeking the input of stakeholders, PNM is to determine whether to select a particular solution in its local transmission plan. PNM will post its local transmission plan, which will include any such solutions selected.

The procedures for evaluating potential solutions to the identified local transmission needs driven by Public Policy Requirements are the same as those procedures used to evaluate any other project proposed in the local planning process.

3. Posting of Public Policy Needs.

PNM will maintain on its OASIS (i) a list of transmission needs identified that are driven by Public Policy Requirements and that are included in the studies for the current local planning cycle; and (ii) an explanation of why other suggested transmission needs driven by Public Policy Requirements will not be evaluated.

D. Ten-year Transmission System Plan

Each year PNM uses the planning process described in Section II.A above to update its Ten-year Transmission System Plan. The PNM Ten-year Transmission System Plan identifies all of its new transmission facilities, 115 kV and above, and all facility replacements/upgrades required over the next ten-years to reliably and economically serve its loads (see Hyperlinks List on PNM's OASIS at www.oasis.oati.com/pnm/index.html).

III. Regional Transmission Planning

A. Overview

PNM participates in a regional transmission planning process through its participation in the WestConnect planning region (the "WestConnect Planning Region"). The WestConnect Planning Region is defined by the transmission owners and transmission provider members (referred to generally as "transmission owners") participating in the regional transmission planning process (the "Regional Planning Process") and for whom WestConnect is conducting regional planning. The service areas of the transmission providers consist of all or portions of nine states: Arizona, California, Colorado, Nebraska, New Mexico, Nevada, South Dakota, Texas and Wyoming.

The purpose of the WestConnect Regional Planning Process is to produce a regional transmission plan (the "Regional Plan") and provide a process for evaluating projects submitted for cost allocation in accordance with the provisions of this Attachment K and those business practices adopted by WestConnect in the WestConnect Regional Planning Process Business Practice Manual, as may be amended from time to time, available on the WestConnect website

(http://www.westconnect.com/filestorage/wc_draft_regional_planning_bpm_master_version_10_1_090312.pdf) (the "Business Practice Manual").

PNM actively participates in SWAT and the WestConnect planning processes to ensure PNM's local transmission plans, together with data and assumptions are included in and coordinated with any applicable subregional or regional transmission plans.

Following the effective date of PNM's September 20, 2013 Order No. 1000 compliance filing ("Effective Date"), the WestConnect Order No. 1000 regional transmission planning management committee (the "Planning Management

Committee”) will commence the Regional Planning Process. This committee will be responsible for administering the Regional Planning Process. In order to align its regional process with the western interregional coordination process, it is WestConnect’s intent to begin its biennial process in even-numbered years. Should FERC acceptance of WestConnect’s compliance filing result in an effective date in an odd-numbered year, WestConnect will conduct an abbreviated planning process in its first year and begin its biennial process the next year. To effectuate such an abbreviated process, the Planning Management Committee will develop a study scope for the first year, including project submission deadlines, and post it to the WestConnect website within the first thirty (30) days of the year.

In connection with the establishment of the Planning Management Committee, the WestConnect members, in consultation with interested stakeholders, will establish a separate project agreement (the “Planning Participation Agreement”) to permit interested stakeholders to participate in the Regional Planning Process. Although, the Regional Planning Process is open to the public, stakeholders interested in having a voting right with respect to projects submitted through the Regional Planning Process will be required to execute the Planning Participation Agreement and any necessary confidentiality agreements (as further described below). The Planning Management Committee will implement the stakeholder developed Regional Planning Process, which results in a Regional Plan for the ten-year transmission planning cycle.

PNM has been a party to the WestConnect STP Project Agreement (see Hyperlinks List on PNM’s OASIS at www.oasis.oati.com/pnm/index.html) for purposes of coordinating the local transmission plans of PNM with those developed through subregional and regional transmission planning processes. The committees formed under the WestConnect STP Project Agreement and the WestConnect Steering Committee have no authority over the Planning Management Committee and the Planning Management Committee’s decision making in implementing the Regional Planning Process.

1. WestConnect Planning Participation Agreement.

Each WestConnect member will be a signatory to the Planning Participation Agreement, which formalizes the members’ relationships and establishes obligations, including transmission owner coordination of regional transmission planning among the WestConnect participants and the local transmission planning processes and production of a Regional Plan.

2. Members.

WestConnect has two types of members: (i) transmission owners that enroll in WestConnect to comply with the Order No. 1000 planning requirements, as well as non-public utility transmission owners that are not subject to Order No. 1000, but elect to participate in the WestConnect Regional Planning Process for Order No. 1000 cost allocation purposes; and (ii) stakeholders who wish to have voting

input on the methodologies, studies and decisions made in the execution of the Order No. 1000 requirements.

a. Joining the WestConnect Planning Region.

A transmission owner that wishes to enroll or participate in the WestConnect Planning Region may do so by executing the Planning Participation Agreement and paying its share of costs as provided for in the Planning Participation Agreement.

A stakeholder that wishes to have voting input may join the WestConnect Planning Region by executing the Planning Participation Agreement paying annual dues and complying with applicable provisions, as outlined in such agreement.

b. Exiting the WestConnect Planning Region.

Should a transmission owner wish to exit the WestConnect Planning Region, it must submit notice in accordance with the Planning Participation Agreement and pay its share of any WestConnect expenditures approved prior to the effective date of the formal notice of withdrawal from the WestConnect Planning Region.

Should a stakeholder wish to exit the WestConnect Planning Region, it may do so by providing notice in accordance with the Planning Participation Agreement. Withdrawing stakeholders will forfeit any monies or dues paid to the Planning Management Committee and agree to remit to the Planning Management Committee any outstanding monies owed to the committee on or prior to the effective date of such withdrawal.

c. List of Enrolled Entities.

Transmission owners enrolled in the WestConnect Planning Region for purposes of Order 1000:

- Arizona Public Service Company
- Black Hills Colorado Electric Utility Company, LP
- Black Hills Power, Inc.
- Cheyenne Light, Fuel, & Power Company
- El Paso Electric Company
- NV Energy, Inc. Operating Companies
- Public Service Company of Colorado
- Public Service Company of New Mexico
- Tucson Electric Power Company
- UNS Electric, Inc.

3. WestConnect Objectives and Procedures for Regional Transmission Planning.

The Regional Planning Process will produce a Regional Plan that complies with existing Order No. 890 principles as carried forward in Order No. 1000:

- Coordination
- Openness
- Transparency
- Information exchange
- Comparability
- Dispute Resolution

PNM, along with the other Planning Participation Agreement participants, will work through the regional planning group processes, as applicable, to integrate their transmission plans into a single, ten year Regional Plan for the WestConnect footprint by:

- a. Actively coordinating development of the Regional Plan, including incorporating information, as appropriate, from all stakeholders;
- b. Coordinating, developing and updating common base cases to be used for all study efforts within the Regional Planning Process and ensuring that each plan adheres to the methodology and format developed for the Regional Plan;
- c. Providing funding for the Planning Participation Agreement planning management functions pursuant to the Planning Participation Agreement;
- d. Maintaining a regional planning section on the WestConnect website where all WestConnect planning information, including meeting notices, meeting minutes, reports, presentations, and other pertinent information is posted;
- e. Posting detailed notices of all regional and local planning meeting agendas on the WestConnect website; and
- f. Establishing a cost allocation process for regional transmission projects selected in the Regional Planning Process for cost allocation.

B. Roles in the Regional Transmission Planning Process

1. WestConnect Role.

The Planning Management Committee is responsible for bringing transmission planning information together and sharing updates on active projects. The

Planning Management Committee provides an open forum where any stakeholder interested in the planning of the regional transmission system in the WestConnect footprint can participate and obtain information regarding base cases, plans, and projects and provide input or express its needs as they relate to the transmission system. On a biennial basis and in coordination with its members, transmission owners, and other interested stakeholders, the Planning Management Committee will develop the Regional Plan. The Planning Management Committee, after considering the data and comments supplied by customers and other stakeholders, is to develop a regional transmission plan that treats similarly-situated customers (e.g., network, retail network, and native load) comparably in transmission system planning.

The Planning Management Committee charged with development and approval of the Regional Plan. The Planning Management Committee will be comprised of representatives from each stakeholder sector, as described in Section III.B.5, below. The Planning Management Committee will be empowered to create and dissolve subcommittees as necessary to facilitate fulfillment of its responsibilities in developing the Regional Plan.

2. Stakeholder Participation and Assistance

Stakeholders may participate in the Regional Planning Process by any one or more of the following ways: (a) joining one of five WestConnect regional transmission planning membership sectors described below; (b) by attending publicly-posted WestConnect regional transmission planning stakeholder meetings; and/or (c) by submitting project proposals for consideration and evaluation in the Regional Planning Process.

Attendance at meetings is open to all interested stakeholders. These meetings will include discussion of models, study criteria and assumptions, and progress updates. Formal participation, including voting as allowed by the process, can be achieved through payment of applicable fees and annual dues in accordance with the Planning Participation Agreement. Transmission owners with load serving obligation shall be the default funding source to support WestConnect transmission planning activities beyond dues paid by other organizations. As such, transmission owners with load serving obligations shall not be responsible for annual dues.

WestConnect Planning Region members will assist stakeholders interested in becoming involved in the Regional Planning Process by directing them to appropriate contact persons and websites (see Hyperlinks List on PNM's OASIS at www.oasis.oati.com/pnm/index.html). All stakeholders are encouraged to bring their plans for future generators, loads or transmission services or NTAs to the WestConnect planning meetings. Each transmission planning cycle will contain a period during which project ideas are accepted for potential inclusion in that cycle's Regional Plan.

3. Forum for Evaluation

The WestConnect Regional Planning Process provides a forum for transmission project sponsors to introduce their specific projects to interested stakeholders and potential partners and allows for joint study of these projects by interested parties, coordination with other projects, and project participation, including ownership from other interested parties. This may include evaluation of transmission alternatives or NTAs in coordination with the Regional Planning Process.

4. Stakeholder Meetings

WestConnect will hold open stakeholder meetings on at least a semi-annual basis, or as needed and noticed by the Planning Management Committee with thirty (30) days advanced notice to update stakeholders about its progress in developing the Regional Plan and to solicit input regarding material matters of process related to the regional transmission plan. Notice for such meetings will be posted on the WestConnect website and via e-mail to the WestConnect Regional Transmission Planning e-mail distribution list.

The meeting agendas for all WestConnect planning meetings will be sufficiently detailed, posted on the WestConnect website, and circulated in advance of the meetings in order to allow stakeholders the ability to choose their meeting attendance most efficiently.

5. WestConnect Planning Governance Process.

a. Membership Sectors.

The Regional Planning Process will be governed by the Planning Management Committee, which will be tasked with executing the Regional Planning Process and will have authority for approving the Regional Plan. For those entities desiring to be a part of the management of the Regional Planning Process, one of five Planning Management Committee membership sectors is available:

- Transmission Owners with Load Serving Obligations
- Transmission Customers
- Independent Transmission Developers and Owners
- State Regulatory Commissions
- Key Interest Groups

Except for qualified transmission owners, any entity may join any membership sector for which it qualifies, but may only participate in one membership sector. Only transmission owners with load serving obligations may join the Transmission Owners with Load Serving

Obligations membership sector. The Transmission Owners with Load Serving Obligations sector will be comprised of (a) those transmission owners that enroll in the WestConnect Planning Region for purposes of compliance with Order No. 1000 and (b) those transmission owners that elect to participate in the WestConnect Regional Planning Process as coordinating transmission owners.

b. Planning Management Committee.

The Planning Management Committee will be empowered to, without limitation, create and dissolve subcommittees as necessary to ensure timely fulfillment of its responsibilities; to assess fees for membership status on the Planning Management Committee; and to assess fees for projects submitted for evaluation as part of the Regional Planning Process. The Planning Management Committee is to manage the Regional Planning Process, including approval of the Regional Plan that includes application of regional cost allocation methodologies.

The Planning Management Committee is to coordinate and have the decision making authority over whether to accept recommendations from the Planning Subcommittee and Cost Allocation Subcommittee. The Planning Management Committee, among other things, is to develop and approve the Regional Plan based on recommendations from the Planning Subcommittee and Cost Allocation Subcommittee; and develop and approve a scope of work, work plan, and periodic reporting for WestConnect planning functions, including holding a minimum of two stakeholder informational meetings per year. The Planning Management Committee is to appoint the chair of the Planning Subcommittee and Cost Allocation Subcommittee. The chair for each subcommittee must be a representative of the Transmission Owners with Load Serving Obligations member sector.

The Planning Subcommittee responsibilities include, but are not limited to, reviewing and making recommendations to the Planning Management Committee for development of study plans, establishing base cases, evaluating potential solutions to regional transmission needs, producing and recommending the Regional Plan for Planning Management Committee approval and coordinating with the Cost Allocation Subcommittee. The Planning Subcommittee shall provide public notice of committee meetings and provide opportunities for stakeholders to provide comments on the process and proposed plan.

The Cost Allocation Subcommittee responsibilities include, but are not limited to, performing and/or overseeing the performance of the cost allocation methodology. The Cost Allocation Subcommittee also is to review and make recommendations to the Planning Management Committee for modifying definitions of benefits and cost allocation methodology as necessary to meet WestConnect planning principles on identification of beneficiaries and cost allocation. The Cost Allocation Subcommittee is to review and recommend projects to the Planning Management Committee for purposes of cost allocation identified in the Regional Planning Process. The Cost Allocation Subcommittee shall provide public notice of committee meetings and provide opportunities for stakeholders to provide comments on the process and proposed cost allocation.

All actions of the Planning Management Committee (including approval of the Regional Plan) will be made possible by satisfying either of the following requirements:

- 75% of the members voting within at least three sectors approve a motion, where one of the three sectors approving is the Transmission Owners with Load Serving Obligation sector; or
- 75% of the members voting within the four member sectors other than the Transmission Owners with Load Serving Obligation sector approve a motion, and where two-thirds (2/3's) of the members voting within the Transmission Owners with Load Serving Obligation sector also approve the same motion

Each entity within a membership sector is entitled to one vote on items presented for decision, except that transmission owners in the Transmission Owners with Load Serving Obligation sector that are not enrolled in the WestConnect Planning Region are not eligible to vote on the regional cost allocation decisions of the Planning Management Committee.

Any closed executive sessions of the Planning Management Committee will only be to address matters outside of the development of the Regional Planning Process, including matters involving contracts, personnel, financial matters, or legal matters, such as, but not limited to, litigation (whether active or threatened).

C. Submission of Data by Customers, Transmission Developers, and Transmission Owners

When stakeholder feedback on modeling assumptions is requested, the data submittal period for such feedback will be established by the Planning Management Committee. In all cases, requests for submittal of data from

WestConnect members and stakeholders will be followed by a submittal window lasting no less than thirty (30) days from the date of such requests. In addition, consistent with the Regional Planning Process, any interested stakeholder may submit project ideas for consideration in the Regional Plan without a need for that stakeholder's project to qualify for a project submittal for purposes of cost allocation. Specific project submittals are treated differently than generalized project ideas. For any project seeking study by the Planning Management Committee in the Regional Planning Process (without regard to whether the project seeks cost allocation), a project submittal deposit will be collected and made subject to later true-up based upon the actual cost of the study(ies) performed. Project submittals are to be accepted through the fifth (5th) quarter of the planning cycle (or first (1st) quarter of the second (2nd) year), and are addressed in Section III.C.5 of this Attachment K.

1. Transmission Customers.

Transmission customers shall generally submit their load forecast and other relevant data through the WestConnect Planning Region member's (i.e. PNM's) local transmission planning process. However, from time to time, there may be a need for transmission customers participating in the Regional Planning Process to submit data directly to WestConnect. This data may include, but is not limited to, load forecasts, generation resource plans, demand side management resources, proposed transmission upgrade recommendations, and feedback regarding certain assumptions in the planning process.

No less than thirty (30) days notice shall be given for customers to submit any required data and data submissions shall generally be able to be made via e-mail or by posting information to a designated website.

2. Independent Transmission Developers and Owners.

Transmission developers are entities with project ideas they wish to submit into the Regional Planning Process. These may include projects submittals that the developer wishes to be considered to address an identified regional need (whether or not the project is eligible for regional cost allocation).

Each regional transmission planning cycle will include a submission period for project submittals, as described in Section III.C.5, below. Notice of the submission period will be posted on the WestConnect website and will also be made via e-mail to WestConnect stakeholders. The submission period will last for no less than thirty (30) days and during this time, any entity that wishes to submit a transmission project for consideration in the Regional Planning Process to address an identified regional need may do so.

Projects proposed by Independent Transmission Developers and Owners are subject to the same reliability standards as projects submitted by Transmission Owners with Load Serving Obligations. The project developer shall register with

NERC and WECC in accordance with the applicable registration rules in the NERC Rules of Procedure. In addition, project developers shall observe and comply with regional requirements as established by the applicable regional reliability organization, and all local, state, regional, and federal requirements.

3. Merchant Transmission Developers.

Merchant transmission developers are entities pursuing completion of projects that do not wish to have their projects considered for regional cost allocation. Nonetheless, coordination between merchant projects and the Regional Planning Process is necessary to effect a coordinated Regional Plan that considers all system needs.

Each regional transmission planning cycle will include a submission period for project submittals to address an identified regional need, as described in Section III.C.5, below. Notice of the submission period will be posted on the WestConnect website and will also be made via e-mail to WestConnect stakeholders. In addition, it is necessary for merchant transmission developers to provide adequate information and data to allow the Planning Management Committee to assess the potential reliability and operational impacts of the merchant transmission developer's proposed transmission facilities on the other systems in the region. The submission period shall last for no less than thirty (30) days and during this time sponsors of merchant transmission projects that are believed to impact the WestConnect transmission system will be asked to provide certain project information.

Projects proposed by Merchant Transmission Developer projects are subject to the same reliability standards as projects submitted by Transmission Owners with Load Serving Obligations. The project developer is responsible for properly registering with NERC and WECC in accordance with the applicable registration rules in the NERC Rules of Procedure. In addition, project developers shall observe and comply with regional requirements as established by the applicable regional reliability organization and all local, state, regional, and federal requirements.

4. Transmission Owners with Load Serving Obligation.

Transmission owners and transmission providers that are members of the WestConnect Planning Region are responsible for providing all necessary system information through the Regional Planning Process.

At the beginning of each regional transmission planning cycle, transmission owners and transmission providers that are participating in the WestConnect Regional Planning Process shall be responsible for verifying the accuracy of any data (including, but not limited to system topology and project proposal information) they have previously submitted. Transmission owners shall also be required to submit all relevant data for any new projects being proposed for

inclusion in the Regional Plan to address an identified regional need in accordance with Section III.C.5, below. Transmission owners shall also be responsible for submitting any project plans developed through their local transmission planning processes for inclusion in the Regional Plan models.

5. Transmission Project Submittals

All submittals of transmission projects to address an identified regional need, without regard to whether or not the project seeks regional cost allocation, are to contain the information set forth below, together with the identified deposit for study costs, and be submitted timely within the posted submittal period in order for the project submittal to be eligible for evaluation in the Regional Planning Process. A single project submittal may not seek multiple study requests. To the extent a project proponent seeks to have its project studied under a variety of alternative project assumptions, the individual alternatives must be submitted as individual project submittals. To be eligible to propose a project for selection in the Regional Plan, a project proponent must also be an active member in good standing within one of the five Planning Management Committee membership sectors described above in Section III.B.5.a.

- Submitting entity contact information
- Explanation of how the project is a more efficient or cost effective solution to regional transmission needs
- A detailed project description including, but not limited to, the following:
 - Scope
 - Points of interconnection to existing (or planned) system
 - Operating Voltage and Alternating Current or Direct Current status
 - Circuit Configuration (Single, Double, Double-Circuit capable, etc.)
 - Impedance Information
 - Approximate circuit mileage
- Description of any special facilities (series capacitors, phase shifting transformers, etc.) required for the project
- Diagram showing geographical location and preferred route; general description of permitting challenges
- Estimated Project Cost and description of basis for that cost
- Any independent study work of or relevant to the project
- Any WECC study work of or relevant to the project
- Status within the WECC path rating process
- The project in-service date
- Change files to add the project to a standard system power flow model

- Description of plan for post-construction maintenance and operation of the proposed line
- A \$25,000 deposit to support the cost of relevant study work, subject to true-up (up or down) based upon the actual cost of the study(ies)
- Comparison Risk Score from WECC Environmental Data Task Force, if available
- Impacts to other regions. The applicant must provide transmission system impacts studies showing system reliability impacts to neighboring transmission systems or another transmission planning region. The information should identify all costs associated with any required upgrades to mitigate adverse impacts on other transmission systems.

If impact studies and costs are not available at the time of submittal, the transmission developer may request that impact studies be performed, at the project proponent's expense, as part of the analysis to determine whether the project is the more efficient or cost effective solution. Requests for transmission system impact studies are approved through the Planning Management Committee depending on whether the project proponent provides funding for the analysis and if the request can be performed within the planning cycle timeframe.

There is to be an open submission period for project proposals to address identified regional needs. Notice of the submission period will be posted on the WestConnect website and will also be made via e-mail to WestConnect stakeholders. The submission period will last for no less than thirty (30) days and will end by the fifth (5th) quarter of the WestConnect planning cycle (or first (1st) quarter of the second (2nd) year of the planning cycle). Proposals submitted outside that window shall not be considered. The Planning Management Committee will have the authority to determine the completeness of a project submittal. Project submittals being deemed incomplete will be granted a reasonable opportunity to cure any deficiencies identified in writing by the Planning Management Committee.

Any stakeholder wishing to submit a project to address an identified regional need will be required to submit the data listed above to be considered in the Regional Planning Process. Should the submitting stakeholder believe certain information is not necessary, it shall identify the information it believes is not necessary and shall provide a justification for its conclusion that the information is not necessary. The Planning Management Committee retains the sole authority for determining completeness of the information submittal. After the completion of the project submittal period, The Planning Management Committee will post a document on the WestConnect website detailing why any projects were rejected as incomplete. Upon posting of the document, any project submittal rejected as incomplete will be given a reasonable opportunity to cure the reason(s) it was

rejected to the satisfaction of Planning Management Committee in its sole discretion.

6. Submission of NTA Projects.

Any stakeholder may submit projects proposing NTAs to address an identified regional need for evaluation under the Regional Planning Process, as those projects are described in Section III.D.5 of Attachment K. The submission period will last for no less than thirty (30) days. The submission window will end by the fifth (5th) quarter of the WestConnect planning cycle (or first (1st) quarter of the second (2nd) year of the planning cycle). The following criteria must be satisfied in order for a non-transmission alternative project submittal to be evaluated under the Regional Planning Process:

- Basic description of the project (fuel, size, location, point of contact)
- Operational benefits
- Load offset, if applicable
- Description of the issue sought to be resolved by the generating facility or non-transmission alternative, including reference to any results of prior technical studies
- Network model of the project flow study
- Short-circuit data
- Protection data
- Other technical data that might be needed for resources
- Project construction and operating costs
- Additional miscellaneous data (e.g., change files if available)

As with entities submitting a transmission project under Section III.C.5, those who submit under Section III.C.6 a non-transmission alternative under the Regional Planning Process must adhere to and provide the same or equivalent information (and deposit for study costs) as transmission alternatives. Should the submitting stakeholder believe certain information is not necessary, it shall identify the information it believes is not necessary and shall provide a justification for its conclusion that the information is not necessary. Although non-transmission alternative projects will be considered in the Regional Planning Process, they are not eligible for regional cost allocation.

7. The WestConnect Regional Planning Cycle.

The WestConnect regional transmission planning cycle is biennial. The WestConnect Planning Management Committee will develop and publish a Regional Plan every other year.

D. Transmission Developer Qualification Criteria

1. In General

A transmission developer that seeks to be eligible to use the regional cost allocation methodology for a transmission project selected in the Regional Plan for purposes of cost allocation must identify its technical and financial capabilities to develop, construct, own, and operate a proposed transmission project. To be clear, satisfaction of the criteria set forth below does not confer upon the transmission developer any right to:

- (i) construct, own, and/or operate a transmission project,
- (ii) collect the costs associated with the construction, ownership and/or operation of a transmission project,
- (iii) provide transmission services on the transmission facilities constructed, owned and/or operated.

The governing governmental authorities are the only entities empowered to confer any such rights to a transmission developer. The Planning Management Committee is not a governmental authority.

2. Information Submittal

A transmission developers seeking eligibility for potential designation as the entity eligible to use the regional cost allocation for a transmission project selected in the Regional Plan for purposes of cost allocation must submit to the Planning Management Committee the following information during the first quarter of the WestConnect planning cycle, except that during the first WestConnect planning cycle the Planning Management Committee shall have the discretion to extend the period for the submission of this information:

a) Overview

A brief history and overview of the applicant demonstrating that the applicant has the capabilities to finance, own, construct, operate and maintain a regional transmission project consistent with Good Utility Practices within the state(s) within the WestConnect planning region. The applicant should identify all transmission projects it has constructed, owned, operated and/or maintained, and the states in which such projects are located.

b) Business Practices

A description of the applicant's experience in processes, procedures, and any historical performance related to engineering, constructing, maintaining electric transmission facilities, and managing teams performing such activities. A discussion of the types of resources, including relevant capability and experience (in-house labor, contractors, other transmission providers, etc.) contemplated for the licensing, design, engineering, material and equipment procurement, siting and routing, Right-of-Way (ROW) and

land acquisition, construction and project management related to the construction of transmission projects. The applicant should provide information related to any current or previous experience financing, owning, constructing, operating and maintaining and scheduling access to regional transmission facilities.

c) Compliance History

The applicant should provide an explanation of any violation(s) of NERC and/or Regional Entity Reliability Standards and/or other regulatory requirements pertaining to the development, construction, ownership, operation and/or maintenance of electric transmission facilities by the applicant or any parent, owner, affiliate, or member of the applicant that is an Alternative Qualifying Entity(ies) under Section III.D.2.1. Notwithstanding the foregoing, if at the time the applicant submits the information required by this Section III.D.2, the applicant has not developed, constructed, owned, operated or maintained electric transmission facilities, the applicant shall instead submit such information for any electric distribution or generating facilities it develops, constructs, owns, operates and/or maintains, as applicable, to demonstrate its compliance history.

d) Participation in the Regional Planning Process

A discussion of the applicant's participation within the Regional Planning Process or any other planning forums for the identification, analysis, and communication of transmission projects.

e) Project Execution

A discussion of the capability and experience that would enable the applicant to comply with all on-going scheduling, operating, and maintenance activities associated with project development and execution.

f) Right-of-Way Acquisition Ability

The applicant's preexisting procedures and historical practices for siting, permitting, landowner relations, and routing transmission projects including, acquiring ROW and land, and managing ROW and land acquisition for transmission facilities. Any process or procedures that address siting or routing transmission facilities through environmentally sensitive areas and mitigation thereof. If the entity does not have such preexisting procedures, it shall provide a detailed description of its plan for acquiring ROW and land and managing ROW and land acquisition.

g) Financial Health

The applicant must demonstrate creditworthiness and adequate capital

resources to finance transmission projects. The applicant shall either have an investment grade credit rating from both S&P and Moody's or provide corporate financial statements for the most recent five years for which they are available. Entities that do not have a credit rating, or entities less than five years old, shall provide corporate financial statements for each year that is available. Alternatively, the applicant may provide a guarantee, a surety bond, letter of credit or other form of security that is reasonably acceptable to the Planning Management Committee.

The following ratios must be provided with any explanations regarding the ratios:

- Funds from operations-to-interest coverage.
- Funds from operation-to-total debt.
- Total debt-to-total capital.
- The applicant must indicate the levels of the above ratios the company will maintain during and following construction of the transmission element.

The Planning Management Committee may request additional information or clarification as necessary.

h) Safety Program

The applicant must demonstrate that they have an adequate internal safety program, contractor safety program, safety performance record and program execution.

i) Transmission Operations

The applicant must: demonstrate that it has control center operations capabilities, including reservations, scheduling, and outage coordination, ability to become a transmission service provider; demonstrate that it has the ability to obtain required path ratings; provide evidence of its NERC compliance process and compliance history, as applicable; demonstration of existing required NERC certifications or the ability to obtain any applicable NERC certifications, establish required Total Transfer Capability; provide evidence of storm/outage response and restoration plans; provide evidence of its record of past reliability performance, as applicable; and provide a statement of which entity will be operating completed transmission facilities and will be responsible for staffing, equipment, and crew training.

j) Transmission Maintenance

The applicant must demonstrate that they have, or have plans to develop, an adequate transmission maintenance program, including staffing and crew training, transmission facility and equipment maintenance, record of past maintenance performance, NERC compliance process and any past history of NERC compliance or plans to develop a NERC compliance program,

statement of which entity will be performing maintenance on completed transmission facilities.

k) Regulatory Compliance

The applicant must demonstrate the ability, or plans to develop the ability, to comply with Good Utility Practice, WECC criteria and regional reliability standards, NERC Reliability Standards, construction standards, industry standards, environmental standards, and applicable local, state, and federal requirements.

l) Affiliation Agreements

A transmission developer can demonstrate that it meets these criteria either on its own or by relying on an entity or entities with whom it has a corporate affiliation or other third-parties with relevant experience (Alternate Qualifying Entity(ies)). In lieu of a contractual or affiliate relationship with one or more Alternate Qualifying Entity(ies) and to the extent a transmission developer intends to rely upon third-parties for meeting these criteria, the transmission developer must submit an affidavit from the third-parties stating their willingness to perform the tasks identified by the transmission developer. Such affidavits shall not be viewed as a binding statement of intent by the third-parties. If the transmission developer seeks to satisfy the criteria in whole or in part by relying on one or more Alternate Qualifying Entity(ies), the transmission developer must submit: (1) materials demonstrating to Planning Management Committee's satisfaction that the Alternate Qualifying Entity(ies) meet(s) the criteria for which the transmission developer is relying upon the Alternate Qualifying Entity(ies) to satisfy; and (2) a commitment to provide in any project cost allocation application an executed agreement that contractually obligates the Alternate Qualifying Entity(ies) to perform the function(s) for which the transmission developer is relying upon the Alternate Qualifying Entity(ies) to satisfy.

m) WestConnect Membership

A transmission developer must be a member of either the WestConnect Transmission Owners with Load Serving Obligations or Independent Transmission Developers and Owners sector, or must agree to join the WestConnect Transmission Owners with Load Serving Obligations or Independent Transmission Developers and Owners sector and agree to sign the Planning Participation Agreement if the transmission developer seeks to be an entity eligible to use the regional cost allocation method for a transmission project selected in the Regional Plan for purposes of cost allocation.

n) Other

Any other relevant project development experience that the transmission developer believes may demonstrate its expertise in the above areas.

3. Identification of Transmission Developers Satisfying the Criteria

a) Notification to Transmission Developers

No later than September 30 of each year, the Planning Management Committee is to notify each transmission developer whether it has satisfied the stated criteria. A transmission developer failing to satisfy one or more of the qualification criteria is to be informed of the failure(s) and accorded an additional opportunity to cure any deficiency(ies) within thirty (30) calendar days of notice from the Planning Management Committee by providing any additional information.

The Planning Management Committee is to inform the transmission developer whether the additional information satisfies the qualification criteria within forty-five (45) calendar days of receipt of the additional information.

The Planning Management Committee is to identify the transmission developers that have satisfied the qualification criteria (the "Eligible Transmission Developers") by posting on the WestConnect website, on or before December 31 of each year.

b) Annual Recertification Process and Reporting Requirements

By June 30 of each year, each Eligible Transmission Developer must submit to WestConnect a notarized letter signed by an authorized officer of the Eligible Transmission Developer certifying that the Eligible Transmission Developer continues to meet the current qualification criteria.

The Eligible Transmission Developer shall submit to the Planning Management Committee an annual certification fee equal to the amount of the WestConnect annual membership fee. If the Eligible Transmission Developer is a member of WestConnect and is current in payment of its annual membership fee, then no certification fee will be required.

If at any time there is a change to the information provided in its application, an Eligible Transmission Developer shall be required to inform the Planning Management Committee chair within thirty (30) calendar days of such change so that the Planning Management Committee may determine whether the Eligible Transmission Developer continues to satisfy the qualification criteria. Upon notification of any such change, the Planning Management Committee shall have the option to: (1) determine that the change does not affect the status of the transmission developer; (2) suspend the transmission developer's eligibility status until any deficiency in the transmission

developer's qualifications is cured; (3) allow the transmission developer to maintain its eligibility status for a limited time period, as specified by the Planning Management Committee, while the transmission developer cures the deficiency; or (4) terminate the transmission developer's eligibility status.

c) Termination of Eligibility Status

The Planning Management Committee may terminate an Eligible Transmission Developer's status if the Eligible Transmission Developer: (1) fails to submit its annual certification letter; (2) fails to pay the applicable WestConnect membership fees; (3) experiences a change in its qualifications and the Planning Management Committee determines that it may no longer qualify as an Eligible Transmission Developer; (4) informs the Planning Management Committee that it no longer desires to be an Eligible transmission developer; (5) fails to notify the Planning Management Committee of a change to the information provided in its application within thirty (30) days of such change; or (6) fails to execute the Planning Participation Agreement as agreed to in the qualification criteria within a reasonable time defined by the Planning Management Committee, after seeking to be an entity eligible to use the regional cost allocation method for a transmission project selected in the Regional Plan for purposes of cost allocation.

E. Regional Planning Methodology and Protocols; Evaluation and Selection of Solution Alternatives

1. Overview of Regional Planning Methodology and Evaluation Process.

The Regional Planning Process is intended to identify regional needs and more efficient or cost-effective solutions to satisfy those needs. Consistent with Order No. 890, qualified projects timely submitted through the Regional Planning Process will be evaluated and selected from competing solutions and resources such that all types of resources, as described below, are considered on a comparable basis. The same criteria and evaluation process will be applied to competing solutions and/or projects, regardless of type or class of stakeholder proposing them. Where a regional transmission need is identified, the Planning Management Committee is to perform studies that seek to meet that need through regional projects, even in the absence of project proposals advanced by stakeholders or projects identified through the WECC process. When the Planning Management Committee performs a study to meet an identified regional need in circumstances where no stakeholder has submitted a project proposal to meet that regional need, the Planning Management Committee is to pursue such studies in a not unduly discriminatory fashion and within the means permitted by Planning Management Committee funds. The study methods employed for Planning Management Committee-initiated studies will be the same types of study methods employed for stakeholder-initiated studies (see, e.g., Sections III.E.2 addressing the use of NERC Transmission Planning (TPL) Reliability Standards

for regional reliability projects, Section III.E.3 addressing the use of production modeling for regional economic projects, and Section III.E.4 addressing the identification of Public Policy Requirements for regional public policy driven projects).

The solution alternatives will be evaluated against one another on the basis of the following criteria to select the preferred solution or combination of solutions: (1) ability to practically fulfill the identified need; (2) ability to meet applicable reliability criteria or NERC Transmission Planning Standards issues; (3) technical, operational and financial feasibility; (4) operational benefits/constraints or issues; (5) cost-effectiveness over the time frame of the study or the life of the facilities, as appropriate (including adjustments, as necessary, for operational benefits/constraints or issues, including dependability); (6) where applicable, consistency with Public Policy Requirements, or regulatory requirements, including cost recovery through regulated rates; and (7) a project must be determined by the Planning Management Committee to be a more efficient or more cost-effective solution to one or more regional transmission needs to be eligible for regional cost allocation, as more particularly described below in Section VII. The Regional Planning Process provides for an assessment of regional solutions falling in one or more of the following categories:

- Regional reliability solutions.
- Regional economic solutions
- Regional transmission needs driven by Public Policy Requirements.
- Non-transmission alternatives

PNM encourages all interested stakeholders to consult the Business Practice Manual for additional details regarding the planning process, timing, and implementation mechanics. A flow chart depicting the Regional Planning Process is attached hereto as Attachment K-1.

All WestConnect Transmission Owners with Load Serving Obligations shall be responsible for submitting their local transmission plans for inclusion in the Regional Plan in accordance with the timeline stated in the Business Practice Manual. Those individual plans will be included in the Regional Plan base case system models.

2. WestConnect Reliability Planning Process.

Once the base case is established and verified, as detailed in the Business Practice Manual, WestConnect shall perform a regional reliability assessment in which the base case system models will then be checked for adherence to the relevant NERC Transmission Planning Standards through appropriate studies, including, but not limited to, steady-state power flow, voltage, stability, short circuit, and transient studies as more specifically outlined in the Business Practice Manual. If a reliability violation is identified in this power flow process, the violation will be referred back to the appropriate transmission owner.

The Planning Management Committee will identify projects to resolve any regional violations that impact more than one transmission owner of the relevant NERC or WECC Transmission Planning Standards or WECC criteria. In addition, as part of the Regional Planning Process, an opportunity will be afforded to any interested party to propose regional reliability projects that are more efficient or cost effective than other proposed solutions. The Planning Management Committee will then identify the more efficient or cost effective regional transmission project that meets the identified regional transmission need, taking into account factors such as how long the project will take to complete and the timing of the need. Because local transmission owners are ultimately responsible for compliance with NERC Reliability Standards and for meeting local needs, the local transmission plans will not be modified; however, the Planning Management Committee may identify more efficient or cost effective regional transmission projects.

3. WestConnect Economic Planning Process.

As part of the Regional Planning Process, the Planning Management Committee is to analyze whether there are projects that have the potential to reduce the total delivered cost of energy by alleviating congestion or providing other economic benefits to the transmission system located within the WestConnect Planning Region through production cost modeling. This analysis also shall take into account a WECC Board-approved recommendation to further investigate congestion within the WestConnect Planning Region for congestion relief or economic benefits that has subsequently been validated by WestConnect. Additional projects may also be proposed by stakeholders or developed through the stakeholder input process for evaluation of economic benefits. Under the Regional Planning Process, the Planning Management Committee will identify more efficient or cost effective regional transmission projects, but will not modify local transmission plans.

Generally speaking, the WestConnect economic planning process will analyze benefits via detailed production cost simulations. The models employed in the production cost simulations will appropriately consider the impact of transmission projects on production cost and system congestion. The WestConnect economic planning process will also consider the value of decreased reserve sharing requirements in the development of a Regional Plan that is more efficient or cost effective.

4. WestConnect Public Policy Planning Process

a. Procedures for Identifying Regional Transmission Needs Driven by Public Policy Requirements

It is anticipated that any regional transmission need that is driven by Public Policy Requirements will be addressed initially within the local planning cycles of the individual transmission owners in the WestConnect Planning

Region (through the consideration of local transmission needs driven by a Public Policy Requirement), since a Public Policy Requirement is a requirement that is imposed upon individual transmission owners (as opposed to a requirement that is imposed on a geographic region). For those Public Policy Requirements that affect more than one transmission owner in the WestConnect Planning Region, a solution identified at the local level to satisfy the local needs of the affected transmission owner(s), may also satisfy a regional transmission need identified by the Planning Management Committee for the WestConnect Planning Region.

WestConnect transmission owner members that are planning consistent with Order No. 890 will continue to conduct local transmission planning processes (Section II.C of this Attachment K), which provide a forum for discussions on local transmission needs driven by Public Policy Requirements. These local processes provide the basis for the individual transmission owners' local transmission plans, which are then incorporated into the regional base case at the start of the Regional Planning Process under Order No. 1000.

The Planning Management Committee is to provide notice on the WestConnect website of both regional transmission planning meetings convened by the Planning Management Committee for the WestConnect region, and local transmission planning meetings of the individual transmission owners in the WestConnect region.

The Planning Management Committee will begin the evaluation of regional transmission needs driven by Public Policy Requirements by identifying any Public Policy Requirements that are driving local transmission needs of the transmission owners in the WestConnect Planning Region, and including them in the transmission system models (the regional base case) underlying the development of the Regional Plan. Then, the Planning Management Committee will seek the input of stakeholders in the WestConnect region on those Public Policy Requirements in an effort to engage stakeholders in the process of identifying regional transmission needs driven by Public Policy Requirements. The Planning Management Committee will communicate with stakeholders through public postings on the WestConnect website of meeting announcements and discussion forums. In addition, the Planning Management Committee is to establish an email distribution list for those stakeholders who indicate a desire to receive information via electronic list serves.

After allowing for stakeholder input on regional transmission needs driven by Public Policy Requirements and regional solutions to those needs, as part of the Regional Planning Process, the Planning Management Committee is to identify in the Regional Plan those regional transmission needs driven by Public Policy Requirements that were selected by the Planning Management Committee for evaluation of regional solutions.

In selecting those regional transmission needs driven by Public Policy Requirements that will be evaluated for regional solutions in the current planning cycle, the Planning Management Committee is to consider, on a non-discriminatory basis, factors, including but not limited to, the following:

- (i) whether the Public Policy Requirement is driving a regional transmission need that can be reasonably identified in the current planning cycle;
- (ii) the feasibility of addressing the regional transmission need driven by the Public Policy Requirement in the current planning cycle;
- (iii) the factual basis supporting the regional transmission need driven by the Public Policy Requirement; and
- (iv) whether a Public Policy Requirement has been identified for which a regional transmission need has not yet materialized, or for which there may exist a regional transmission need but the development of a solution to that need is premature.

No single factor shall necessarily be determinative in selecting among the potential regional transmission needs driven by Public Policy Requirements.

The process by which Planning Management Committee is to identify those regional transmission needs for which a regional transmission solution(s) will be evaluated, out of what may be a larger set of regional transmission needs, is to utilize the communication channels it has in place with stakeholders, identified above (open meetings and discussion forums convened by the Planning Management Committee), through which regional transmission needs driven by Public Policy Requirements are to be part of the open dialogue.

b. Procedures for Identifying Solutions to Regional Transmission Needs Driven by Public Policy Requirements.

Stakeholders are to have opportunities to participate in discussions during the Regional Planning Process with respect to the development of solutions to regional transmission needs driven by Public Policy Requirements. Such participation may take the form of attending planning meetings, offering comments for consideration by the Planning Management Committee on solutions to regional needs driven by Public Policy Requirements, and offering comments on proposals made by other stakeholders or by the Planning Management Committee. Stakeholders that are members of the WestConnect Planning Management Committee are performing the function of regional transmission planning, and, developing regional solutions to identified regional transmission needs driven by Public Policy Requirements

through membership on subcommittees of the Planning Management Committee.

After allowing for stakeholder input on solutions to regional transmission needs driven by Public Policy Requirements, as part of the Regional Planning Process, the Planning Management Committee is to identify in the Regional Plan those regional transmission solutions driven by Public Policy Requirements that were selected by the Planning Management Committee and any regional transmission project(s) that more efficiently or cost-effectively meet those needs.

The procedures for identifying and evaluating potential solutions to the identified regional transmission needs driven by Public Policy Requirements are the same as those procedures used to evaluate any other project proposed in the Regional Planning Process, whether or not submitted for purposes of cost allocation.

c. Proposed Public Policy

A public policy that is proposed, but not required (because it is not yet enacted or promulgated by the applicable governmental authority) may be considered through Section III.E.3 (WestConnect Economic Planning Process) of this Attachment K, if time and resources permit.

d. Posting of Public Policy Considerations

WestConnect will maintain on its website: (i) a list of all regional transmission needs identified that are driven by Public Policy Requirements and that are included in the studies for the current regional transmission planning cycle; and (ii) an explanation of why other suggested regional transmission needs driven by Public Policy Requirements will not be evaluated.

5. WestConnect NTA Planning Process

NTAs will be evaluated to determine if they will provide a more efficient or cost-effective solution to an identified regional transmission need. NTAs include, without limitation, technologies that defer or possibly eliminate the need for new and/or upgraded transmission lines, such as distributed generation resources, demand side management (load management, such as energy efficiency and demand response programs), energy storage facilities and smart grid equipment that can help eliminate or mitigate a grid reliability problem, reduce uneconomic grid congestion, and/or help to meet grid needs driven by Public Policy Requirements. NTAs are not eligible for regional cost allocation.

6. Approval of the WestConnect Regional Transmission Plan

Upon completion of the studies and stakeholder input, the Planning Management Committee will vote to approve the Regional Transmission Plan. The Regional Transmission Plan will document why projects were either included or not included in the Regional Transmission Plan. In addition, the Regional Plan shall describe the manner in which the applicable regional cost allocation methodology was applied to each project selected in the Regional Plan for purposes of regional cost allocation. Projects that meet system needs are incorporated into the Regional Transmission Plan. Participant funded projects and other types of projects may be included in the Regional Plan; however, those projects are not eligible for regional cost allocation.

7. Project Reevaluation.

The Planning Management Committee is the governing body responsible for deciding whether to reevaluate the Regional Plan to determine if the conditions, facts and/or circumstances relied upon in initially selecting a transmission project for inclusion in the Regional Plan for purposes of cost allocation have changed and, as a result, require reevaluation. Reevaluation will begin within the second planning cycle following the Effective Date. The Regional Plan and any project selected for cost allocation in the Regional Plan, including any local or single-system transmission projects or planned transmission system upgrades to existing facilities selected for purposes of cost allocation, shall be subject to reevaluation in each subsequent planning cycle according to the criteria below. Upon reevaluation, the Regional Plan and any projects selected for purposes of cost allocation in connection therewith may be subject to modification, including the status as a project selected for cost allocation, with any costs reallocated under Section VII as if it were a new project. Only the Planning Management Committee has the authority to modify the status of a transmission project selected for cost allocation. Conditions that trigger reevaluation are:

- The underlying project characteristics and/or regional or interregional needs change in the Regional Plan. Examples include, but are not limited to: (a) a project's failure to secure a developer, or a developer's failure to maintain the qualifications necessary to utilize regional cost allocation, or (b) a change (increase or decrease) in the identified beneficiaries of a project (which changes may occur through company acquisitions, dissolutions or otherwise), or (c) a change in the status of a large load that contributes to the need for a project, or (d) projects affected by a change in law or regulation;
- Projects that are delayed and fail to meet their submitted in-service date by more than two (2) years. This includes projects delayed by funding, regulatory approval, contractual administration, legal proceedings (including arbitration), construction delays, or other delays.
- Projects with significant project changes, including, but not limited to kilovolt (kV), megavolt ampere (MVA), or path rating, number of circuits,

- number of transmission elements, or interconnection locations; and
- Projects with a change in the calculation of benefits or benefit/cost (B/C) ratio that may affect whether the project is selected for inclusion in the Regional Plan for purposes of cost allocation is a more efficient or cost effective regional solution.
 - Example 1: Where an increase in the selected project's costs, including but not limited to, material, labor, environmental mitigation, land acquisition, operations and maintenance, and mitigation for identified transmission system and region, causes the total project costs to increase above the level upon which the project was initially selected for inclusion in the Regional Plan for purposes of cost allocation, the inclusion of the regional project in the Regional Plan will be reevaluated to determine if the regional project continues to satisfy the region's B/C ratio and can be found to be a more efficient and cost effective solution under current cost information.
 - Example 2: A selected project's benefits may include identification of a reliability benefit in the form of remedying a violation of a Reliability Standard. If the identified beneficiary implements improvements, such as a Remedial Action Scheme, to achieve reliability in compliance with the Reliability Standard at issue, inclusion of the regional project in the regional plan will be reevaluated to determine if the regional project continues to satisfy the region's B/C ratio and can be found to be a more efficient and cost effective solution under current benefit information.
 - Example 3: Where a project's estimated benefits include benefits in the form of avoided costs (e.g., a regional project's ability to avoid a local project), and the project is not avoided, the inclusion of the regional project in the Regional Plan will be reevaluated to determine if the regional project continues to satisfy the region's B/C ratio and can be found to be a more efficient and cost effective solution under current facts and circumstances.

Projects selected for purposes of cost allocation will continue to be reevaluated until all the following conditions have been met:

- State and federal approval processes completed and approved (including cost recovery approval under Section 205 of the Federal Power Act as applicable);
- All local, state and federal siting permits have been approved; and
- Major construction contracts have been issued.

When the Regional Plan is reevaluated as the result of any of the conditions triggering reevaluation addressed above, the Planning Management Committee is to determine if an evaluation of alternative transmission solutions is needed in order to meet an identified need. In doing so, the Planning Management Committee is to use the same processes and procedures it used in the identification of the original transmission solution to the regional need. If an

alternative transmission solution is needed, the incumbent transmission owner may propose one or more solutions that it would implement within its retail distribution service territory or footprint, and if such proposed solution is a transmission facility, the transmission owner may submit the project for possible selection in the Regional Plan for purposes of cost allocation.

Projects not subject to reevaluation include, but are not limited to, the following:

- Local or single system transmission projects that have been identified in individual transmission provider's Transmission Planning (TPL) Reliability Standards compliance assessments to mitigate reliability issues and that have not been proposed for (and selected by the Planning Management Committee for) regional cost allocation; and
- Planned transmission system upgrades to existing facilities that have not been proposed for (and selected by the Planning Management Committee for) regional cost allocation.

Projects meeting any of the following criteria as of the Effective Date will also not be subject to reevaluation under the Regional Planning Process:

- Projects of transmission owners who have signed the Planning Participation Agreement and that have received approval through local or state regulatory authorities or board approval;
- Local or single system transmission projects that have been planned and submitted for inclusion in the Regional Plan or exist in the 10-year corporate capital project budgets; and
- Projects that are undergoing review through the WECC Project Coordination and Rating Review Process as of the Effective Date.

8. Confidential or Proprietary Information

Although the Regional Planning Process is open to all stakeholders, stakeholders will be required to comply at all times with certain applicable confidentiality measures necessary to protect confidential information, proprietary information or CEII. From time to time the regional transmission planning studies and/or open stakeholder meetings may include access to base case data that are WECC proprietary data, information classified as CEII by FERC, or other similar confidential or proprietary information. In such cases, access to such confidential or proprietary information shall be limited to only those stakeholders that (i) hold membership in or execute a non-disclosure agreement with WECC (see Hyperlinks List on PNM's OASIS at www.oasis.oati.com/pnm/index.html); (ii) execute a non-disclosure agreement with the applicable WestConnect Planning Region members; or (iii) are parties to the Planning Participation Agreement, as may be applicable.

Any entity wishing to access confidential information, subject to applicable standards of conduct requirements, discussed in the Regional Planning Process

must execute an NDA, and submit it to NDA@westconnect.com. The NDA can be accessed on the WestConnect website.

IV. Recovery of Planning Costs

Unless PNM allocates planning-related costs to an individual stakeholder as permitted under the Tariff, all costs incurred by PNM related to its annual Ten Year Transmission Planning process, or its participation in the sub-regional or Regional Planning Process (including the interregional activities set forth in Section VIII), shall be included in PNM's transmission rate base, as applicable.

V. Dispute Resolution

In the event of a dispute concerning either a procedural or substantive matter within the jurisdiction of FERC, the following dispute resolution processes will apply:

1. WECC. If the dispute is one that is within the scope of the WECC dispute resolution procedures, then such procedures contained in the WECC Business and Governance Guidelines and Policies shall apply (see Hyperlinks List on PNM's OASIS at www.oatiaoasis.com/pnm/index.html).
2. Non-WECC disputes. For disputes not within the scope of the WECC dispute resolution procedures, the dispute resolution procedures set forth in Section 12 of PNM's OATT, as applicable, will apply, with the added provision that upon agreement of the parties, any dispute that is not resolved by direct negotiation between or among the affected parties within a reasonable period of time, may be referred to mediation (before or during arbitration), and all applicable timelines will be suspended until such time as the mediation process terminates (unless otherwise agreed by the parties). Notwithstanding that the dispute resolution procedures under Section 12 of PNM's OATT apply only to PNM and its respective Transmission Customers, Section 12 of PNM's OATT will be deemed to be applicable to stakeholders for purposes of this Attachment K, except as otherwise provided herein.
3. Notwithstanding anything to the contrary in this Section V, any affected party may refer the matter to FERC for resolution, for example, by filing with FERC a complaint, a request for declaratory order or a change in rate.

For disputes between members of the Planning Management Committee, the following dispute resolution procedures are to apply:

a. The disputing Planning Management Committee member(s) must initiate its dispute by providing written notification to the Planning Management Committee (or a designated sub-committee of the Planning Management Committee) in accordance with the provisions of the Planning Participation Agreement, in which event the Planning Management Committee will seek to resolve the dispute through discussion, negotiation and the development of a recommended course of action. The Planning Management Committee may act to adopt a resolution recommended by its own committees, sub-committees or members, or alternatively may act to refer the dispute to arbitration for resolution.

b. A dispute may be referred to arbitration under the governing provisions of the Planning Participation Agreement.

c. The availability of the dispute resolution avenues identified above does not eliminate a disputing Planning Management Committee member's(s') right under the Federal Power Act to refer either a procedural or substantive matter within the jurisdiction of FERC to FERC for resolution, for example by filing with FERC a complaint, a request for declaratory order or a change in rate. A disputing Planning Management Committee member first must pursue resolution under the provisions of the Planning Participation Agreement before referring a procedural or substantive matter within the jurisdiction of FERC to FERC for resolution.

All disputes, whether they arise under this Attachment K or between members of the Planning Management Committee, must be initiated no later than thirty (30) calendar days from the date on which the conduct that gives rise to the dispute occurs.

VI. Coordination at the Western Interconnection Level

PNM will coordinate its plan on a west-wide regional basis through WestConnect. WestConnect will coordinate its Regional Plan with TEPPC.

A. Procedures for Regional Planning Project Review

1. WECC Coordination of Reliability Planning.

- a. WECC develops the Western Interconnection wide base cases for transmission planning analysis such as power flow, stability, and dynamic voltage stability studies. The WECC approved base cases are used for study purposes by transmission planners, subregional transmission planning groups, and other entities that have signed non-disclosure agreements with WECC.
- b. WECC also maintains a database for reporting the status of all planned projects throughout the Western Interconnection.
- c. WECC provides for coordination of planned projects through its Procedures for Regional Planning project review.

- d. WECC's path rating process ensures that a new project will have no adverse effect on existing projects or facilities.
2. WECC-TEPPC Open Stakeholder Meetings. Western Interconnection wide economic planning studies are conducted by the WECC-TEPPC in an open stakeholder process that holds region-wide stakeholder meetings on a regular basis. The WECC-TEPPC Transmission Planning Protocol, including the TEPPC procedures for prioritizing and completing regional economic studies, is posted on the WECC website (see Hyperlinks List on PNM's OASIS at www.oasis.oati.com/pnm/index.html). PNM participates in region-wide planning through the WestConnect Planning Region, as appropriate, to ensure data and assumptions are coordinated.
3. Role of WECC-TEPPC: WECC-TEPPC provides two main functions in relation to the PNM planning process.
 - a. Development and maintenance of the west-wide economic planning study database.
 - i. TEPPC uses publicly available data to compile a database that can be used by a number of economic congestion study tools.
 - ii. TEPPC's database is publicly available for use in running economic congestion studies. For an interested transmission customer or stakeholder to utilize WECC's Pro-Mod planning model, such transmission customer or stakeholder must comply with the WECC confidentiality requirements.
 - b. Performance of economic planning studies. TEPPC has an biennial study cycle, described in the WECC-TEPPC Transmission Planning Protocol (see Hyperlinks List on PNM's OASIS at www.oasis.oati.com/pnm/index.html), during which it will update databases, develop and approve a study plan that includes studying Requester's high priority economic study requests as determined by the open TEPPC stakeholder process, perform the approved studies and document the results in a report.
 - c. Identification of Congested Paths for WestConnect Economic Review

Through TEPPC's economic study process, congested paths may be reviewed and identified as being candidates for economic transmission studies. Upon WECC Board approval of a designation for such a path, the WestConnect Regional Planning Process shall review the path for potential economic transmission solutions.

VII. Cost Allocation and New Projects

A. Local Transmission Projects

Local Transmission Projects are projects located within a Transmission Owners retail distribution service territory or footprint unless such projects are submitted and selected in the Regional Plan² for purposes of cost allocation. A Transmission Owner is not precluded from proposing Local Transmission Projects for inclusion in the Regional Plan for purposes of cost allocation in the Regional Planning Process. A Local Transmission Project that is not submitted or not selected for inclusion in the Regional Plan is not eligible for cost allocation in the Regional Plan, and not subject to the provisions governing regional cost allocation set forth below.

For any transmission project where PNM is the sole owner or such project is to be built within or for the benefit of the existing PNM's system, such as local, small and/or reliability transmission projects, PNM will proceed with the project pursuant to its rights and obligations as a transmission provider for the local area. Any projects necessary to ensure the reliability or that provide economic benefits to the PNM system and which fall outside the requirements for inclusion in the Regional Plan for purposes of cost allocation are eligible to be considered Local Transmission Projects.

PNM may share ownership, and associated costs, of any new transmission project, based upon mutual agreement between the parties. Such a joint ownership arrangement may arise because of existing joint ownership of facilities in the area of the new facilities, overlapping service territories, or other relevant considerations.

PNM will utilize a case-by-case approach to allocate costs for new transmission projects. This approach will be based on the following principles:

1. Open Season Solicitation of Interest.

For any Local Transmission Project identified in a PNM reliability or economic planning study in which PNM is the project sponsor, PNM may elect to provide an "open season" solicitation of interest to secure additional project participants. Upon a determination by PNM to hold an open season solicitation of interest for a Local Transmission Project, PNM will:

- a. Announce and solicit interest in the project through informational meetings, its website and/or other means of dissemination as appropriate.
- b. Hold meetings with interested parties and meetings with public utility staffs from potentially affected states.
- c. Post information *via* PNM's OASIS website.

² The reference to a transmission owner's "footprint" refers to the electrical footprint of the transmission owner (i.e., the location of that transmission owners electrical assets) and not necessarily the physical/spatial footprint. Where a transmission owner within the WestConnect Planning Region is a transmission-only company with no retail distribution service territory, the term, footprint, would refer to the location of the transmission facilities of such transmission-only company.

- d. Develop the initial transmission project specifications, the initial cost estimates and potential transmission line routes; guide negotiations and assist interested parties to determine cost responsibility for initial studies; guide the project through the applicable line siting processes; develop final project specifications and costs; obtain commitments from participants for final project cost shares; and secure execution of construction and operating agreements.

2. PNM Coordination within a Solicitation of Interest Process.

PNM, whether as a project sponsor or a participant, will coordinate as necessary with any other participant or sponsor, as the case may be.

3. PNM Projects without a Solicitation of Interest.

PNM may elect to proceed with small and/or reliability Local Transmission Projects without an open season solicitation of interest, in which case PNM will proceed with the project pursuant to its rights and obligations as a Transmission Provider.

4. Allocation of Costs.

- a. Proportional Allocation.

For any Local Transmission Project entered into pursuant to an open season solicitation process, project costs and associated transmission rights will generally be allocated proportionally to project participants' respective ownership shares subject to a negotiated participation agreement. In the event the open season process results in a single participant, the full cost and transmission rights will be allocated to that participant. Nothing in this section precludes project participants from utilizing another cost allocation methodology, provided all project participants agree to the alternative.

- b. Economic Benefits or Congestion Relief.

For a Local Transmission Project wholly within the PNM local transmission system that is undertaken for economic reasons or congestion relief at the request of a Requester, the project costs will be allocated to the Requester.

- c. PNM Rate Recovery.

Notwithstanding the foregoing provisions, PNM will not assume cost responsibility for any Local Transmission Project if the cost of the project is not reasonably expected to be recoverable in its retail and/or wholesale rates.

B. Regional Transmission Projects.

For any project determined by the Planning Management Committee to be eligible for regional cost allocation, project costs will be allocated proportionally to those entities

determined by the Planning Management Committee, as shown in the Regional Plan, to be beneficiaries enrolled in the WestConnect Planning Region, as identified in this Attachment K. A project that electrically interconnects with, or that is demonstrated to provide quantifiable benefits (as such benefits are defined in this Attachment K) to a transmission owner located within the WestConnect Planning Region, but not enrolled in the WestConnect Planning Region is not eligible for regional cost allocation. Similarly, a project that electrically interconnects with, or that is demonstrated to provide quantifiable benefits (as such benefits are defined in this Attachment K) to a transmission owner not enrolled in any planning region is not eligible for regional cost allocation.

The Planning Management Committee, with input from the Cost Allocation Subcommittee, is to determine whether a project is eligible for regional cost allocation, and assess the project's costs against its benefits in accordance with the following factors:

- Benefits and beneficiaries will be identified before cost allocation methods are applied. If an entity other than a transmission owner enrolled in the region (see III.A.2.c) is an identified beneficiary, the project is not eligible for regional cost allocation.
- Cost assignments shall be commensurate with estimated benefits.
- Those that receive no benefits shall not be involuntarily assigned costs.
- A benefit-to-cost threshold of not more than 1.25 shall be used as applicable, so that projects with significant benefits are not excluded.
- Costs shall be allocated solely within the region, unless an entity outside the region voluntarily assumes costs.
- Costs for upgrades on neighboring transmission systems or other planning regions that are (i) required to be mitigated by the WECC Path Rating process, FERC tariff requirements, or NERC Reliability Standards, or (ii) negotiated among interconnected parties, will be included in the total project costs and used in the calculation of B/C ratios.
- Cost allocation method and data shall be transparent and with adequate documentation.
- Different cost allocation methods may be used for different types of projects.

Specifically, the Planning Management Committee will consider the following projects eligible for cost allocation consideration as further described below based on specified criteria:

- Reliability projects;
- Economic or congestion relief projects; or
- Public policy projects.

Only projects that fall within one or more of these three categories and satisfy the cost-to-benefit analyses and other requirements, as specified herein, are eligible for cost allocation in the WestConnect Planning Region. PNM encourages all interested stakeholders to consult the Business Practice Manual for additional details regarding the

assessment for eligibility for regional cost allocation. Summary provisions are provided below:

1. Allocation of Costs for Reliability Projects

In order to allocate costs to an enrolled transmission owner for system reliability improvements that are necessary for their systems to meet the NERC Transmission Planning Standards, the WestConnect cost allocation procedure will allocate costs for system reliability improvements only when a system improvement is required to comply with the NERC Transmission Planning Standards during the planning horizon.

All components of a transmission owner's local transmission plan will be rolled up into the Regional Plan and will be considered local transmission projects that are not eligible for regional cost allocation. A system performance analysis will be performed on the collective plans to ensure the combined plans adhere to all relevant NERC Transmission Planning Standards, and stakeholders will be afforded an opportunity to propose projects that are more efficient or cost effective than components of multiple transmission owner local plans as outlined in Section III.E above.

Should a reliability issue be identified in the review of the included local transmission plan, the project necessary to address that reliability issue will be included in the Regional Plan and the cost will be shared by the utilities whose load contributed to the need for the project.

Should multiple utilities have separate reliability issues that are addressed more efficiently or cost effectively by a single regional project, that regional project will be approved for selection in the Regional Plan and the cost will be shared by those enrolled transmission owners in proportion to the cost of alternatives that could be pursued by the individual transmission owners to resolve the reliability issue. The ultimate responsibility for maintaining system reliability and compliance with NERC Transmission Planning Standards rests with each transmission owner.

The costs for regional reliability projects will be allocated according to the following equation:

$$(1 \text{ divided by } 2) \text{ times } 3 \text{ equals } 4$$

Where:

- 1 is the cost of local reliability upgrades necessary to avoid construction of the regional reliability project in the relevant enrolled transmission owner's retail distribution service territory or footprint
- 2 is the total cost of local reliability upgrades in the combination of enrolled transmission owners' retail distribution service territories

- or footprints necessary to avoid construction of the regional reliability project
- 3 is the total cost of the regional reliability project
- 4 is the total cost allocated to the relevant enrolled transmission owner's retail distribution service territory or footprint

The manner in which the Planning Management Committee applied this methodology to allocate the costs of each regional reliability project shall be described in the Regional Plan.

2. Allocation of Costs for Economic Projects

Cost allocation for economic projects associated with congestion relief that provide for more economic operation of the system will be based on the calculation of economic benefits that each enrolled transmission owner system will receive. Cost allocation for economic projects shall include scenario analyses to ensure that benefits will actually be received by beneficiaries with relative certainty. Projects for which benefits and beneficiaries are highly uncertain and vary beyond reasonable parameters based on assumptions about future conditions will not be selected for cost allocation.

In order for a project to be considered economically-justified and receive cost allocation associated with economic projects, the project must have a B/C ratio that is greater than 1.0 under each reasonable scenario evaluated and have an average ratio of at least 1.25 under all reasonable scenarios evaluated. Costs will be allocated on the basis of the average of all scenarios evaluated. The B/C ratio shall be calculated by the Planning Management Committee. This B/C ratio shall be determined by calculating the aggregate load-weighted benefit-to-cost ratio for each transmission system in the WestConnect Planning Region. The benefits methodology laid out below ensures that the entities that benefit the most from the completion of an economic project are allocated costs commensurate with those project benefits.

The cost of any project that has an aggregate 1.25 B/C ratio or greater will be divided among the enrolled transmission owners that show a benefit based on the amount of benefits calculated to each respective transmission owner. For example, if a \$100 million dollar project is shown to have \$150 million in economic benefit, the entities for which the economic benefit is incurred will be determined. The cost of the project will then be allocated to those entities, based on the extent of each entity's economic benefits relative to the total project benefits. This will ensure that each entity that is allocated cost has a B/C ratio equal to the total project B/C ratio. For example:

- Project with \$150 million in economic benefit and \$100 million in cost
 - Company 1 has \$90 million in benefits; Company 2 has \$60 million in benefits

- Company 1 allocation: $90/150 (100) = \$60$ million
- Company 1 B/C ratio: $90/60 = 1.5$
- Company 2 allocation: $60/150 (100) = \$40$ million
- Company 2 B/C ratio: $60/40 = 1.5$

Other than through the reevaluation process described in Section III.E.7 of this Attachment K, the benefits and costs used in the evaluation shall only be calculated during the planning period and shall be compared on a net present value basis.

The WestConnect economic planning process shall consider production cost savings and reduction in reserve sharing requirements as economic benefits capable of contributing to the determination that a project is economically justified for cost allocation. Production cost savings are to be determined by the Planning Management Committee performing a product cost simulation to model the impact of the transmission project on production costs and congestion. Production cost savings will be calculated as the reduction in production costs between a production cost simulation with the project included compared to a simulation without the project. Reductions in reserve sharing requirements are to be determined by the Planning Management Committee indentifying a transmission project's impact on the reserve requirements of individual transmission systems, and not on the basis of the project's collective impact on a reserve sharing group, as a whole. The production cost models are to appropriately consider the hurdle rates between transmission systems. The following production cost principles may be applied:

- The production cost savings from a project must be present in each year from the project in-service date and extending out at least 10 years.
- Cost savings must be expressed in present-value dollars and should consider the impact of various fuel cost forecasts.
- The product cost study must account for contracts and agreements related to the use of the transmission system (this refers to paths in systems that might be contractually limited but not reliability limited).
- The production cost study must account for contracts and agreements related to the access and use of generation (this refers to generators that might only use spot purchases for fuel rather than firm purchases, or generation that has been designated as network resources for some entities and thus cannot be accessed at will by non-owners).

Access by stakeholders to the Planning Management Committee's application of its regional cost allocation method for a specific economic transmission project is available in several ways: First, stakeholders that are members of the Planning Management Committee will have firsthand knowledge of the way in which the regional method was applied to a particular project because the Planning Management Committee is responsible for performing the application of the regional cost allocation method. Second, stakeholders that choose not to become members of the Planning Management Committee may access such information

through the WestConnect regional stakeholder process. See Section III.B of this Attachment K. Third, the manner in which the Planning Management Committee applied this methodology to allocate the costs of each economic project shall be described in the Regional Plan.

In determining which entities will be allocated costs for economic projects, WestConnect will compare the economic value of benefits received by an entity with the cost of the project to ensure that each entity allocated cost receives a benefit/cost ratio equal to the aggregate load-weighted benefit-to-cost ratio. These costs allocated to each company will be calculated based on the following equation:

$$(1 \text{ divided by } 2) \text{ times } 3 \text{ equals } 4$$

Where:

- 1 is the total projected present value of economic benefits for the relevant enrolled transmission owner
- 2 is the total projected present value of economic benefits for the entire project
- 3 is the total cost of the economic project
- 4 is the total cost allocated to the relevant enrolled transmission owner

Any enrolled transmission owner with benefits less than or equal to one percent of total project benefits shall be excluded from cost allocation. Where a project satisfies the B/C ratio, and is determined to provide benefits less than or equal to one percent of total project benefits to an identified enrolled transmission owner, such benefits will be re-allocated to all other identified enrolled beneficiaries on a pro-rata basis, in relation to each entity's share of total project benefits.

3. Allocation of Costs for Public Policy Projects

Any transmission system additions that arise from Public Policy Requirements, shall be included in the system models used for the WestConnect transmission system studies. Further, any additional system needs that arise from proposed public policy shall be reported by each entity for its own service territory. Decisions on the inclusion of those needs shall be made during the consideration and approval of the system models. Transmission needs driven by Public Policy Requirements will be included in the evaluation of reliability and economic projects.

Except for projects proposed through a transmission owner's local planning process, arising out of a local need for transmission infrastructure to satisfy Public Policy Requirements that are not submitted as projects for cost allocation (which are addressed in Section II of this Attachment K), any projects arising out of a regional need for transmission infrastructure to satisfy the Public Policy Requirements shall be considered public policy projects eligible for evaluation in

the Regional Planning Process.

Stakeholders may participate in identifying regional transmission needs driven by Public Policy Requirements. After seeking the input of stakeholders pursuant to the stakeholder participation provisions of Section III, the Planning Management Committee is to determine whether to move forward with the identification of a regional solution to a particular regional need driven by Public Policy Requirements. Stakeholders may participate in identifying a regional solution to a regional need driven by Public Policy Requirements pursuant to the stakeholder participation provisions of Section III, or through membership on the Planning Management Committee itself. After seeking the input of stakeholders, the Planning Management Committee is to determine whether to select a particular regional solution in the regional transmission plan for purposes of cost allocation. The identification of beneficiaries of these projects shall be the entities that will access the resources enabled by the project in order to meet their Public Policy Requirements.

If an entity accesses resources that were enabled by a prior public policy project, that entity will need to either share in its relative share of the costs of that public policy project or acquire sufficient transmission service rights to move the resources to its load with the determination left up to the entity or entities that were originally allocated the cost for the public policy project.

The costs for public policy projects will be allocated according to the following equation:

$$(1 \text{ divided by } 2) \text{ times } 3 \text{ equals } 4$$

Where:

- 1 is the number of megawatts of public policy resources enabled by the public policy project for the entity in question
- 2 is the total number of megawatts of public policy resources enabled by the public policy project
- 3 is the total project cost
- 4 is the cost for the public policy project allocated to the entity in question

The process to interconnect individual generation resources is provided for under the generator interconnection section each utility's OATT and not under this process.

Requests for transmission service that originate in a member's system and terminate at the border shall be handled through that member's OATT. Regional

transmission needs necessary to meet Public Policy Requirements will be addressed through the Public Policy Requirements section of the Regional Planning Process.

The manner in which WestConnect applied this methodology to each public policy project shall be described in the Regional Transmission Plan.

4. Combination of Benefits

In developing a more efficient or cost effective plan, it is possible for the plan to jointly consider multiple types of benefits when approving projects for inclusion in the Regional Plan. The determination to consider multiple types of benefits for a particular project shall be made through the WestConnect stakeholder process, in which interested stakeholders are given an opportunity to provide input as set forth in Section III of this Attachment K. In determining whether a project would provide multiple benefits, the Planning Management Committee is to categorize the benefits as (a) necessary to meet NERC Transmission Planning Reliability Standards (reliability); (b) achieving production cost savings or a reduction in reserve sharing requirements (economic); or (c) necessary to meet transmission needs driven by Public Policy Requirements, as applicable, using the methods set forth in this Attachment K. The Planning Management Committee will identify all three categories of benefits in its regional cost allocation process. If a project cannot pass the cost allocation threshold for any one of the three benefit categories, alone (reliability, economic or public policy), the sum of benefits from each benefit category may be considered.

The costs for projects that rely upon multiple types of benefits to secure inclusion in the Regional Plan for purposes of cost allocation will be shared according to the amount of cost that is justified by each type of benefits.

5. Allocation of Ownership and Capacity Rights.

An Eligible Transmission Developer that is subject to the Commission's jurisdiction under Section 205 of the Federal Power Act may not recover project costs from identified beneficiaries enrolled in the WestConnect Planning Region without securing approval for project cost recovery from FERC through a separate proceeding brought by the Eligible Transmission Developer under Section 205 of the Federal Power Act. In no event will identified beneficiaries enrolled in the WestConnect Planning Region from whom project costs are sought to be recovered under Section 205 be denied either transmission transfer capability or ownership rights proportionate to their allocated costs, as determined by FERC in such proceeding. An Eligible Transmission Developer who is not subject to the Commission's jurisdiction under Section 205 of the Federal Power Act would have to seek cost recovery from identified beneficiaries enrolled in the WestConnect Planning Region either: (a) through bilateral agreements that are voluntarily entered into between such Eligible Transmission Developer and the applicable identified beneficiaries; or (b) by obtaining approval from FERC for

project cost recovery pursuant to any other applicable section of the Federal Power Act.

If a project beneficiary receives transmission transfer capability on the project in exchange for transmission service payments, such project beneficiary may resell the transfer capability. Alternatively, a project beneficiary could seek to make a direct capital contribution to the project construction cost (in lieu of making transmission service payments) in which case, the project beneficiary would instead receive an ownership percentage in proportion to their capital contribution (Ownership Proposal). This Ownership Proposal does not create a right of first refusal for transmission beneficiaries.

An ownership alternative will only be pursued if the Eligible Transmission Developer agrees. The Eligible Transmission Developer and the beneficiaries will enter into contract negotiations to address the many details regarding the capital funding mechanics and timing, as well as other details, such as defining (as between the Eligible Transmission Developer, whether a nonincumbent or incumbent transmission developer, and those receiving ownership interests) responsibility for operations and maintenance, administrative tasks, compliance with governing laws and regulations, etc. These negotiations will take place at arm's length, without any one party having undue leverage over the other.

A transmission project beneficiary should not be expected to pay for its benefits from the project twice: once through a capital contribution, and again through transmission service payments. The Ownership Proposal permits an ownership share in a project that is in the same proportion to a beneficiary's allocable costs, which costs will have been allocated roughly commensurate with the benefits to be gained from the project. This will allow the beneficiary to earn a return on its investment. In addition, it allows those beneficiaries that may not necessarily benefit from additional transfer capability on a new transmission project, whether due to lack of contiguity to the new facilities or otherwise, to realize the benefits through an ownership option.

Any transmission project participant that is identified as a beneficiary of the project might be permitted by the Eligible Transmission Developer to contribute capital (in lieu of transmission service payments) and receive a proportionate share of ownership rights in the transmission project. The Ownership Proposal affords an identified beneficiary who contributes toward the project costs the opportunity to obtain an ownership interest in lieu of an allocated share of the project costs through transmission service payments in exchange for transfer capability on the project; it does not, however, confer a right to invest capital in a project. The Ownership Proposal merely identifies that, to the extent it is agreed among the parties that capital may be contributed toward a transmission project's construction, a proportionate share of ownership rights will follow.

Nothing in this Attachment K with respect to Order No. 1000 cost allocation imposes any new service on beneficiaries. Similarly, nothing in this Attachment

K with respect to Order No. 1000 cost allocation imposes on an Eligible Transmission Developer of a project an obligation to provide transmission service to identified beneficiaries simply as a result of a project's having been selected in the Regional Plan for purposes of cost allocation; provided, however, if that Eligible Transmission Developer seeks authorization to provide transmission services to beneficiaries or others, and to charge rates or otherwise recover costs from beneficiaries or others associated with any transmission services it were to propose, it must do so by contract and/or under separate proceedings under the Federal Power Act. The purpose of this Section VII.B.5 is to (a) provide an option to a project developer to negotiate ownership rights in the project with identified beneficiaries, if both the developer and the identified beneficiaries mutually desire to do so, and (b) specify that, although Order No. 1000 cost allocation does not impose any new service on beneficiaries, identified beneficiaries have the opportunity to discuss with the project developer the potential for entering into transmission service agreements for transmission capacity rights in the project, and (c) ensure that Order No. 1000 cost allocation does not mean that a project developer may recover project costs from identified beneficiaries without providing transmission transfer capability or ownership rights, and without securing approval for project cost recovery by contract and/or under a separate proceeding under the Federal Power Act.

If an Eligible Transmission Developer is not subject to the Commission's jurisdiction under Section 205 of the Federal Power Act, the Eligible Transmission Developer would have to seek to recover project costs from identified beneficiaries enrolled in the WestConnect Planning Region either: (a) through bilateral agreements that are voluntarily entered into between such Eligible Transmission Developer and the applicable identified beneficiaries; or (b) by obtaining approval from FERC for project cost recovery pursuant to any other applicable section of the Federal Power Act.

6. Project Development Schedule.

The Planning Management Committee will not be responsible for choosing a developer for, or managing the development of, any project selected for inclusion in the Regional Plan. However, after having selected a project in the Regional Plan, the Planning Management Committee will monitor the status of project's development. If a transmission facility is selected for inclusion in the Regional Plan for purposes of cost allocation, the transmission developer of that transmission facility must submit a development schedule that indicates the required steps, such as the granting of state approvals, necessary to develop and construct the transmission facility such that it meets the regional transmission needs of the WestConnect Planning Region. As part of the ongoing monitoring of the status of the transmission project once it is selected, the transmission owners and providers in the WestConnect Planning Region will establish the dates by which the required steps to construct must be achieved that are tied to when construction must begin to timely meet the need that the project is selected to address. If such required steps have not been achieved by those dates, then the

transmission owners and providers in the WestConnect Planning Region may remove the transmission project from the selected category and proceed with reevaluating the Regional Plan to seek an alternative solution.

7. Economic Benefits or Congestion Relief.

For a transmission project wholly within the Transmission Provider's local transmission system that is undertaken for economic reasons or congestion relief at the request of a Requester, the project costs will be allocated to the Requester.

8. Transmission Provider Rate Recovery.

Notwithstanding the foregoing provisions, Transmission Provider will not assume cost responsibility for any transmission project if the cost of the project is not reasonably expected to be recoverable in its retail and/or wholesale transmission rates.

9. No Obligation to Construct.

The Regional Planning Process is intended to determine and recommend more efficient or cost-effective transmission solutions for the WestConnect Planning Region. After the Regional Plan is approved, due to the uncertainty in the Regional Planning Process and the need to address cost recovery issues, the Regional Planning Process shall not obligate any entity to construct, nor obligate any entity to commit to construct, any facilities, including any transmission facilities, regardless of whether such facilities are included in any plan. Nothing in this Attachment K, the Business Practice Manual or the Planning Participation Agreement, or any cost allocation under this Attachment K and the Business Practice Manual shall (1) determine any transmission service to be received by, or any transmission usage by, any entity; (2) obligate any entity to purchase or pay for, or obligate any entity to commit to purchase or pay for, any transmission service or usage; (3) obligate any entity to implement or effectuate, or commit to implement or effectuate, any cost allocation; (4) obligate any entity to pay, or commit to pay, costs of any project or proposed project in accordance with any cost allocation; or (5) entitle any entity to recover for any transmission service or usage or to recover from any entity any cost of any transmission facilities, regardless of whether such transmission facilities are included in any plan.

Without limiting the generality of the foregoing, nothing in this Attachment K, the Business Practice Manual or the Planning Participation Agreement with respect to regional cost allocation shall preclude any WestConnect Planning Region member from satisfying its statutory requirements.

10. Binding Order No. 1000 Cost Allocation Methods

Order No. 1000 cost allocation methods as set forth in Section VII of this Attachment K are binding on identified beneficiaries enrolled in the WestConnect Planning Region, without prejudice to the following rights and obligations: (1) the

right and obligation of the Planning Management Committee to reevaluate a transmission facility previously selected for inclusion in the regional plan for purposes of Order No. 1000 cost allocation under Section III.E.7 of this Attachment K; (2) the right and obligation of an Eligible Transmission Developer to make a filing under Section 205 or other applicable provision of the Federal Power Act in order to seek approval from the Commission to recover the costs of any transmission facility selected for inclusion in the regional plan for purposes of Order No. 1000 cost allocation; (3) the right and obligation of any interested person to intervene and be heard before the Commission in any Section 205 or other applicable provision of proceeding initiated by an Eligible Transmission Developer, including the right of any identified beneficiaries of the transmission facility to support or protest the filing and to present evidence on whether the proposed cost recovery is or is not just and reasonable; and (4) the right and obligation of the Commission to act under Section 205 or other applicable provision of the Federal Power Act to approve or deny any cost recovery sought by an Eligible Transmission Developer for a transmission facility selected in the regional plan for purposes of Order No. 1000 cost allocation³.

11. Impacts of a Regional Project on Neighboring Planning Regions

The Planning Management Committee is to study the impact(s) of a regional transmission project on neighboring planning regions, including the resulting need, if any, for mitigation measures in such neighboring planning regions. If the Planning Management Committee finds that a regional transmission project in the WestConnect Planning Region causes impacts on a neighboring planning region that requires mitigation (a) by the WECC Path Rating Process, (b) under FERC OATT requirements, (c) under NERC Reliability Standards requirements, and/or (d) under any negotiated arrangement between the interconnected entities, the Planning Management Committee is to include the costs of any such mitigation measures into the regional transmission project's total project costs for purposes of determining the project's eligibility for regional cost allocation under the procedures identified in Section VII.B of this Attachment K, including application of the region's benefits-to-costs analysis.

The WestConnect Planning Region will not be responsible for compensating a neighboring planning region, transmission provider, transmission owner, Balancing Area Authority, or any other entity, for the costs of any required mitigation measures, or other consequences, on their systems associated with a regional transmission project in the WestConnect Planning Region, whether

³ An Eligible Transmission Developer may not be subject to the Commission's Section 205 jurisdiction. See Section VII.5. If an Eligible Transmission Developer is not subject to the Commission's jurisdiction under section 205 of the Federal Power Act, the Eligible Transmission Developer would have to seek to recover project costs from identified beneficiaries enrolled in the WestConnect Planning Region either: (a) through bilateral agreements that are voluntarily entered into between such Eligible Transmission Developer and the applicable identified beneficiaries; or (b) by obtaining approval from the Commission for project cost recovery pursuant to any other applicable section of the Federal Power Act.

identified by the Planning Management Committee or the neighboring system(s). The Planning Management Committee does not direct the construction of transmission facilities, does not operate transmission facilities or provide transmission services, and does not charge or collect revenues for the performance of any transmission or other services. Therefore, in agreeing to study the impacts of a regional transmission facility on neighboring planning regions, the Planning Management Committee is not agreeing to bear the costs of any mitigation measures it identifies. However, the Planning Management Committee will request of any developer of a regional transmission project selected in the Regional Plan for purposes of cost allocation that the developer design and build its project to mitigate the project's identified impacts on neighboring planning regions. If the project is identified as impacting a neighboring planning region that accords less favorable mitigation treatment to the WestConnect Planning Region than the WestConnect Planning Region accords to it, the Planning Management Committee will request that the project developer reciprocate by using the lesser of (i) the neighboring region's mitigation treatment applicable to the mitigation of impacts of its own regional projects on the WestConnect Planning Region, or (ii) the Planning Management Committee's mitigation treatment set forth above in sub-sections (a) through (d).

12. Exclusions.

The cost for transmission projects undertaken in connection with requests for interconnection or transmission service on the PNM transmission system, which are governed by existing cost allocation methods within PNM's Tariff, will continue to be so governed and will not be subject to the principles of this Section VII.

VIII. Interregional Coordination and Cost Allocation

This Section VIII of Attachment K sets forth common provisions, which are to be adopted by or for each Planning Region and which facilitate the implementation of Order No. 1000 interregional provisions. WestConnect is to conduct the activities and processes set forth in this Section VIII of Attachment K in accordance with the provisions of this Section VIII and the other provisions of this Attachment K.

Nothing in this Section VIII will preclude any transmission owner or transmission provider from taking any action it deems necessary or appropriate with respect to any transmission facilities it needs to comply with any local, state, or federal requirements.

Any Interregional Cost Allocation regarding any ITP is solely for the purpose of developing information to be used in the regional planning process of each Relevant Planning Region, including the regional cost allocation process and methodologies of each such Relevant Planning Region.

References in this Section VIII to any transmission planning processes, including cost allocations, are references to transmission planning processes pursuant to Order No. 1000.

A. Definitions

The following capitalized terms where used in this Section VIII of Attachment K, are defined as follows:

Annual Interregional Coordination Meeting: shall have the meaning set forth in Section C below.

Annual Interregional Information: shall have the meaning set forth in Section B below.

Interregional Cost Allocation: means the assignment of ITP costs between or among Planning Regions as described in Section E.2 below.

Interregional Transmission Project (“ITP”): means a proposed new transmission project that would directly interconnect electrically to existing or planned transmission facilities in two or more Planning Regions and that is submitted into the regional transmission planning processes of all such Planning Regions in accordance with Section D.1.

Order No. 1000 Common Interregional Coordination and Cost Allocation Tariff Language: means this Section VIII, which relates to Order No. 1000 interregional provisions.

Planning Region: means each of the following Order No. 1000 transmission planning regions insofar as they are within the Western Interconnection: California Independent

System Operator Corporation, ColumbiaGrid, Northern Tier Transmission Group, and WestConnect.

Relevant Planning Regions: means, with respect to an ITP, the Planning Regions that would directly interconnect electrically with such ITP, unless and until such time as a Relevant Planning Region determines that such ITP will not meet any of its regional transmission needs in accordance with Section 4.2, at which time it shall no longer be considered a Relevant Planning Region.

B. Annual Interregional Information Exchange

Annually, prior to the Annual Interregional Coordination Meeting, WestConnect is to make available by posting on its website or otherwise provide to each of the other Planning Regions the following information, to the extent such information is available in its regional transmission planning process, relating to regional transmission needs in WestConnect's transmission planning region and potential solutions thereto:

1. study plan or underlying information that would typically be included in a study plan, such as:
 - a. identification of base cases;
 - b. planning study assumptions; and
 - c. study methodologies;
2. initial study reports (or system assessments); and
3. regional transmission plan

(collectively referred to as "Annual Interregional Information").

WestConnect is to post its Annual Interregional Information on its website according to its regional transmission planning process. Each other Planning Region may use in its regional transmission planning process WestConnect's Annual Interregional Information. WestConnect may use in its regional transmission planning process Annual Interregional Information provided by other Planning Regions.

WestConnect is not required to make available or otherwise provide to any other Planning Region (i) any information not developed by WestConnect in the ordinary course of its regional transmission planning process, (ii) any Annual Interregional Information to be provided by any other Planning Region with respect to such other Planning Region, or (iii) any information if WestConnect reasonably determines that making such information available or otherwise providing such information would constitute a violation of the Commission's Standards of Conduct or any other legal requirement. Annual Interregional Information made available or otherwise provided by WestConnect shall be subject to applicable confidentiality and CEII

restrictions and other applicable laws, under WestConnect's regional transmission planning process. Any Annual Interregional Information made available or otherwise provided by WestConnect shall be "AS IS" and any reliance by the receiving Planning Region on such Annual Interregional Information is at its own risk, without warranty and without any liability of WestConnect, including any liability for (a) any errors or omissions in such Annual Interregional Information, or (b) any delay or failure to provide such Annual Interregional Information.

C. Annual Interregional Coordination Meeting

WestConnect is to participate in an Annual Interregional Coordination Meeting with the other Planning Regions. WestConnect is to host the Annual Interregional Coordination Meeting in turn with the other Planning Regions, and is to seek to convene such meeting in February, but not later than March 31st. The Annual Interregional Coordination Meeting is to be open to stakeholders. WestConnect is to provide notice of the meeting to its stakeholders in accordance with its regional transmission planning process.

At the Annual Interregional Coordination Meeting, topics discussed may include the following:

1. each Planning Region's most recent Annual Interregional Information (to the extent it is not confidential or protected by CEII or other legal restrictions);
2. identification and preliminary discussion of interregional solutions, including conceptual solutions, that may meet regional transmission needs in each of two or more Planning Regions more cost effectively or efficiently; and
3. updates of the status of ITPs being evaluated or previously included in WestConnect's regional transmission plan.

D. ITP Joint Evaluation Process

1. Submission Requirements

A proponent of an ITP may seek to have its ITP jointly evaluated by the Relevant Planning Regions pursuant to Section D.2 by submitting the ITP into the regional transmission planning process of each Relevant Planning Region in accordance with such Relevant Planning Region's regional transmission planning process and no later than March 31st of any even-numbered calendar year. Such proponent of an ITP seeking to connect to a transmission facility owned by multiple transmission owners in more than one Planning Region must submit the ITP to each such Planning Region in accordance with such Planning Region's regional transmission planning process. In addition to satisfying each Relevant Planning Region's information requirements, the proponent of an ITP must include with its submittal to each Relevant Planning Region a list of all Planning Regions to which the ITP is being submitted.

2. Joint Evaluation of an ITP

For each ITP that meets the requirements of Section D.1, WestConnect (if it is a Relevant Planning Region) is to participate in a joint evaluation by the Relevant Planning Regions that is to commence in the calendar year of the ITP's submittal in accordance with Section D.1 or the immediately following calendar year. With respect to any such ITP, WestConnect (if it is a Relevant Planning Region) is to confer with the other Relevant Planning Region(s) regarding the following:

- a. ITP data and projected ITP costs; and
- b. the study assumptions and methodologies it is to use in evaluating the ITP pursuant to its regional transmission planning process.

For each ITP that meets the requirements of Section D.1, WestConnect (if it is a Relevant Planning Region):

- c. is to seek to resolve any differences it has with the other Relevant Planning Regions relating to the ITP or to information specific to other Relevant Planning Regions insofar as such differences may affect WestConnect's evaluation of the ITP;
- d. is to provide stakeholders an opportunity to participate in WestConnect's activities under this Section D.2 in accordance with its regional transmission planning process;
- e. is to notify the other Relevant Planning Regions if WestConnect determines that the ITP will not meet any of its regional transmission needs; thereafter WestConnect has no obligation under this Section D.2 to participate in the joint evaluation of the ITP; and
- f. is to determine under its regional transmission planning process if such ITP is a more cost effective or efficient solution to one or more of WestConnect's regional transmission needs.

E. Interregional Cost Allocation Process

1. Submission Requirements

For any ITP that has been properly submitted in each Relevant Planning Region's regional transmission planning process in accordance with Section D.1, a proponent of such ITP may also request Interregional Cost Allocation by requesting such cost allocation from WestConnect and each other Relevant Planning Region in accordance with its regional transmission planning process. The proponent of an ITP must include with its submittal to each Relevant Planning Region a list of all Planning Regions in which Interregional Cost Allocation is being requested.

2. Interregional Cost Allocation Process

For each ITP that meets the requirements of Section E.1, WestConnect (if it is a Relevant Planning Region) is to confer with or notify, as appropriate, any other Relevant Planning Region(s) regarding the following:

- a. assumptions and inputs to be used by each Relevant Planning Region for purposes of determining benefits in accordance with its regional cost allocation methodology, as applied to ITPs;
- b. WestConnect's regional benefits stated in dollars resulting from the ITP, if any; and
- c. assignment of projected costs of the ITP (subject to potential reassignment of projected costs pursuant to Section F.2 below) to each Relevant Planning Region using the methodology described in this section 5.2.

For each ITP that meets the requirements of Section E.1, WestConnect (if it is a Relevant Planning Region):

- d. is to seek to resolve with the other Relevant Planning Regions any differences relating to ITP data or to information specific to other Relevant Planning Regions insofar as such differences may affect WestConnect's analysis;
- e. is to provide stakeholders an opportunity to participate in WestConnect's activities under this Section E.2 in accordance with its regional transmission planning process;
- f. is to determine its regional benefits, stated in dollars, resulting from an ITP; in making such determination of its regional benefits in WestConnect, WestConnect is to use its regional cost allocation methodology, as applied to ITPs;
- g. is to calculate its assigned *pro rata* share of the projected costs of the ITP, stated in a specific dollar amount, equal to its share of the total benefits identified by the Relevant Planning Regions multiplied by the projected costs of the ITP;
- h. is to share with the other Relevant Planning Regions information regarding what its regional cost allocation would be if it were to select the ITP in its regional transmission plan for purposes of Interregional Cost Allocation; WestConnect may use such information to identify its total share of the projected costs of the ITP to be assigned to WestConnect in order to determine whether the ITP is a more cost effective or efficient solution to a transmission need in WestConnect;

- i. is to determine whether to select the ITP in its regional transmission plan for purposes of Interregional Cost Allocation, based on its regional transmission planning process; and
- j. is to endeavor to perform its Interregional Cost Allocation activities pursuant to this Section E.2 in the same general time frame as its joint evaluation activities pursuant to Section D.2.

F. Application of Regional Cost Allocation Methodology to Selected ITP

1. Selection by All Relevant Planning Regions

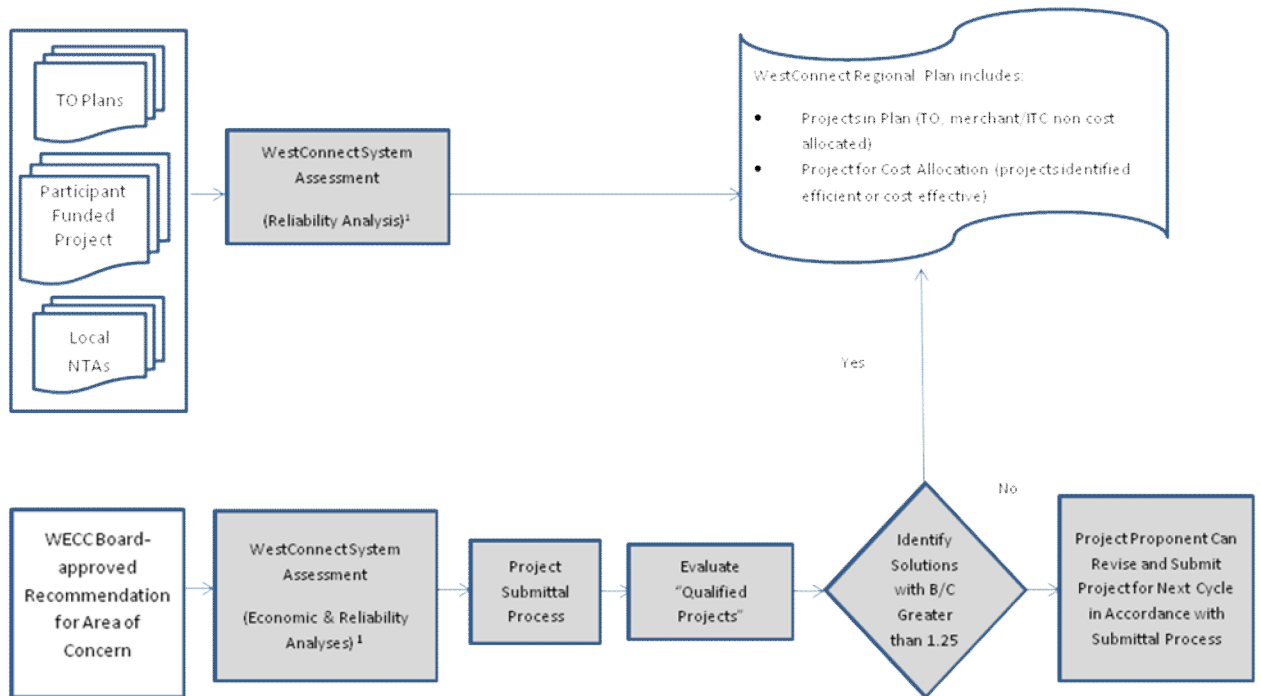
If WestConnect (if it is a Relevant Planning Region) and all of the other Relevant Planning Regions select an ITP in their respective regional transmission plans for purposes of Interregional Cost Allocation, WestConnect is to apply its regional cost allocation methodology to the projected costs of the ITP assigned to it under Sections E.2.d. or E.2.e. above in accordance with its regional cost allocation methodology, as applied to ITPs.

2. Selection by at Least Two but Fewer than All Relevant Regions

If the WestConnect (if it is a Relevant Planning Region) and at least one, but fewer than all, of the other Relevant Planning Regions select the ITP in their respective regional transmission plans for purposes of Interregional Cost Allocation, WestConnect is to evaluate (or reevaluate, as the case may be) pursuant to Sections E.2.d., E.2.e., and E.2.f. above whether, without the participation of the non-selecting Relevant Planning Region(s), the ITP is selected (or remains selected, as the case may be) in its regional transmission plan for purposes for Interregional Cost Allocation. Such reevaluation(s) are to be repeated as many times as necessary until the number of selecting Relevant Planning Regions does not change with such reevaluation.

If following such evaluation (or reevaluation), the number of selecting Relevant Planning Regions does not change and the ITP remains selected for purposes of Interregional Cost Allocation in the respective regional transmission plans of WestConnect and at least one other Relevant Planning Region, WestConnect is to apply its regional cost allocation methodology to the projected costs of the ITP assigned to it under Sections E.2.d. or E.2.e. above in accordance with its regional cost allocation methodology, as applied to ITPs.

Attachment K-1 WestConnect Regional Transmission Planning Process Chart



¹Public policy is considered within the scenario submittal, reliability, and economic analyses.

- B/C benefit/cost
- ITC Independent Transmission Company
- NTA non-transmission alternative
- TO Transmission Owner
- WECC Western Electricity Coordinating Council

Public Service Company of New Mexico

ATTACHMENT K

ATTACHMENT K - Transmission Planning Process

I. Overview of the PNM Transmission Planning Process.

PNM is a vertically integrated public utility engaged in the generation and transmission of electric power and energy in the states of New Mexico and Arizona and in the distribution of electric power and energy in the State of New Mexico. PNM provides electric transmission and related reliability services under state and federal statutes and regulations. PNM's transmission planning process is based on the following three core objectives:

- Maintain safe and reliable electric service;
- Improve the efficiency of electric system operations, including the provision of open and non-discriminatory access to the transmission facilities under its control; and
- Identify and promote new investments in transmission infrastructure in a coordinated, open, transparent and participatory manner.

PNM's transmission planning process is intended to facilitate a timely, coordinated and transparent process that fosters the development of electric infrastructure that both maintains reliability and meets load growth so that PNM can continue to provide reliable and cost-effective service to its customers.

The PNM transmission planning process includes a series of open planning meetings that PNM will conduct at least twice a year to allow anyone including, but not limited to, network and point-to-point transmission service customers, sponsors of transmission solutions, generation solutions and solutions utilizing non-transmission alternatives ("NTAs"), interconnected neighbors, regulatory and state bodies and other stakeholders, input into and comment on the PNM transmission plan through all stages of its development.

In addition to its local transmission planning process, PNM coordinates its transmission planning with other transmission providers and stakeholders in the Desert Southwest area, and the Western Interconnection as a whole, through its active participation in the Southwest Area Transmission Planning ("SWAT") group, membership in WestConnect,¹ membership in the Western Electricity Coordinating Council ("WECC") and participation in the WECC

¹ WestConnect was formed under a memorandum of understanding (the "MOU") voluntarily entered into by FERC jurisdictional and non-jurisdictional transmission providing electric utilities in the Western Interconnection. The purposes of WestConnect are to investigate the feasibility of wholesale market enhancements, work cooperatively with other Western Interconnection organizations and market stakeholders, and address seams issues in appropriate forums. WestConnect has initiated an effort to facilitate and coordinate regional transmission planning across the WestConnect footprint. Following the effective date of PNM's September 20, 2013 Order No. 1000 compliance filing, the WestConnect Order No. 1000 regional transmission planning management committee will commence the regional transmission planning process under the principles set forth in FERC's order Preventing Undue Discrimination and Preference in Transmission Service, Order No. 890, FERC Stats. & Regs. ¶ 31,241 (2007), et al. (collectively, "Order No. 890"), and carried forward in FERC's order Transmission Planning and Cost Allocation by Transmission Owning and Operating Utilities, Order No. 1000, 136 FERC ¶ 61,051 (2011), et al. (collectively, "Order No. 1000").

Transmission Expansion Planning Policy Committee (“TEPPC”) and its Technical Advisory Subcommittee (“TAS”).

Three subregional planning groups operate within the WestConnect footprint: SWAT, Colorado Coordinated Planning Group (“CCPG”) and the Sierra Subregional Planning Group (“SPPG”). WestConnect’s planning effort, which includes funding and provision of planning management, analysis, report writing and communication services, supports and manages the coordination of the subregional planning groups and their respective studies. Such responsibilities are detailed in the WestConnect Project Agreement for Subregional Transmission Planning (WestConnect “STP Project Agreement”) dated May 23, 2007 (see Hyperlinks List on PNM’s Open Access Same-Time Information System (“OASIS”) as www.oasis.oati.com/pnm/index.html). PNM is a signatory to the STP Project Agreement.

The subregional planning groups within the WestConnect footprint, assisted by the WestConnect planning manager, coordinate with other Western Interconnection transmission providers and their subregional planning groups through TEPPC. TEPPC provides for the development and maintenance of an economic transmission study database for the entire Western Interconnection and performs annual congestion studies at the Western Interconnection region level.

II. PNM Local Transmission Planning

A. PNM Planning Process

Participation in PNM’s local planning process is open to all affected parties, including but not limited to, all network and point-to-point transmission customers, sponsors of transmission solutions, generation solutions and solutions utilizing NTAs, interconnected neighbors, regulatory and state bodies, and other stakeholders.

1. PNM Contact for Transmission Planning Process

(see Hyperlinks List on PNM’s OASIS at www.oasis.oati.com/pnm/index.html)

2. Confidential or Proprietary Information

PNM’s local transmission planning studies may include base case data that are WECC proprietary data or classified as Critical Energy Infrastructure Information (“CEII”) by the Federal Energy Regulatory Commission (“FERC” or “Commission”). A stakeholder must hold membership in or execute a non-disclosure agreement with WECC (see Hyperlinks List on PNM’s OASIS at www.oasis.oati.com/pnm/index.html) in order to obtain requested base case data from PNM. A stakeholder may obtain PNM transmission planning information classified as CEII from PNM by following PNM’s Procedures for Requesting Access to CEII posted on PNM’s OASIS at www.oasis.oati.com/pnm/index.html.

3. Types of Planning Studies

a. Transmission Planning Studies. PNM will conduct local reliability studies to

ensure that all North American Electric Reliability Corporation (“NERC”), WECC, and local reliability standards are met for each year of the ten-year planning horizon, including all PNM customer’s requirements for planned loads and resources, including NTAs. These reliability studies will be coordinated with the other regional transmission planning organizations through SWAT studies.

- b. Economic Studies. Economic planning studies are performed to identify significant and recurring congestion on the transmission system and the effects of load growth, load management programs and adding new resources. Such studies may analyze any, or all, of the following: (i) the location and magnitude of the congestion, (ii) possible remedies for the elimination of the congestion, in whole or in part, including transmission solutions, generation solutions, and solutions utilizing NTAs, (iii) the associated costs of congestion, (iv) the cost associated with relieving congestion through system enhancements (or other means), and as appropriate (v) the economic impacts of load growth, load management programs and adding new resources. PNM will perform, or cause to be performed, economic planning studies at the request of any transmission customer or stakeholder. All economic planning studies performed, either by PNM or TEPPC, will utilize the TEPPC public data base or other appropriate public data.
 - c. Consideration of Public Policy Requirements. For purposes of this Attachment K, “Public Policy Requirements” means those requirements enacted by state or federal laws or regulations, including those enacted by local governmental entities, such as a municipality or county. Enacted Public Policy Requirements, as applicable, are incorporated into the load forecasts and/or are modeled in the local planning studies. For example, PNM incorporates existing and planned energy efficiency, demand response and distributed generation programs that are required as a result of state-mandated renewable energy standards and energy efficiency rules in its transmission planning analysis. Proposed public policy (public policy proposed before a governmental authority, but not yet enacted), may be studied if time and resources permit.
4. PNM’s Local Transmission Planning Study Process
- a. Overview. PNM’s local transmission planning process consists of an assessment of the following needs:
 - i. Provide adequate transmission to access sufficient resources in order to reliably and economically serve retail and network loads.
 - ii. Where feasible, identify NTA’s that could meet or mitigate the need for transmission additions or upgrades
 - iii. Support PNM’s local transmission and sub-transmission systems.
 - iv. Provide for interconnection of new generation resources.

- v. Coordinate new interconnections with other transmission systems.
 - vi. Accommodate requests for long-term transmission access.
 - vii. Consider transmission needs driven by Public Policy Requirements.
- b. PNM's Local Transmission Planning Cycle.
- i. Calendar Year Planning Cycle. PNM conducts its local transmission planning on a calendar year cycle for a ten-year planning horizon.
 - ii. Annually Updated Ten-year Plan. PNM updates its ten-year plan annually and publishes an annual Ten-year Transmission Plan on its OASIS in the first quarter of each calendar year (see Section II.A.4.c. below).
- c. Transmission Customer's Responsibility for Providing Data
- i. Use of Customer Data. PNM uses the information provided by its transmission customers to, among other things, assess network load and resource projections (including NTAs), transmission needs, operating dates and retirements for generation resources in PNM's system and to update regional models used to conduct planning studies.
 - ii. Submission of Data by Network Transmission Customers. Network Customers are required, pursuant to the PNM Open Access Transmission Tariff ("OATT") to submit their ten-year projected network load and network resources (including NTAs) to PNM on an annual basis. Such information shall be submitted annually by March 1st of each year to the PNM Contact for Transmission Planning Process: (see Section II.A.1).
 - iii. Submission of Data by Other Transmission Customers. All other transmission customers shall provide their ten-year needs in the form of relevant data for inclusion in the PNM transmission planning process. Such information shall be submitted annually by March 1st each year by forwarding such data to the PNM Contact for Transmission Planning Process (see Section II.A.1.).
 - iv. Transmission Customer Data to be submitted. To the maximum extent practical and consistent with protection of proprietary information, data submitted by network transmission customers and other transmission customers shall include for the ten-year planning horizon:
 - a. Generators – planned additions or upgrades (including status and expected in-service date), planned retirements and environmental

restrictions.

- b. NTAs – include, without limitation, technologies that defer or possibly eliminate the need for new and/or upgraded transmission lines, such as distributed generation, demand side management (load management, such as energy efficiency and demand response programs), energy storage facilities and smart grid equipment that can help eliminate or mitigate a grid reliability problem, reduce uneconomic grid congestion, and/or help to meet grid needs driven by Public Policy Requirements.
 - c. Network customers – forecast information for load and resource requirements over the planning horizon and identification of demand response reductions.
 - d. Point-to-Point transmission customers – projections of need for service over the ten-year planning horizon, including transmission capacity, duration, and receipt and delivery points.
- v. Notification of Material Changes to Transmission Customer Data. Each transmission customer shall submit timely written notice to PNM of material changes in any of the information previously provided to PNM related to the transmission customer's load, resources (including NTAs), or other aspects of its facilities or operations which may, directly or indirectly, affect PNM's ability to provide service.

d. Stakeholder Participation

- i. During its 1st Quarter open public meeting, PNM shall: (a) review its transmission planning process and current study plan with stakeholders; (b) request stakeholder review and input on any aspect of PNM's current study plan (including, but not limited to, methodology, study inputs, Public Policy Requirements, and potential stakeholder-suggested transmission needs driven by Public Policy Requirements and study results) and transmission planning process; (c) invite the submittal of transmission study requests from stakeholders for review and discussion; (d) solicit information from its transmission customers on loads and resources (including NTAs) and other needs for the preparation of its ten-year plan; and (e) provide updates on its planned projects.

After the 1st Quarter meeting, but not less than 30 days before the 4th Quarter meeting, PNM will post on its OASIS an explanation of those transmission needs driven by Public Policy Requirements that have been identified for evaluation for potential solutions in the local transmission planning process and an explanation of why any suggested transmission needs driven by Public Policy Requirements

will not be evaluated.

- ii. During its 4th Quarter open public meeting, PNM will present a draft of its Ten-year Plan for the following calendar year for stakeholder review and comment.
 - iii. This schedule may be modified to coordinate with subregional and regional transmission planning processes, subject to updated postings on the PNM OASIS and WestConnect websites.
- e. Coordination of Transmission Study Cycle with SWAT and WestConnect Study Cycle. PNM will coordinate the timing of its local transmission planning study cycle process with the development of the assumptions, and coordinated base cases, used within the SWAT and WestConnect planning group, which is open to participation by all interested parties.
- f. PNM Point of Contact for Local Reliability Study Requests. Customer/stakeholder questions regarding modeling, criteria, assumptions and data underlying system plans shall be directed to the PNM Contact for Transmission Planning Process (see Section II.A.1.).
- g. PNM Local Study Criteria and Guidelines. Customers are advised to refer to the PNM Study Criteria and Guidelines on the PNM OASIS. (see Hyperlinks List on PNM's OASIS at www.oasis.oati.com/pnm/index.html).
- h. PNM and Stakeholder Alternative Solutions Evaluation Basis. PNM's local planning process is an objective process that evaluates use of the transmission system on a comparable basis for all customers. All solution alternatives that have been presented on a timely basis (per Section II.A.4.c. and II.A.4.d. of this Attachment K), including transmission solutions, generation solutions and solutions utilizing NTAs, whether presented by PNM or another stakeholder, will be evaluated on a comparable basis. The same criteria and evaluation process will be applied to competing solutions and/or projects, regardless of type or class of stakeholder. Solution alternatives will be evaluated against one another on the basis of the following criteria to select the preferred solution or combination of solutions: (1) ability to practically fulfill the identified need; (2) ability to meet applicable reliability criteria or NERC Transmission Planning Standards issues; (3) technical, operational and financial feasibility; (4) operational benefits/constraints or issues; (5) cost-effectiveness over the time frame of the study or the life of the facilities, as appropriate (including adjustments, as necessary, for operational benefits/constraints or issues, including dependability); and (6) where applicable, consistency with State or local integrated resource planning requirements, or regulatory requirements, including cost recovery through regulated rates.
5. PNM Economic Planning Study Process.

- a. Requesting Economic Planning Studies. Any PNM transmission customer or other interested stakeholder, including sponsors of transmission solutions, generation solutions and solutions utilizing NTAs (“Requester”) may submit a study request for an economic planning study directly to PNM, WestConnect, or TEPPC. PNM’s Economic Planning Study Request Form may be downloaded from PNM’s OASIS (see Hyperlinks List on PNM’s OASIS at www.oasis.oati.com/pnm/index.html). The Requester must submit its study request(s) no later than September 30th of each year for PNM to review the study request(s) with stakeholders at its 4th Quarter open public meeting. All such requests submitted to PNM shall be sent to the PNM Contact for Transmission Planning Process (see Section II.A.1.). PNM will make reasonable efforts to coordinate the timing of its economic planning study cycle process with WestConnect and TEPPC planning processes.
- b. Process for Handling Economic Transmission Planning Study Requests. PNM shall manage any economic planning study requests it receives under this Attachment K in the following manner:
 - i. TEPPC Master List. PNM shall forward the request to TEPPC for inclusion in the TEPPC Master List of economic planning studies for the Western Interconnection and for consideration by TEPPC as a priority request. TEPPC’s Master List is publicly available (see Hyperlinks List on PNM’s OASIS at www.oasis.oati.com/pnm/index.html).
 - ii. Stakeholder Review of Economic Transmission Study Requests. PNM shall review local requests timely submitted per II.A.4.a. above in the PNM 4th Quarter open public meeting. Based on stakeholder input, PNM shall determine whether (i) the study should be considered a local priority request and performed by PNM; (ii) whether the study request encompasses a sub-region or region, in which case PNM will transfer the request to WestConnect for consideration as a regional priority request at WestConnect’s stakeholder meeting; or (iii) whether the study request encompasses the Western Interconnection, in which case PNM will transfer the request to TEPPC for consideration as a Western Interconnection priority request at TEPPC’s stakeholder meeting. The criteria WestConnect utilizes to prioritize requests for regional economic studies is described in Section III below. The criteria TEPPC utilizes to prioritize requests for regional economic studies are posted on the TEPPC page of the WECC website (see Hyperlinks List on PNM’s OASIS at www.oasis.oati.com/pnm/index.html).
 - iii. Criteria Used for Local Priority Economic Transmission Planning Study Request. Based in part on the number and type of local study requests received, PNM shall consider the following criteria to

determine whether the economic transmission planning study request is a local priority request:

- (a) Whether the study request does not affect interconnected transmission systems, and
- (b) Whether the remedies are confined to a local area and can be resolved within the PNM's transmission system.

iv. Economic Transmission Planning Study Requests Determined to be a Local Priority.

- (a) If PNM determines, with input from stakeholders obtained through the PNM open public meeting that the economic planning study request is a local priority, *e.g.*, if the study request does not affect interconnected transmission systems, and the remedies are confined to a local area and can be resolved within the PNM transmission system, then PNM may conduct the study internally and coordinate assumptions and results with its customers, stakeholders and interconnected neighbors. PNM will have no obligation to conduct more than three priority local economic planning studies per calendar year.
- (b) If PNM receives more than three requests for local economic studies that are determined to be priority local requests, it may perform one or more additional studies at its sole discretion. If PNM elects not to perform such additional study, the Requester may request, and PNM will provide, PNM's assistance in having a third party perform the economic planning study at the Requester's expense. The Requester will have use of the TEPPC economic study data base and PNM will support the Requester in ensuring that the study is coordinated as necessary through local, subregional or regional planning groups.

- c. Process for Handling Economic Study Requests Received by TEPPC. TEPPC will review economic planning study requests received from Transmission Providers or from Requesters directly. TEPPC shall review such study requests during its open stakeholder meeting and, together with its stakeholders, prioritize requests for economic planning studies in accordance with TEPPC's Transmission Planning Protocol. PNM shall participate in the TEPPC prioritization process and provide input as to whether a study request should be included in the TEPPC study plan. The Requester is also encouraged to participate and provide input in the TEPPC prioritization process. Additionally, WestConnect will provide advice, on an as needed basis, to TEPPC regarding prioritizing regional economic planning study requests and potential clustering of requested regional economic planning studies, if those studies involve facilities in the WestConnect footprint. For

more detail regarding the TEPPC economic planning study process, see the TEPPC Transmission Planning Protocol **Error! Hyperlink reference not valid.**

- d. Low Priority Economic Study Requests. If either PNM, WestConnect and/or TEPPC determine, after reviewing through an open stakeholder process, that the requested economic planning study is not a priority study, the Requester may request PNM's assistance in having a third party perform the economic planning analysis at the Requester's expense. The Requester will have use of the TEPPC economic study data base, or other appropriate public data, and PNM will support the Requester in ensuring that the study is coordinated as necessary through local, subregional or regional planning groups.
- e. Clustering Local Priority Economic Planning Studies. PNM may determine that any number of Requester's economic planning study requests should be studied together or a Requester may request that PNM study its request together with other requests. PNM will combine such studies as it deems appropriate in accordance with the following criteria:
 - i. Transmission Provider Proposed Clusters

In the event that PNM proposes to cluster certain Local Priority Studies on any reasonable grounds, including without limitation, upon its determination that the proposed cluster of studies are sufficiently similar, from an electrical perspective, to be feasibly and meaningfully studied as a group, it shall provide notice to each Requester that it proposes to include in the study. Each Requester shall be provided the opportunity to opt out of the cluster within ten (10) days of notice from PNM, such notice to be given in writing to the PNM Contact for Transmission Planning Process (see Section II.A.1.).
 - ii. Requester Proposed Clusters

If a Requester wishes to propose a cluster study, such request must be provided in writing to the PNM Contact for Transmission Planning Process (see Section II.A.1.). Prior to submitting an economic planning study cluster request to PNM, the Requester must contact all of the other Requesters whose requests it proposes to cluster, and obtain written consent that they are willing to have their request clustered with other identified requests. PNM will reasonably determine whether the economic planning study requests that the Requester proposes to cluster and for which the other affected Requesters have provided consent, are sufficiently similar, from an electrical perspective, to be feasibly and meaningfully studied together. PNM reserves the right to reject a Requester-proposed cluster on any reasonable grounds, including, without limitation, upon its determination that the proposed cluster cannot be feasibly studied as a group or if the proposed clustering impairs administration or timely processing of the economic study process. PNM will make the determination whether to reject a proposed cluster, and

provide notice of any decision to reject, within twenty (20) days of receipt of all of the written consents of the Requesters that propose to be clustered.

f. Cost Responsibility for Economic Studies

- i. Priority Local Economic Planning Studies. Priority local economic planning studies selected pursuant to Section II.A.5.b.iv. including clustered priority local economic planning studies selected pursuant to Section II.A.5.e. will be performed or caused to be performed by PNM at PNM's expense. PNM shall recover the costs of such studies through its transmission rates.
- ii. Priority Regional Economic Planning Studies. Regional economic studies performed by TEPPC will be funded by WECC.
- iii. Other Local Economic Study Requests. Local economic study requests not selected pursuant to Section II.A.5.b.iv. or II.A.5.e. will be performed at the Requester's expense. At the Requester's request, PNM may perform the study work or work with the Requester and its third party contractor.

g. Exchange of Data Unique to Economic Planning Studies

- i. Data Used for Economic Planning Studies. PNM obtains all data used for its economic planning studies from the TEPPC data base, or uses other appropriate public data.
- ii. Request for Base Case Data. Requester requests for detailed base case data must be submitted to WECC in accordance with the WECC procedures.
- iii. Posting of Customer's Requests for Economic Planning Studies. All requests for economic planning studies and responses to such requests shall be posted on the PNM OASIS and the WestConnect website (see Hyperlinks List posted on PNM's OASIS at www.oasis.oati.com/pnm/index.html), subject to confidentiality requirements.

h. PNM Point of Contact for Study Requests. Customer/Requester questions regarding modeling, criteria, assumptions and data underlying economic planning studies shall be directed to the PNM Contact for Transmission Planning Process (see Section II.A.1.).

- i. PNM Study Criteria and Guidelines. Requesters are advised to refer to the PNM Study Criteria and Guidelines posted on the PNM OASIS (see

Hyperlinks List posted on PNM's OASIS at www.oasis.oati.com/pnm/index.html).

6. Communication of Transmission Study Plans and Study Results. PNM transmission study plans and study results will be communicated through presentations at the PNM Open Public Meetings (*see* Section II.B.2. below) and all documents and presentations will be posted on the PNM OASIS or the WestConnect website (*see* Hyperlinks List posted on PNM's OASIS at www.oasis.oati.com/pnm/index.html).

B. PNM Open Public Meetings

PNM will hold at least two open local public meetings a year that will allow, and promote, all network and point-to-point transmission customers, interconnected neighbors, regulatory and state bodies, sponsors of transmission solutions, generation solutions and solutions utilizing NTAs, and other stakeholders to participate in a coordinated, nondiscriminatory process for development of the PNM local transmission plan.

1. Purpose and Scope

PNM's open public meetings will provide an open transparent forum whereby electric transmission stakeholders can comment and provide advice to PNM during all stages, including the early stages, of its local transmission planning. Open public meetings will serve to:

- a. Provide a forum for open and transparent communications among New Mexico transmission providers, state regulatory authorities, customers, sponsors of transmission solutions, generation solutions and solutions utilizing NTAs, and other interested stakeholders;
- b. Promote discussion of all aspects of the PNM local transmission planning activities, including, but not limited to, methodology, study inputs and study results; and
- c. Provide a forum for PNM to understand better the specific electric transmission interests of key stakeholders.

2. PNM Public Local Planning Process

- a. Open Public Meetings. PNM public planning meetings will be open to all stakeholders.
- b. PNM Local Planning Meeting Schedule. PNM will establish its open local public meeting schedule as needed, but such meetings will occur no less than twice annually.
- c. Meeting Purpose. Open public meetings will be conducted to: (i) allow PNM to maximize its understanding of its customers' forecast needs for the PNM transmission system; (ii) offer customers' sponsors of transmission solutions, generation solutions and solutions utilizing NTAs, and other stakeholders an

opportunity to be informed about and offer input to the PNM local planning process and any proposed upgrades identified by PNM; (iii) review study results; and (iv) review local transmission plans.

- d. Coordination with SWAT and WestConnect. PNM anticipates that much of its local transmission planning process will be conducted through and coordinated with SWAT and WestConnect (see Section III.B. below).
- e. Posting of Meeting Notices. All open public meeting notices, including date, time, place and proposed meeting agenda, will be posted on the PNM OASIS and WestConnect website **Error! Hyperlink reference not valid.** and circulated to PNM's distribution list at least thirty (30) days prior to the PNM open local public meeting.
- f. Posting of Study Plans and Planning Results. Local study plans and planning results will be posted on the PNM OASIS or WestConnect website (see Hyperlinks List on PNM's OASIS at www.oasis.oati.com/pnm/index.html) and notice of such posting will be circulated to PNM's distribution list at least two (2) weeks prior to the PNM open local public meeting.
- g. Meeting Process. At the PNM open local public meetings, PNM shall: (i) review its local transmission planning process and current local study plan with stakeholders; (ii) request stakeholder review of the current local study plan; (iii) provide opportunity for comment on any aspect of its local transmission planning process; (iv) invite the submittal of local transmission study requests from stakeholders for review and discussion; (v) review local economic planning study requests; (vi) solicit information from its transmission customers on loads and resources and other needs for the preparation of its ten-year plan; and (vii) provide updates on its planned projects. During the meeting and for fifteen (15) calendar days following the meeting, all stakeholders and interested parties are encouraged to submit comments to PNM on study results presented during the meetings.
- h. Input and Comments. Stakeholders and interested parties are also encouraged to provide input, comments, advice and questions on PNM's local transmission planning process at any time by sending them to the PNM Contact for Transmission Planning Process (see Section II.A.1.).
- i. PNM's Local Open Public Meeting Schedule and Agenda. PNM holds at least two open public meetings each year with respect to the development of the PNM transmission plan, one in the 1st Quarter and one in the 4th Quarter. At the 1st Quarter meetings, PNM will solicit information on loads and resources (including NTAs), and other needs from its transmission customers for the preparation of its ten-year plan. At the 4th Quarter meetings, PNM will present a draft of its ten-year plan for stakeholder review and comment. This schedule may be modified to coordinate with the subregional, regional and

Western Interconnection-wide transmission planning processes, subject to updated postings on the PNM OASIS and WestConnect website (see Hyperlinks List on PNM's OASIS at www.oasis.oati.com/pnm/index.html).

- j. PNM Distribution List. All existing PNM network and point-to-point transmission customers and interconnection service customers will be included on PNM's distribution list and actively notified *via* email of all upcoming local open public meetings. Any other stakeholder, including but not limited to sponsors of transmission solutions, generation solutions, and solutions utilizing NTAs, wanting to be included on PNM's email distribution list should submit its information to the PNM Contact for Transmission Planning Process (see Section II.A.1)
- k. Posting of Meeting Documents. PNM will post all meeting-related notes, documents and draft or final reports on its OASIS or the WestConnect website at **Error! Hyperlink reference not valid.**)
- l. Posting of Public Documents. In order to permit all stakeholders access to the information posted on the PNM OASIS and WestConnect website, only public information will be shared, and public business conducted, in the PNM open public meetings.

C. Planning for Public Policy Requirements in the Local Planning Process

1. Procedures for Identifying Transmission Needs Driven by Public Policy Requirements.

Stakeholders may participate in identifying local transmission needs driven by Public Policy Requirements by contacting PNM's point of contact on PNM's OASIS at www.oasis.oati.com/pnm/index.html. In addition, stakeholders have the opportunity to offer input or make proposals at PNM's open meetings held pursuant to this Attachment K.

The process by which PNM is to identify those local transmission needs for which a local transmission solution(s) will be evaluated, out of what may be a larger set of local transmission needs, is to utilize the two communication channels it has in place with stakeholders, identified above, through which local transmission needs driven by Public Policy Requirements are to be part of the open dialogue: (a) direct electronic communication to the PNM dedicated email address, through which a stakeholder desiring to communicate directly with PNM transmission planners may offer its views on which local transmission needs are ripe for evaluation for solutions, and (b) through participation in PNM's open meetings held pursuant to this Attachment K.

In selecting those local transmission needs driven by Public Policy Requirements that will be evaluated for solutions in the current planning cycle, PNM is to consider, on a non-discriminatory basis, factors, including but not limited to, the following:

- (i) whether the Public Policy Requirement is driving a local transmission need that can be reasonably identified in the current planning cycle;
- (ii) the feasibility of addressing the local transmission need driven by the Public Policy Requirement in the current planning cycle;
- (iii) the factual basis supporting the local transmission need driven by the Public Policy Requirement; and
- (iv) whether the Public Policy Requirement has been identified for which a local transmission need has not yet materialized, or for which there may exist a local transmission need but the development of a solution to that need is premature. One example is a renewables portfolio increase that is enacted for implementation in a future year, and for which the process by which the renewable resource is to be identified, selected, and sited under the governing state-regulated resource adequacy process has not yet begun (making it premature to identify the location and scope of the local transmission need and/or the appropriate solution for the need).

No single factor shall necessarily be determinative in selecting among the potential transmission needs driven by Public Policy Requirements.

PNM is not required to identify any particular set of local transmission needs driven by Public Policy Requirements, but if PNM chooses not to identify any stakeholder suggested local transmission need driven by a Public Policy Requirement as a transmission need for which solutions will be evaluated in the local transmission planning process, PNM will post on its OASIS an explanation of why the suggested transmission need will not be evaluated. PNM's OASIS posting will include both an explanation of those local transmission needs driven by Public Policy Requirements that have been identified for evaluation for potential solutions in the local transmission planning process, and an explanation why other stakeholder suggested transmission needs driven by Public Policy Requirements were not identified for further evaluation. After considering the input of stakeholders, PNM is to determine whether to move forward with the identification of a local solution to a particular local need driven by Public Policy Requirements.

2. Procedures for Evaluating Solutions to Identified Transmission Needs.

Stakeholders may use the two communication avenues identified above (direct electronic communication via email and/or participation in PNM's open meetings) to participate in the evaluation of solutions to identified local transmission needs driven by Public Policy Requirements that are selected by PNM for further evaluation. Stakeholders may provide comments on proposed solutions or may submit other proposed solutions to such local transmission needs.

After seeking the input of stakeholders, PNM is to determine whether to select a

particular solution in its local transmission plan. PNM will post its local transmission plan, which will include any such solutions selected.

The procedures for evaluating potential solutions to the identified local transmission needs driven by Public Policy Requirements are the same as those procedures used to evaluate any other project proposed in the local planning process.

3. Posting of Public Policy Needs.

PNM will maintain on its OASIS (i) a list of transmission needs identified that are driven by Public Policy Requirements and that are included in the studies for the current local planning cycle; and (ii) an explanation of why other suggested transmission needs driven by Public Policy Requirements will not be evaluated.

D. Ten-year Transmission System Plan

Each year PNM uses the planning process described in Section II.A above to update its Ten-year Transmission System Plan. The PNM Ten-year Transmission System Plan identifies all of its new transmission facilities, 115 kV and above, and all facility replacements/upgrades required over the next ten-years to reliably and economically serve its loads (see Hyperlinks List on PNM's OASIS at www.oasis.oati.com/pnm/index.html).

III. Regional Transmission Planning

A. Overview

PNM participates in a regional transmission planning process through its participation in the WestConnect planning region (the "WestConnect Planning Region"). The WestConnect Planning Region is defined by the transmission owners and transmission provider members (referred to generally as "transmission owners") participating in the regional transmission planning process (the "Regional Planning Process") and for whom WestConnect is conducting regional planning. The service areas of the transmission providers consist of all or portions of nine states: Arizona, California, Colorado, Nebraska, New Mexico, Nevada, South Dakota, Texas and Wyoming.

The purpose of the WestConnect Regional Planning Process is to produce a regional transmission plan (the "Regional Plan") and provide a process for evaluating projects submitted for cost allocation in accordance with the provisions of this Attachment K and those business practices adopted by WestConnect in the WestConnect Regional Planning Process Business Practice Manual, as may be amended from time to time, available on the WestConnect website

http://www.westconnect.com/filestorage/wc_draft_regional_planning_bpm_master_ver

[sion_10_1_090312.pdf](#)) (the “Business Practice Manual”).

PNM actively participates in SWAT and the WestConnect planning processes to ensure PNM’s local transmission plans, together with data and assumptions are included in and coordinated with any applicable subregional or regional transmission plans.

Following the effective date of PNM’s September 20, 2013 Order No. 1000 compliance filing (“Effective Date”), the WestConnect Order No. 1000 regional transmission planning management committee (the “Planning Management Committee”) will commence the Regional Planning Process. This committee will be responsible for administering the Regional Planning Process. In order to align its regional process with the western interregional coordination process, it is WestConnect’s intent to begin its biennial process in even-numbered years. Should FERC acceptance of WestConnect’s compliance filing result in an effective date in an odd-numbered year, WestConnect will conduct an abbreviated planning process in its first year and begin its biennial process the next year. To effectuate such an abbreviated process, the Planning Management Committee will develop a study scope for the first year, including project submission deadlines, and post it to the WestConnect website within the first thirty (30) days of the year.

In connection with the establishment of the Planning Management Committee, the WestConnect members, in consultation with interested stakeholders, will establish a separate project agreement (the “Planning Participation Agreement”) to permit interested stakeholders to participate in the Regional Planning Process. Although, the Regional Planning Process is open to the public, stakeholders interested in having a voting right with respect to projects submitted through the Regional Planning Process will be required to execute the Planning Participation Agreement and any necessary confidentiality agreements (as further described below). The Planning Management Committee will implement the stakeholder developed Regional Planning Process, which results in a Regional Plan for the ten-year transmission planning cycle.

PNM has been a party to the WestConnect STP Project Agreement (see Hyperlinks List on PNM’s OASIS at www.oasis.oati.com/pnm/index.html) for purposes of coordinating the local transmission plans of PNM with those developed through subregional and regional transmission planning processes. The committees formed under the WestConnect STP Project Agreement and the WestConnect Steering Committee have no authority over the Planning Management Committee and the Planning Management Committee’s decision making in implementing the Regional Planning Process.

1. WestConnect Planning Participation Agreement.

Each WestConnect member will be a signatory to the Planning Participation Agreement, which formalizes the members’ relationships and establishes

obligations, including transmission owner coordination of regional transmission planning among the WestConnect participants and the local transmission planning processes and production of a Regional Plan.

2. Members.

WestConnect has two types of members: (i) transmission owners that enroll in WestConnect to comply with the Order No. 1000 planning requirements, as well as non-public utility transmission owners that are not subject to Order No. 1000, but elect to participate in the WestConnect Regional Planning Process for Order No. 1000 cost allocation purposes; and (ii) stakeholders who wish to have voting input on the methodologies, studies and decisions made in the execution of the Order No. 1000 requirements.

a. Joining the WestConnect Planning Region.

A transmission owner that wishes to enroll or participate in the WestConnect Planning Region may do so by executing the Planning Participation Agreement and paying its share of costs as provided for in the Planning Participation Agreement.

A stakeholder that wishes to have voting input may join the WestConnect Planning Region by executing the Planning Participation Agreement paying annual dues and complying with applicable provisions, as outlined in such agreement.

b. Exiting the WestConnect Planning Region.

Should a transmission owner wish to exit the WestConnect Planning Region, it must submit notice in accordance with the Planning Participation Agreement and pay its share of any WestConnect expenditures approved prior to the effective date of the formal notice of withdrawal from the WestConnect Planning Region.

Should a stakeholder wish to exit the WestConnect Planning Region, it may do so by providing notice in accordance with the Planning Participation Agreement. Withdrawing stakeholders will forfeit any monies or dues paid to the Planning Management Committee and agree to remit to the Planning Management Committee any outstanding monies owed to the committee on or prior to the effective date of such withdrawal.

c. List of Enrolled Entities.

Transmission owners enrolled in the WestConnect Planning Region for purposes of Order 1000:

- Arizona Public Service Company
- Black Hills Colorado Electric Utility Company, LP
- Black Hills Power, Inc.
- Cheyenne Light, Fuel, & Power Company
- El Paso Electric Company
- NV Energy, Inc. Operating Companies
- Public Service Company of Colorado
- Public Service Company of New Mexico
- Tucson Electric Power Company
- UNS Electric, Inc.

3. WestConnect Objectives and Procedures for Regional Transmission Planning.

The Regional Planning Process will produce a Regional Plan that complies with existing Order No. 890 principles as carried forward in Order No. 1000:

- Coordination
- Openness
- Transparency
- Information exchange
- Comparability
- Dispute Resolution

PNM, along with the other Planning Participation Agreement participants, will work through the regional planning group processes, as applicable, to integrate their transmission plans into a single, ten year Regional Plan for the WestConnect footprint by:

- a. Actively coordinating development of the Regional Plan, including incorporating information, as appropriate, from all stakeholders;
- b. Coordinating, developing and updating common base cases to be used for all study efforts within the Regional Planning Process and ensuring that each plan adheres to the methodology and format developed for the Regional Plan;
- c. Providing funding for the Planning Participation Agreement planning management functions pursuant to the Planning Participation Agreement;
- d. Maintaining a regional planning section on the WestConnect website where all WestConnect planning information, including meeting notices, meeting minutes, reports, presentations, and other pertinent information is posted;

- e. Posting detailed notices of all regional and local planning meeting agendas on the WestConnect website; and
- f. Establishing a cost allocation process for regional transmission projects selected in the Regional Planning Process for cost allocation.

B. Roles in the Regional Transmission Planning Process

1. WestConnect Role.

The Planning Management Committee is responsible for bringing transmission planning information together and sharing updates on active projects. The Planning Management Committee provides an open forum where any stakeholder interested in the planning of the regional transmission system in the WestConnect footprint can participate and obtain information regarding base cases, plans, and projects and provide input or express its needs as they relate to the transmission system. On a biennial basis and in coordination with its members, transmission owners, and other interested stakeholders, the Planning Management Committee will develop the Regional Plan. The Planning Management Committee, after considering the data and comments supplied by customers and other stakeholders, is to develop a regional transmission plan that treats similarly-situated customers (e.g., network, retail network, and native load) comparably in transmission system planning.

The Planning Management Committee charged with development and approval of the Regional Plan. The Planning Management Committee will be comprised of representatives from each stakeholder sector, as described in Section III.B.5, below. The Planning Management Committee will be empowered to create and dissolve subcommittees as necessary to facilitate fulfillment of its responsibilities in developing the Regional Plan.

2. Stakeholder Participation and Assistance

Stakeholders may participate in the Regional Planning Process by any one or more of the following ways: (a) joining one of five WestConnect regional transmission planning membership sectors described below; (b) by attending publicly-posted WestConnect regional transmission planning stakeholder meetings; and/or (c) by submitting project proposals for consideration and evaluation in the Regional Planning Process.

Attendance at meetings is open to all interested stakeholders. These meetings will include discussion of models, study criteria and assumptions, and progress updates. Formal participation, including voting as allowed by the process, can be achieved through payment of applicable fees and annual dues in accordance with the Planning Participation Agreement. Transmission owners with load serving obligation shall be the default funding source to support WestConnect

transmission planning activities beyond dues paid by other organizations. As such, transmission owners with load serving obligations shall not be responsible for annual dues.

WestConnect Planning Region members will assist stakeholders interested in becoming involved in the Regional Planning Process by directing them to appropriate contact persons and websites (see Hyperlinks List on PNM's OASIS at www.oasis.oati.com/pnm/index.html). All stakeholders are encouraged to bring their plans for future generators, loads or transmission services or NTAs to the WestConnect planning meetings. Each transmission planning cycle will contain a period during which project ideas are accepted for potential inclusion in that cycle's Regional Plan.

3. Forum for Evaluation

The WestConnect Regional Planning Process provides a forum for transmission project sponsors to introduce their specific projects to interested stakeholders and potential partners and allows for joint study of these projects by interested parties, coordination with other projects, and project participation, including ownership from other interested parties. This may include evaluation of transmission alternatives or NTAs in coordination with the Regional Planning Process.

4. Stakeholder Meetings

WestConnect will hold open stakeholder meetings on at least a semi-annual basis, or as needed and noticed by the Planning Management Committee with thirty (30) days advanced notice to update stakeholders about its progress in developing the Regional Plan and to solicit input regarding material matters of process related to the regional transmission plan. Notice for such meetings will be posted on the WestConnect website and via e-mail to the WestConnect Regional Transmission Planning e-mail distribution list.

The meeting agendas for all WestConnect planning meetings will be sufficiently detailed, posted on the WestConnect website, and circulated in advance of the meetings in order to allow stakeholders the ability to choose their meeting attendance most efficiently.

5. WestConnect Planning Governance Process.

a. Membership Sectors.

The Regional Planning Process will be governed by the Planning Management Committee, which will be tasked with executing the Regional Planning Process and will have authority for approving the Regional Plan. For those entities desiring to be a part of the management

of the Regional Planning Process, one of five Planning Management Committee membership sectors is available:

- Transmission Owners with Load Serving Obligations
- Transmission Customers
- Independent Transmission Developers and Owners
- State Regulatory Commissions
- Key Interest Groups

Except for qualified transmission owners, any entity may join any membership sector for which it qualifies, but may only participate in one membership sector. Only transmission owners with load serving obligations may join the Transmission Owners with Load Serving Obligations membership sector. The Transmission Owners with Load Serving Obligations sector will be comprised of (a) those transmission owners that enroll in the WestConnect Planning Region for purposes of compliance with Order No. 1000 and (b) those transmission owners that elect to participate in the WestConnect Regional Planning Process as coordinating transmission owners.

b. Planning Management Committee.

The Planning Management Committee will be empowered to, without limitation, create and dissolve subcommittees as necessary to ensure timely fulfillment of its responsibilities; to assess fees for membership status on the Planning Management Committee; and to assess fees for projects submitted for evaluation as part of the Regional Planning Process. The Planning Management Committee is to manage the Regional Planning Process, including approval of the Regional Plan that includes application of regional cost allocation methodologies.

The Planning Management Committee is to coordinate and have the decision making authority over whether to accept recommendations from the Planning Subcommittee and Cost Allocation Subcommittee. The Planning Management Committee, among other things, is to develop and approve the Regional Plan based on recommendations from the Planning Subcommittee and Cost Allocation Subcommittee; and develop and approve a scope of work, work plan, and periodic reporting for WestConnect planning functions, including holding a minimum of two stakeholder informational meetings per year. The Planning Management Committee is to appoint the chair of the Planning Subcommittee and Cost Allocation Subcommittee. The chair for each subcommittee must be a representative of the Transmission Owners with Load Serving Obligations member sector.

The Planning Subcommittee responsibilities include, but are not limited to, reviewing and making recommendations to the Planning Management Committee for development of study plans, establishing base cases, evaluating potential solutions to regional transmission needs, producing and recommending the Regional Plan for Planning Management Committee approval and coordinating with the Cost Allocation Subcommittee. The Planning Subcommittee shall provide public notice of committee meetings and provide opportunities for stakeholders to provide comments on the process and proposed plan.

The Cost Allocation Subcommittee responsibilities include, but are not limited to, performing and/or overseeing the performance of the cost allocation methodology. The Cost Allocation Subcommittee also is to review and make recommendations to the Planning Management Committee for modifying definitions of benefits and cost allocation methodology as necessary to meet WestConnect planning principles on identification of beneficiaries and cost allocation. The Cost Allocation Subcommittee is to review and recommend projects to the Planning Management Committee for purposes of cost allocation identified in the Regional Planning Process. The Cost Allocation Subcommittee shall provide public notice of committee meetings and provide opportunities for stakeholders to provide comments on the process and proposed cost allocation.

All actions of the Planning Management Committee (including approval of the Regional Plan) will be made possible by satisfying either of the following requirements:

- 75% of the members voting within at least three sectors approve a motion, where one of the three sectors approving is the Transmission Owners with Load Serving Obligation sector; or
- 75% of the members voting within the four member sectors other than the Transmission Owners with Load Serving Obligation sector approve a motion, and where two-thirds (2/3's) of the members voting within the Transmission Owners with Load Serving Obligation sector also approve the same motion

Each entity within a membership sector is entitled to one vote on items presented for decision, except that transmission owners in the Transmission Owners with Load Serving Obligation sector that are not enrolled in the WestConnect Planning Region are not eligible to vote on the regional cost allocation decisions of the Planning Management Committee.

Any closed executive sessions of the Planning Management Committee will only be to address matters outside of the development of the Regional Planning Process, including matters involving contracts, personnel, financial matters, or legal matters, such as, but not limited to, litigation (whether active or threatened).

C. Submission of Data by Customers, Transmission Developers, and Transmission Owners

When stakeholder feedback on modeling assumptions is requested, the data submittal period for such feedback will be established by the Planning

Management Committee. In all cases, requests for submittal of data from WestConnect members and stakeholders will be followed by a submittal window lasting no less than thirty (30) days from the date of such requests. In addition, consistent with the Regional Planning Process, any interested stakeholder may submit project ideas for consideration in the Regional Plan without a need for that stakeholder's project to qualify for a project submittal for purposes of cost allocation. Specific project submittals are treated differently than generalized project ideas. For any project seeking study by the Planning Management Committee in the Regional Planning Process (without regard to whether the project seeks cost allocation), a project submittal deposit will be collected and made subject to later true-up based upon the actual cost of the study(ies) performed. Project submittals are to be accepted through the fifth (5th) quarter of the planning cycle (or first (1st) quarter of the second (2nd) year), and are addressed in Section III.C.5 of this Attachment K.

1. Transmission Customers.

Transmission customers shall generally submit their load forecast and other relevant data through the WestConnect Planning Region member's (i.e. PNM's) local transmission planning process. However, from time to time, there may be a need for transmission customers participating in the Regional Planning Process to submit data directly to WestConnect. This data may include, but is not limited to, load forecasts, generation resource plans, demand side management resources, proposed transmission upgrade recommendations, and feedback regarding certain assumptions in the planning process.

No less than thirty (30) days notice shall be given for customers to submit any required data and data submissions shall generally be able to be made via e-mail or by posting information to a designated website.

2. Independent Transmission Developers and Owners.

Transmission developers are entities with project ideas they wish to submit into the Regional Planning Process. These may include projects submittals that the developer wishes to be considered to address an identified regional need (whether or not the project is eligible for regional cost allocation).

Each regional transmission planning cycle will include a submission period for project submittals, as described in Section III.C.5, below. Notice of the submission period will be posted on the WestConnect website and will also be made via e-mail to WestConnect stakeholders. The submission period will last for no less than thirty (30) days and during this time, any entity that wishes to submit a transmission project for consideration in the Regional Planning Process to address an identified regional need may do so.

Projects proposed by Independent Transmission Developers and Owners are

subject to the same reliability standards as projects submitted by Transmission Owners with Load Serving Obligations. The project developer shall register with NERC and WECC in accordance with the applicable registration rules in the NERC Rules of Procedure. In addition, project developers shall observe and comply with regional requirements as established by the applicable regional reliability organization, and all local, state, regional, and federal requirements.

3. Merchant Transmission Developers.

Merchant transmission developers are entities pursuing completion of projects that do not wish to have their projects considered for regional cost allocation. Nonetheless, coordination between merchant projects and the Regional Planning Process is necessary to effect a coordinated Regional Plan that considers all system needs.

Each regional transmission planning cycle will include a submission period for project submittals to address an identified regional need, as described in Section III.C.5, below. Notice of the submission period will be posted on the WestConnect website and will also be made via e-mail to WestConnect stakeholders. In addition, it is necessary for merchant transmission developers to provide adequate information and data to allow the Planning Management Committee to assess the potential reliability and operational impacts of the merchant transmission developer's proposed transmission facilities on the other systems in the region. The submission period shall last for no less than thirty (30) days and during this time sponsors of merchant transmission projects that are believed to impact the WestConnect transmission system will be asked to provide certain project information.

Projects proposed by Merchant Transmission Developer projects are subject to the same reliability standards as projects submitted by Transmission Owners with Load Serving Obligations. The project developer is responsible for properly registering with NERC and WECC in accordance with the applicable registration rules in the NERC Rules of Procedure. In addition, project developers shall observe and comply with regional requirements as established by the applicable regional reliability organization and all local, state, regional, and federal requirements.

4. Transmission Owners with Load Serving Obligation.

Transmission owners and transmission providers that are members of the WestConnect Planning Region are responsible for providing all necessary system information through the Regional Planning Process.

At the beginning of each regional transmission planning cycle, transmission owners and transmission providers that are participating in the WestConnect

Regional Planning Process shall be responsible for verifying the accuracy of any data (including, but not limited to system topology and project proposal information) they have previously submitted. Transmission owners shall also be required to submit all relevant data for any new projects being proposed for inclusion in the Regional Plan to address an identified regional need in accordance with Section III.C.5, below. Transmission owners shall also be responsible for submitting any project plans developed through their local transmission planning processes for inclusion in the Regional Plan models.

5. Transmission Project Submittals

All submittals of transmission projects to address an identified regional need, without regard to whether or not the project seeks regional cost allocation, are to contain the information set forth below, together with the identified deposit for study costs, and be submitted timely within the posted submittal period in order for the project submittal to be eligible for evaluation in the Regional Planning Process. A single project submittal may not seek multiple study requests. To the extent a project proponent seeks to have its project studied under a variety of alternative project assumptions, the individual alternatives must be submitted as individual project submittals. To be eligible to propose a project for selection in the Regional Plan, a project proponent must also be an active member in good standing within one of the five Planning Management Committee membership sectors described above in Section III.B.5.a.

- Submitting entity contact information
- Explanation of how the project is a more efficient or cost effective solution to regional transmission needs
- A detailed project description including, but not limited to, the following:
 - Scope
 - Points of interconnection to existing (or planned) system
 - Operating Voltage and Alternating Current or Direct Current status
 - Circuit Configuration (Single, Double, Double-Circuit capable, etc.)
 - Impedance Information
 - Approximate circuit mileage
- Description of any special facilities (series capacitors, phase shifting transformers, etc.) required for the project
- Diagram showing geographical location and preferred route; general description of permitting challenges
- Estimated Project Cost and description of basis for that cost
- Any independent study work of or relevant to the project

- Any WECC study work of or relevant to the project
- Status within the WECC path rating process
- The project in-service date
- Change files to add the project to a standard system power flow model
- Description of plan for post-construction maintenance and operation of the proposed line
- A \$25,000 deposit to support the cost of relevant study work, subject to true-up (up or down) based upon the actual cost of the study(ies)
- Comparison Risk Score from WECC Environmental Data Task Force, if available
- Impacts to other regions. The applicant must provide transmission system impacts studies showing system reliability impacts to neighboring transmission systems or another transmission planning region. The information should identify all costs associated with any required upgrades to mitigate adverse impacts on other transmission systems.

If impact studies and costs are not available at the time of submittal, the transmission developer may request that impact studies be performed, at the project proponent's expense, as part of the analysis to determine whether the project is the more efficient or cost effective solution. Requests for transmission system impact studies are approved through the Planning Management Committee depending on whether the project proponent provides funding for the analysis and if the request can be performed within the planning cycle timeframe.

There is to be an open submission period for project proposals to address identified regional needs. Notice of the submission period will be posted on the WestConnect website and will also be made via e-mail to WestConnect stakeholders. The submission period will last for no less than thirty (30) days and will end by the fifth (5th) quarter of the WestConnect planning cycle (or first (1st) quarter of the second (2nd) year of the planning cycle). Proposals submitted outside that window shall not be considered. The Planning Management Committee will have the authority to determine the completeness of a project submittal. Project submittals being deemed incomplete will be granted a reasonable opportunity to cure any deficiencies identified in writing by the Planning Management Committee.

Any stakeholder wishing to submit a project to address an identified regional need will be required to submit the data listed above to be considered in the Regional Planning Process. Should the submitting stakeholder believe certain information is not necessary, it shall identify the information it believes is not necessary and

shall provide a justification for its conclusion that the information is not necessary. The Planning Management Committee retains the sole authority for determining completeness of the information submittal. After the completion of the project submittal period, The Planning Management Committee will post a document on the WestConnect website detailing why any projects were rejected as incomplete. Upon posting of the document, any project submittal rejected as incomplete will be given a reasonable opportunity to cure the reason(s) it was rejected to the satisfaction of Planning Management Committee in its sole discretion.

6. Submission of NTA Projects.

Any stakeholder may submit projects proposing NTAs to address an identified regional need for evaluation under the Regional Planning Process, as those projects are described in Section III.D.5 of Attachment K. The submission period will last for no less than thirty (30) days. The submission window will end by the fifth (5th) quarter of the WestConnect planning cycle (or first (1st) quarter of the second (2nd) year of the planning cycle). The following criteria must be satisfied in order for a non-transmission alternative project submittal to be evaluated under the Regional Planning Process:

- Basic description of the project (fuel, size, location, point of contact)
- Operational benefits
- Load offset, if applicable
- Description of the issue sought to be resolved by the generating facility or non-transmission alternative, including reference to any results of prior technical studies
- Network model of the project flow study
- Short-circuit data
- Protection data
- Other technical data that might be needed for resources
- Project construction and operating costs
- Additional miscellaneous data (e.g., change files if available)

As with entities submitting a transmission project under Section III.C.5, those who submit under Section III.C.6 a non-transmission alternative under the Regional Planning Process must adhere to and provide the same or equivalent information (and deposit for study costs) as transmission alternatives. Should the submitting stakeholder believe certain information is not necessary, it shall identify the information it believes is not necessary and shall provide a justification for its conclusion that the information is not necessary. Although non-transmission alternative projects will be considered in the Regional Planning Process, they are not eligible for regional cost allocation.

7. The WestConnect Regional Planning Cycle.

The WestConnect regional transmission planning cycle is biennial. The WestConnect Planning Management Committee will develop and publish a Regional Plan every other year.

D. Transmission Developer Qualification Criteria

1. In General

A transmission developer that seeks to be eligible to use the regional cost allocation methodology for a transmission project selected in the Regional Plan for purposes of cost allocation must identify its technical and financial capabilities to develop, construct, own, and operate a proposed transmission project. To be clear, satisfaction of the criteria set forth below does not confer upon the transmission developer any right to:

- (i) construct, own, and/or operate a transmission project,
- (ii) collect the costs associated with the construction, ownership and/or operation of a transmission project,
- (iii) provide transmission services on the transmission facilities constructed, owned and/or operated.

The governing governmental authorities are the only entities empowered to confer any such rights to a transmission developer. The Planning Management Committee is not a governmental authority.

2. Information Submittal

A transmission developers seeking eligibility for potential designation as the entity eligible to use the regional cost allocation for a transmission project selected in the Regional Plan for purposes of cost allocation must submit to the Planning Management Committee the following information during the first quarter of the WestConnect planning cycle, except that during the first WestConnect planning cycle the Planning Management Committee shall have the discretion to extend the period for the submission of this information:

a) Overview

A brief history and overview of the applicant demonstrating that the applicant has the capabilities to finance, own, construct, operate and maintain a regional transmission project consistent with Good Utility Practices within the state(s) within the WestConnect planning region. The applicant should identify all transmission projects it has constructed, owned, operated and/or

maintained, and the states in which such projects are located.

b) Business Practices

A description of the applicant's experience in processes, procedures, and any historical performance related to engineering, constructing, maintaining electric transmission facilities, and managing teams performing such activities. A discussion of the types of resources, including relevant capability and experience (in-house labor, contractors, other transmission providers, etc.) contemplated for the licensing, design, engineering, material and equipment procurement, siting and routing, Right-of-Way (ROW) and land acquisition, construction and project management related to the construction of transmission projects. The applicant should provide information related to any current or previous experience financing, owning, constructing, operating and maintaining and scheduling access to regional transmission facilities.

c) Compliance History

The applicant should provide an explanation of any violation(s) of NERC and/or Regional Entity Reliability Standards and/or other regulatory requirements pertaining to the development, construction, ownership, operation and/or maintenance of electric transmission facilities by the applicant or any parent, owner, affiliate, or member of the applicant that is an Alternative Qualifying Entity(ies) under Section III.D.2.1. Notwithstanding the foregoing, if at the time the applicant submits the information required by this Section III.D.2, the applicant has not developed, constructed, owned, operated or maintained electric transmission facilities, the applicant shall instead submit such information for any electric distribution or generating facilities it develops, constructs, owns, operates and/or maintains, as applicable, to demonstrate its compliance history.

d) Participation in the Regional Planning Process

A discussion of the applicant's participation within the Regional Planning Process or any other planning forums for the identification, analysis, and communication of transmission projects.

e) Project Execution

A discussion of the capability and experience that would enable the applicant to comply with all on-going scheduling, operating, and maintenance activities associated with project development and execution.

f) Right-of-Way Acquisition Ability

The applicant's preexisting procedures and historical practices for siting, permitting, landowner relations, and routing transmission projects including, acquiring ROW and land, and managing ROW and land acquisition for transmission facilities. Any process or procedures that address siting or routing transmission facilities through environmentally sensitive areas and mitigation thereof. If the entity does not have such preexisting procedures, it shall provide a detailed description of its plan for acquiring ROW and land and managing ROW and land acquisition.

g) Financial Health

The applicant must demonstrate creditworthiness and adequate capital resources to finance transmission projects. The applicant shall either have an investment grade credit rating from both S&P and Moody's or provide corporate financial statements for the most recent five years for which they are available. Entities that do not have a credit rating, or entities less than five years old, shall provide corporate financial statements for each year that is available. Alternatively, the applicant may provide a guarantee, a surety bond, letter of credit or other form of security that is reasonably acceptable to the Planning Management Committee.

The following ratios must be provided with any explanations regarding the ratios:

- Funds from operations-to-interest coverage.
- Funds from operation-to-total debt.
- Total debt-to-total capital.
- The applicant must indicate the levels of the above ratios the company will maintain during and following construction of the transmission element.

The Planning Management Committee may request additional information or clarification as necessary.

h) Safety Program

The applicant must demonstrate that they have an adequate internal safety program, contractor safety program, safety performance record and program execution.

i) Transmission Operations

The applicant must: demonstrate that it has control center operations capabilities, including reservations, scheduling, and outage coordination, ability to become a transmission service provider; demonstrate that it has the ability to obtain required path ratings; provide evidence of its NERC compliance process and compliance history, as applicable; demonstration of

existing required NERC certifications or the ability to obtain any applicable NERC certifications, establish required Total Transfer Capability; provide evidence of storm/outage response and restoration plans; provide evidence of its record of past reliability performance, as applicable; and provide a statement of which entity will be operating completed transmission facilities and will be responsible for staffing, equipment, and crew training.

j) Transmission Maintenance

The applicant must demonstrate that they have, or have plans to develop, an adequate transmission maintenance program, including staffing and crew training, transmission facility and equipment maintenance, record of past maintenance performance, NERC compliance process and any past history of NERC compliance or plans to develop a NERC compliance program, statement of which entity will be performing maintenance on completed transmission facilities.

k) Regulatory Compliance

The applicant must demonstrate the ability, or plans to develop the ability, to comply with Good Utility Practice, WECC criteria and regional reliability standards, NERC Reliability Standards, construction standards, industry standards, environmental standards, and applicable local, state, and federal requirements.

l) Affiliation Agreements

A transmission developer can demonstrate that it meets these criteria either on its own or by relying on an entity or entities with whom it has a corporate affiliation or other third-parties with relevant experience (Alternate Qualifying Entity(ies)). In lieu of a contractual or affiliate relationship with one or more Alternate Qualifying Entity(ies) and to the extent a transmission developer intends to rely upon third-parties for meeting these criteria, the transmission developer must submit an affidavit from the third-parties stating their willingness to perform the tasks identified by the transmission developer. Such affidavits shall not be viewed as a binding statement of intent by the third-parties. If the transmission developer seeks to satisfy the criteria in whole or in part by relying on one or more Alternate Qualifying Entity(ies), the transmission developer must submit: (1) materials demonstrating to Planning Management Committee's satisfaction that the Alternate Qualifying Entity(ies) meet(s) the criteria for which the transmission developer is relying upon the Alternate Qualifying Entity(ies) to satisfy; and (2) a commitment to provide in any project cost allocation application an executed agreement that contractually obligates the Alternate Qualifying Entity(ies) to perform the function(s) for which the transmission developer is relying upon the Alternate Qualifying Entity(ies) to satisfy.

m) WestConnect Membership

A transmission developer must be a member of either the WestConnect Transmission Owners with Load Serving Obligations or Independent Transmission Developers and Owners sector, or must agree to join the WestConnect Transmission Owners with Load Serving Obligations or Independent Transmission Developers and Owners sector and agree to sign the Planning Participation Agreement if the transmission developer seeks to be an entity eligible to use the regional cost allocation method for a transmission project selected in the Regional Plan for purposes of cost allocation.

n) Other

Any other relevant project development experience that the transmission developer believes may demonstrate its expertise in the above areas.

3. Identification of Transmission Developers Satisfying the Criteria

a) Notification to Transmission Developers

No later than September 30 of each year, the Planning Management Committee is to notify each transmission developer whether it has satisfied the stated criteria. A transmission developer failing to satisfy one or more of the qualification criteria is to be informed of the failure(s) and accorded an additional opportunity to cure any deficiency(ies) within thirty (30) calendar days of notice from the Planning Management Committee by providing any additional information.

The Planning Management Committee is to inform the transmission developer whether the additional information satisfies the qualification criteria within forty-five (45) calendar days of receipt of the additional information.

The Planning Management Committee is to identify the transmission developers that have satisfied the qualification criteria (the "Eligible Transmission Developers") by posting on the WestConnect website, on or before December 31 of each year.

b) Annual Recertification Process and Reporting Requirements

By June 30 of each year, each Eligible Transmission Developer must submit to WestConnect a notarized letter signed by an authorized officer of the Eligible Transmission Developer certifying that the Eligible Transmission

Developer continues to meet the current qualification criteria.

The Eligible Transmission Developer shall submit to the Planning Management Committee an annual certification fee equal to the amount of the WestConnect annual membership fee. If the Eligible Transmission Developer is a member of WestConnect and is current in payment of its annual membership fee, then no certification fee will be required.

If at any time there is a change to the information provided in its application, an Eligible Transmission Developer shall be required to inform the Planning Management Committee chair within thirty (30) calendar days of such change so that the Planning Management Committee may determine whether the Eligible Transmission Developer continues to satisfy the qualification criteria. Upon notification of any such change, the Planning Management Committee shall have the option to: (1) determine that the change does not affect the status of the transmission developer; (2) suspend the transmission developer's eligibility status until any deficiency in the transmission developer's qualifications is cured; (3) allow the transmission developer to maintain its eligibility status for a limited time period, as specified by the Planning Management Committee, while the transmission developer cures the deficiency; or (4) terminate the transmission developer's eligibility status.

c) Termination of Eligibility Status

The Planning Management Committee may terminate an Eligible Transmission Developer's status if the Eligible Transmission Developer: (1) fails to submit its annual certification letter; (2) fails to pay the applicable WestConnect membership fees; (3) experiences a change in its qualifications and the Planning Management Committee determines that it may no longer qualify as an Eligible Transmission Developer; (4) informs the Planning Management Committee that it no longer desires to be an Eligible transmission developer; (5) fails to notify the Planning Management Committee of a change to the information provided in its application within thirty (30) days of such change; or (6) fails to execute the Planning Participation Agreement as agreed to in the qualification criteria within a reasonable time defined by the Planning Management Committee, after seeking to be an entity eligible to use the regional cost allocation method for a transmission project selected in the Regional Plan for purposes of cost allocation.

E. Regional Planning Methodology and Protocols; Evaluation and Selection of Solution Alternatives

1. Overview of Regional Planning Methodology and Evaluation Process.

The Regional Planning Process is intended to identify regional needs and more efficient or cost-effective solutions to satisfy those needs. Consistent with Order No. 890, qualified projects timely submitted through the Regional Planning Process will be evaluated and selected from competing solutions and resources such that all types of resources, as described below, are considered on a comparable basis. The same criteria and evaluation process will be applied to competing solutions and/or projects, regardless of type or class of stakeholder proposing them. Where a regional transmission need is identified, the Planning Management Committee is to perform studies that seek to meet that need through regional projects, even in the absence of project proposals advanced by stakeholders or projects identified through the WECC process. When the Planning Management Committee performs a study to meet an identified regional need in circumstances where no stakeholder has submitted a project proposal to meet that regional need, the Planning Management Committee is to pursue such studies in a not unduly discriminatory fashion and within the means permitted by Planning Management Committee funds. The study methods employed for Planning Management Committee-initiated studies will be the same types of study methods employed for stakeholder-initiated studies (see, e.g., Sections III.E.2 addressing the use of NERC Transmission Planning (TPL) Reliability Standards for regional reliability projects, Section III.E.3 addressing the use of production modeling for regional economic projects, and Section III.E.4 addressing the identification of Public Policy Requirements for regional public policy driven projects).

The solution alternatives will be evaluated against one another on the basis of the following criteria to select the preferred solution or combination of solutions: (1) ability to practically fulfill the identified need; (2) ability to meet applicable reliability criteria or NERC Transmission Planning Standards issues; (3) technical, operational and financial feasibility; (4) operational benefits/constraints or issues; (5) cost-effectiveness over the time frame of the study or the life of the facilities, as appropriate (including adjustments, as necessary, for operational benefits/constraints or issues, including dependability); (6) where applicable, consistency with Public Policy Requirements, or regulatory requirements, including cost recovery through regulated rates; and (7) a project must be determined by the Planning Management Committee to be a more efficient or more cost-effective solution to one or more regional transmission needs to be eligible for regional cost allocation, as more particularly described below in Section VII. The Regional Planning Process provides for an assessment of regional solutions falling in one or more of the following categories:

- Regional reliability solutions.
- Regional economic solutions
- Regional transmission needs driven by Public Policy Requirements.
- Non-transmission alternatives

PNM encourages all interested stakeholders to consult the Business Practice

Manual for additional details regarding the planning process, timing, and implementation mechanics. A flow chart depicting the Regional Planning Process is attached hereto as Attachment K-1.

All WestConnect Transmission Owners with Load Serving Obligations shall be responsible for submitting their local transmission plans for inclusion in the Regional Plan in accordance with the timeline stated in the Business Practice Manual. Those individual plans will be included in the Regional Plan base case system models.

2. WestConnect Reliability Planning Process.

Once the base case is established and verified, as detailed in the Business Practice Manual, WestConnect shall perform a regional reliability assessment in which the base case system models will then be checked for adherence to the relevant NERC Transmission Planning Standards through appropriate studies, including, but not limited to, steady-state power flow, voltage, stability, short circuit, and transient studies as more specifically outlined in the Business Practice Manual. If a reliability violation is identified in this power flow process, the violation will be referred back to the appropriate transmission owner.

The Planning Management Committee will identify projects to resolve any regional violations that impact more than one transmission owner of the relevant NERC or WECC Transmission Planning Standards or WECC criteria. In addition, as part of the Regional Planning Process, an opportunity will be afforded to any interested party to propose regional reliability projects that are more efficient or cost effective than other proposed solutions. The Planning Management Committee will then identify the more efficient or cost effective regional transmission project that meets the identified regional transmission need, taking into account factors such as how long the project will take to complete and the timing of the need. Because local transmission owners are ultimately responsible for compliance with NERC Reliability Standards and for meeting local needs, the local transmission plans will not be modified; however, the Planning Management Committee may identify more efficient or cost effective regional transmission projects.

3. WestConnect Economic Planning Process.

As part of the Regional Planning Process, the Planning Management Committee is to analyze whether there are projects that have the potential to reduce the total delivered cost of energy by alleviating congestion or providing other economic benefits to the transmission system located within the WestConnect Planning Region through production cost modeling. This analysis also shall take into account a WECC Board-approved recommendation to further investigate congestion within the WestConnect Planning Region for congestion relief or economic benefits that has subsequently been validated by WestConnect. Additional projects may also be proposed by stakeholders or developed through

the stakeholder input process for evaluation of economic benefits. Under the Regional Planning Process, the Planning Management Committee will identify more efficient or cost effective regional transmission projects, but will not modify local transmission plans.

Generally speaking, the WestConnect economic planning process will analyze benefits via detailed production cost simulations. The models employed in the production cost simulations will appropriately consider the impact of transmission projects on production cost and system congestion. The WestConnect economic planning process will also consider the value of decreased reserve sharing requirements in the development of a Regional Plan that is more efficient or cost effective.

4. WestConnect Public Policy Planning Process

a. Procedures for Identifying Regional Transmission Needs Driven by Public Policy Requirements

It is anticipated that any regional transmission need that is driven by Public Policy Requirements will be addressed initially within the local planning cycles of the individual transmission owners in the WestConnect Planning Region (through the consideration of local transmission needs driven by a Public Policy Requirement), since a Public Policy Requirement is a requirement that is imposed upon individual transmission owners (as opposed to a requirement that is imposed on a geographic region). For those Public Policy Requirements that affect more than one transmission owner in the WestConnect Planning Region, a solution identified at the local level to satisfy the local needs of the affected transmission owner(s), may also satisfy a regional transmission need identified by the Planning Management Committee for the WestConnect Planning Region.

WestConnect transmission owner members that are planning consistent with Order No. 890 will continue to conduct local transmission planning processes (Section II.C of this Attachment K), which provide a forum for discussions on local transmission needs driven by Public Policy Requirements. These local processes provide the basis for the individual transmission owners' local transmission plans, which are then incorporated into the regional base case at the start of the Regional Planning Process under Order No. 1000.

The Planning Management Committee is to provide notice on the WestConnect website of both regional transmission planning meetings convened by the Planning Management Committee for the WestConnect region, and local transmission planning meetings of the individual transmission owners in the WestConnect region.

The Planning Management Committee will begin the evaluation of regional transmission needs driven by Public Policy Requirements by identifying any Public Policy Requirements that are driving local transmission needs of the transmission owners in the WestConnect Planning Region, and including them in the transmission system models (the regional base case) underlying the development of the Regional Plan. Then, the Planning Management Committee will seek the input of stakeholders in the WestConnect region on those Public Policy Requirements in an effort to engage stakeholders in the process of identifying regional transmission needs driven by Public Policy Requirements. The Planning Management Committee will communicate with stakeholders through public postings on the WestConnect website of meeting announcements and discussion forums. In addition, the Planning Management Committee is to establish an email distribution list for those stakeholders who indicate a desire to receive information via electronic list serves.

After allowing for stakeholder input on regional transmission needs driven by Public Policy Requirements and regional solutions to those needs, as part of the Regional Planning Process, the Planning Management Committee is to identify in the Regional Plan those regional transmission needs driven by Public Policy Requirements that were selected by the Planning Management Committee for evaluation of regional solutions.

In selecting those regional transmission needs driven by Public Policy Requirements that will be evaluated for regional solutions in the current planning cycle, the Planning Management Committee is to consider, on a non-discriminatory basis, factors, including but not limited to, the following:

- (i) whether the Public Policy Requirement is driving a regional transmission need that can be reasonably identified in the current planning cycle;
- (ii) the feasibility of addressing the regional transmission need driven by the Public Policy Requirement in the current planning cycle;
- (iii) the factual basis supporting the regional transmission need driven by the Public Policy Requirement; and
- (iv) whether a Public Policy Requirement has been identified for which a regional transmission need has not yet materialized, or for which there may exist a regional transmission need but the development of a solution to that need is premature.

No single factor shall necessarily be determinative in selecting among the potential regional transmission needs driven by Public Policy Requirements.

The process by which Planning Management Committee is to identify those regional transmission needs for which a regional transmission solution(s) will be evaluated, out of what may be a larger set of regional transmission needs, is to utilize the communication channels it has in place with stakeholders, identified above (open meetings and discussion forums convened by the Planning Management Committee), through which regional transmission needs driven by Public Policy Requirements are to be part of the open dialogue.

b. Procedures for Identifying Solutions to Regional Transmission Needs Driven by Public Policy Requirements.

Stakeholders are to have opportunities to participate in discussions during the Regional Planning Process with respect to the development of solutions to regional transmission needs driven by Public Policy Requirements. Such participation may take the form of attending planning meetings, offering comments for consideration by the Planning Management Committee on solutions to regional needs driven by Public Policy Requirements, and offering comments on proposals made by other stakeholders or by the Planning Management Committee. Stakeholders that are members of the WestConnect Planning Management Committee are performing the function of regional transmission planning, and, developing regional solutions to identified regional transmission needs driven by Public Policy Requirements through membership on subcommittees of the Planning Management Committee.

After allowing for stakeholder input on solutions to regional transmission needs driven by Public Policy Requirements, as part of the Regional Planning Process, the Planning Management Committee is to identify in the Regional Plan those regional transmission solutions driven by Public Policy Requirements that were selected by the Planning Management Committee and any regional transmission project(s) that more efficiently or cost-effectively meet those needs.

The procedures for identifying and evaluating potential solutions to the identified regional transmission needs driven by Public Policy Requirements are the same as those procedures used to evaluate any other project proposed in the Regional Planning Process, whether or not submitted for purposes of cost allocation.

c. Proposed Public Policy

A public policy that is proposed, but not required (because it is not yet enacted or promulgated by the applicable governmental authority) may be considered through Section III.E.3 (WestConnect Economic Planning Process) of this Attachment K, if time and resources permit.

d. Posting of Public Policy Considerations

WestConnect will maintain on its website: (i) a list of all regional transmission needs identified that are driven by Public Policy Requirements and that are included in the studies for the current regional transmission planning cycle; and (ii) an explanation of why other suggested regional transmission needs driven by Public Policy Requirements will not be evaluated.

5. WestConnect NTA Planning Process

NTAs will be evaluated to determine if they will provide a more efficient or cost-effective solution to an identified regional transmission need. NTAs include, without limitation, technologies that defer or possibly eliminate the need for new and/or upgraded transmission lines, such as distributed generation resources, demand side management (load management, such as energy efficiency and demand response programs), energy storage facilities and smart grid equipment that can help eliminate or mitigate a grid reliability problem, reduce uneconomic grid congestion, and/or help to meet grid needs driven by Public Policy Requirements. NTAs are not eligible for regional cost allocation.

6. Approval of the WestConnect Regional Transmission Plan

Upon completion of the studies and stakeholder input, the Planning Management Committee will vote to approve the Regional Transmission Plan. The Regional Transmission Plan will document why projects were either included or not included in the Regional Transmission Plan. In addition, the Regional Plan shall describe the manner in which the applicable regional cost allocation methodology was applied to each project selected in the Regional Plan for purposes of regional cost allocation. Projects that meet system needs are incorporated into the Regional Transmission Plan. Participant funded projects and other types of projects may be included in the Regional Plan; however, those projects are not eligible for regional cost allocation.

7. Project Reevaluation.

The Planning Management Committee is the governing body responsible for deciding whether to reevaluate the Regional Plan to determine if the conditions, facts and/or circumstances relied upon in initially selecting a transmission project for inclusion in the Regional Plan for purposes of cost allocation have changed and, as a result, require reevaluation. Reevaluation will begin within the second planning cycle following the Effective Date. The Regional Plan and any project selected for cost allocation in the Regional Plan, including any local or single-system transmission projects or planned transmission system upgrades to existing

facilities selected for purposes of cost allocation, shall be subject to reevaluation in each subsequent planning cycle according to the criteria below. Upon reevaluation, the Regional Plan and any projects selected for purposes of cost allocation in connection therewith may be subject to modification, including the status as a project selected for cost allocation, with any costs reallocated under Section VII as if it were a new project. Only the Planning Management Committee has the authority to modify the status of a transmission project selected for cost allocation. Conditions that trigger reevaluation are:

- The underlying project characteristics and/or regional or interregional needs change in the Regional Plan. Examples include, but are not limited to: (a) a project's failure to secure a developer, or a developer's failure to maintain the qualifications necessary to utilize regional cost allocation, or (b) a change (increase or decrease) in the identified beneficiaries of a project (which changes may occur through company acquisitions, dissolutions or otherwise), or (c) a change in the status of a large load that contributes to the need for a project, or (d) projects affected by a change in law or regulation;
- Projects that are delayed and fail to meet their submitted in-service date by more than two (2) years. This includes projects delayed by funding, regulatory approval, contractual administration, legal proceedings (including arbitration), construction delays, or other delays.
- Projects with significant project changes, including, but not limited to kilovolt (kV), megavolt ampere (MVA), or path rating, number of circuits, number of transmission elements, or interconnection locations; and
- Projects with a change in the calculation of benefits or benefit/cost (B/C) ratio that may affect whether the project is selected for inclusion in the Regional Plan for purposes of cost allocation is a more efficient or cost effective regional solution.
 - Example 1: Where an increase in the selected project's costs, including but not limited to, material, labor, environmental mitigation, land acquisition, operations and maintenance, and mitigation for identified transmission system and region, causes the total project costs to increase above the level upon which the project was initially selected for inclusion in the Regional Plan for purposes of cost allocation, the inclusion of the regional project in the Regional Plan will be reevaluated to determine if the regional project continues to satisfy the region's B/C ratio and can be found to be a more efficient and cost effective solution under current cost information.
 - Example 2: A selected project's benefits may include identification of a reliability benefit in the form of remedying a violation of a Reliability Standard. If the identified beneficiary implements improvements, such as a Remedial Action Scheme, to achieve reliability in compliance with the Reliability Standard at issue, inclusion of the regional project in the regional plan will be reevaluated to determine if the regional project continues to satisfy the

region's B/C ratio and can be found to be a more efficient and cost effective solution under current benefit information.

- Example 3: Where a project's estimated benefits include benefits in the form of avoided costs (e.g., a regional project's ability to avoid a local project), and the project is not avoided, the inclusion of the regional project in the Regional Plan will be reevaluated to determine if the regional project continues to satisfy the region's B/C ratio and can be found to be a more efficient and cost effective solution under current facts and circumstances.

Projects selected for purposes of cost allocation will continue to be reevaluated until all the following conditions have been met:

- State and federal approval processes completed and approved (including cost recovery approval under Section 205 of the Federal Power Act as applicable);
- All local, state and federal siting permits have been approved; and
- Major construction contracts have been issued.

When the Regional Plan is reevaluated as the result of any of the conditions triggering reevaluation addressed above, the Planning Management Committee is to determine if an evaluation of alternative transmission solutions is needed in order to meet an identified need. In doing so, the Planning Management Committee is to use the same processes and procedures it used in the identification of the original transmission solution to the regional need. If an alternative transmission solution is needed, the incumbent transmission owner may propose one or more solutions that it would implement within its retail distribution service territory or footprint, and if such proposed solution is a transmission facility, the transmission owner may submit the project for possible selection in the Regional Plan for purposes of cost allocation.

Projects not subject to reevaluation include, but are not limited to, the following:

- Local or single system transmission projects that have been identified in individual transmission provider's Transmission Planning (TPL) Reliability Standards compliance assessments to mitigate reliability issues and that have not been proposed for (and selected by the Planning Management Committee for) regional cost allocation; and
- Planned transmission system upgrades to existing facilities that have not been proposed for (and selected by the Planning Management Committee for) regional cost allocation.

Projects meeting any of the following criteria as of the Effective Date will also not be subject to reevaluation under the Regional Planning Process:

- Projects of transmission owners who have signed the Planning Participation Agreement and that have received approval through local or

- state regulatory authorities or board approval;
- Local or single system transmission projects that have been planned and submitted for inclusion in the Regional Plan or exist in the 10-year corporate capital project budgets; and
- Projects that are undergoing review through the WECC Project Coordination and Rating Review Process as of the Effective Date.

8. Confidential or Proprietary Information

Although the Regional Planning Process is open to all stakeholders, stakeholders will be required to comply at all times with certain applicable confidentiality measures necessary to protect confidential information, proprietary information or CEII. From time to time the regional transmission planning studies and/or open stakeholder meetings may include access to base case data that are WECC proprietary data, information classified as CEII by FERC, or other similar confidential or proprietary information. In such cases, access to such confidential or proprietary information shall be limited to only those stakeholders that (i) hold membership in or execute a non-disclosure agreement with WECC (see Hyperlinks List on PNM's OASIS at www.oasis.oati.com/pnm/index.html); (ii) execute a non-disclosure agreement with the applicable WestConnect Planning Region members; or (iii) are parties to the Planning Participation Agreement, as may be applicable.

Any entity wishing to access confidential information, subject to applicable standards of conduct requirements, discussed in the Regional Planning Process must execute an NDA, and submit it to NDA@westconnect.com. The NDA can be accessed on the WestConnect website.

IV. **Recovery of Planning Costs**

Unless PNM allocates planning-related costs to an individual stakeholder as permitted under the Tariff, all costs incurred by PNM related to its annual Ten Year Transmission Planning process, or its participation in the sub-regional or Regional Planning Process (including the interregional activities set forth in Section VIII), shall be included in PNM's transmission rate base, as applicable.

V. **Dispute Resolution**

In the event of a dispute concerning either a procedural or substantive matter within the jurisdiction of FERC, the following dispute resolution processes will apply:

1. WECC. If the dispute is one that is within the scope of the WECC dispute resolution procedures, then such procedures contained in the WECC Business and Governance Guidelines and Policies shall apply (see Hyperlinks List on PNM's OASIS at www.oatioasis.com/pnm/index.html).

2. Non-WECC disputes. For disputes not within the scope of the WECC dispute resolution procedures, the dispute resolution procedures set forth in Section 12 of PNM's OATT, as applicable, will apply, with the added provision that upon agreement of the parties, any dispute that is not resolved by direct negotiation between or among the affected parties within a reasonable period of time, may be referred to mediation (before or during arbitration), and all applicable timelines will be suspended until such time as the mediation process terminates (unless otherwise agreed by the parties). Notwithstanding that the dispute resolution procedures under Section 12 of PNM's OATT apply only to PNM and its respective Transmission Customers, Section 12 of PNM's OATT will be deemed to be applicable to stakeholders for purposes of this Attachment K, except as otherwise provided herein.
3. Notwithstanding anything to the contrary in this Section V, any affected party may refer the matter to FERC for resolution, for example, by filing with FERC a complaint, a request for declaratory order or a change in rate.

For disputes between members of the Planning Management Committee, the following dispute resolution procedures are to apply:

- a. The disputing Planning Management Committee member(s) must initiate its dispute by providing written notification to the Planning Management Committee (or a designated sub-committee of the Planning Management Committee) in accordance with the provisions of the Planning Participation Agreement, in which event the Planning Management Committee will seek to resolve the dispute through discussion, negotiation and the development of a recommended course of action. The Planning Management Committee may act to adopt a resolution recommended by its own committees, sub-committees or members, or alternatively may act to refer the dispute to arbitration for resolution.
- b. A dispute may be referred to arbitration under the governing provisions of the Planning Participation Agreement.
- c. The availability of the dispute resolution avenues identified above does not eliminate a disputing Planning Management Committee member's(s') right under the Federal Power Act to refer either a procedural or substantive matter within the jurisdiction of FERC to FERC for resolution, for example by filing with FERC a complaint, a request for declaratory order or a change in rate. A disputing Planning Management Committee member first must pursue resolution under the provisions of the Planning Participation Agreement before referring a procedural or substantive matter within the jurisdiction of FERC to FERC for resolution.

All disputes, whether they arise under this Attachment K or between members of the Planning Management Committee, must be initiated no later than thirty (30) calendar days from the date on which the conduct that gives rise to the dispute occurs.

VI. Coordination at the Western Interconnection Level

PNM will coordinate its plan on a west-wide regional basis through WestConnect. WestConnect will coordinate its Regional Plan with TEPPC.

A. Procedures for Regional Planning Project Review

1. WECC Coordination of Reliability Planning.
 - a. WECC develops the Western Interconnection wide base cases for transmission planning analysis such as power flow, stability, and dynamic voltage stability studies. The WECC approved base cases are used for study purposes by transmission planners, subregional transmission planning groups, and other entities that have signed non-disclosure agreements with WECC.
 - b. WECC also maintains a database for reporting the status of all planned projects throughout the Western Interconnection.
 - c. WECC provides for coordination of planned projects through its Procedures for Regional Planning project review.
 - d. WECC's path rating process ensures that a new project will have no adverse effect on existing projects or facilities.
2. WECC-TEPPC Open Stakeholder Meetings. Western Interconnection wide economic planning studies are conducted by the WECC-TEPPC in an open stakeholder process that holds region-wide stakeholder meetings on a regular basis. The WECC-TEPPC Transmission Planning Protocol, including the TEPPC procedures for prioritizing and completing regional economic studies, is posted on the WECC website (see Hyperlinks List on PNM's OASIS at www.oasis.oati.com/pnm/index.html). PNM participates in region-wide planning through the WestConnect Planning Region, as appropriate, to ensure data and assumptions are coordinated.
3. Role of WECC-TEPPC: WECC-TEPPC provides two main functions in relation to the PNM planning process.
 - a. Development and maintenance of the west-wide economic planning study database.
 - i. TEPPC uses publicly available data to compile a database that can be used by a number of economic congestion study tools.
 - ii. TEPPC's database is publicly available for use in running economic congestion studies. For an interested transmission customer or stakeholder to utilize WECC's Pro-Mod planning model, such transmission customer or stakeholder must comply with the WECC confidentiality requirements.

- b. Performance of economic planning studies. TEPPC has an biennial study cycle, described in the WECC-TEPPC Transmission Planning Protocol (see Hyperlinks List on PNM's OASIS at www.oasis.oati.com/pnm/index.html), during which it will update databases, develop and approve a study plan that includes studying Requester's high priority economic study requests as determined by the open TEPPC stakeholder process, perform the approved studies and document the results in a report.
- c. Identification of Congested Paths for WestConnect Economic Review

Through TEPPC's economic study process, congested paths may be reviewed and identified as being candidates for economic transmission studies. Upon WECC Board approval of a designation for such a path, the WestConnect Regional Planning Process shall review the path for potential economic transmission solutions.

VII. Cost Allocation and New Projects

A. Local Transmission Projects

Local Transmission Projects are projects located within a Transmission Owners retail distribution service territory or footprint unless such projects are submitted and selected in the Regional Plan² for purposes of cost allocation. A Transmission Owner is not precluded from proposing Local Transmission Projects for inclusion in the Regional Plan for purposes of cost allocation in the Regional Planning Process. A Local Transmission Project that is not submitted or not selected for inclusion in the Regional Plan is not eligible for cost allocation in the Regional Plan, and not subject to the provisions governing regional cost allocation set forth below.

For any transmission project where PNM is the sole owner or such project is to be built within or for the benefit of the existing PNM's system, such as local, small and/or reliability transmission projects, PNM will proceed with the project pursuant to its rights and obligations as a transmission provider for the local area. Any projects necessary to ensure the reliability or that provide economic benefits to the PNM system and which fall outside the requirements for inclusion in the Regional Plan for purposes of cost allocation are eligible to be considered Local Transmission Projects.

PNM may share ownership, and associated costs, of any new transmission project, based upon mutual agreement between the parties. Such a joint ownership arrangement may arise because of existing joint ownership of facilities in the area of the new facilities, overlapping

² The reference to a transmission owner's "footprint" refers to the electrical footprint of the transmission owner (i.e., the location of that transmission owners electrical assets) and not necessarily the physical/spatial footprint. Where a transmission owner within the WestConnect Planning Region is a transmission-only company with no retail distribution service territory, the term, footprint, would refer to the location of the transmission facilities of such transmission-only company.

service territories, or other relevant considerations.

PNM will utilize a case-by-case approach to allocate costs for new transmission projects. This approach will be based on the following principles:

1. Open Season Solicitation of Interest.

For any Local Transmission Project identified in a PNM reliability or economic planning study in which PNM is the project sponsor, PNM may elect to provide an “open season” solicitation of interest to secure additional project participants. Upon a determination by PNM to hold an open season solicitation of interest for a Local Transmission Project, PNM will:

- a. Announce and solicit interest in the project through informational meetings, its website and/or other means of dissemination as appropriate.
- b. Hold meetings with interested parties and meetings with public utility staffs from potentially affected states.
- c. Post information *via* PNM’s OASIS website.
- d. Develop the initial transmission project specifications, the initial cost estimates and potential transmission line routes; guide negotiations and assist interested parties to determine cost responsibility for initial studies; guide the project through the applicable line siting processes; develop final project specifications and costs; obtain commitments from participants for final project cost shares; and secure execution of construction and operating agreements.

2. PNM Coordination within a Solicitation of Interest Process.

PNM, whether as a project sponsor or a participant, will coordinate as necessary with any other participant or sponsor, as the case may be.

3. PNM Projects without a Solicitation of Interest.

PNM may elect to proceed with small and/or reliability Local Transmission Projects without an open season solicitation of interest, in which case PNM will proceed with the project pursuant to its rights and obligations as a Transmission Provider.

4. Allocation of Costs.

a. Proportional Allocation.

For any Local Transmission Project entered into pursuant to an open season solicitation process, project costs and associated transmission rights will generally be allocated proportionally to project participants’ respective ownership shares

subject to a negotiated participation agreement. In the event the open season process results in a single participant, the full cost and transmission rights will be allocated to that participant. Nothing in this section precludes project participants from utilizing another cost allocation methodology, provided all project participants agree to the alternative.

b. Economic Benefits or Congestion Relief.

For a Local Transmission Project wholly within the PNM local transmission system that is undertaken for economic reasons or congestion relief at the request of a Requester, the project costs will be allocated to the Requester.

c. PNM Rate Recovery.

Notwithstanding the foregoing provisions, PNM will not assume cost responsibility for any Local Transmission Project if the cost of the project is not reasonably expected to be recoverable in its retail and/or wholesale rates.

B. Regional Transmission Projects.

For any project determined by the Planning Management Committee to be eligible for regional cost allocation, project costs will be allocated proportionally to those entities determined by the Planning Management Committee, as shown in the Regional Plan, to be beneficiaries enrolled in the WestConnect Planning Region, as identified in this Attachment K. A project that electrically interconnects with, or that is demonstrated to provide quantifiable benefits (as such benefits are defined in this Attachment K) to a transmission owner located within the WestConnect Planning Region, but not enrolled in the WestConnect Planning Region is not eligible for regional cost allocation. Similarly, a project that electrically interconnects with, or that is demonstrated to provide quantifiable benefits (as such benefits are defined in this Attachment K) to a transmission owner not enrolled in any planning region is not eligible for regional cost allocation.

The Planning Management Committee, with input from the Cost Allocation Subcommittee, is to determine whether a project is eligible for regional cost allocation, and assess the project's costs against its benefits in accordance with the following factors:

- Benefits and beneficiaries will be identified before cost allocation methods are applied. If an entity other than a transmission owner enrolled in the region (see III.A.2.c) is an identified beneficiary, the project is not eligible for regional cost allocation.
- Cost assignments shall be commensurate with estimated benefits.
- Those that receive no benefits shall not be involuntarily assigned costs.
- A benefit-to-cost threshold of not more than 1.25 shall be used as applicable, so that projects with significant benefits are not excluded.
- Costs shall be allocated solely within the region, unless an entity outside the region voluntarily assumes costs.

- Costs for upgrades on neighboring transmission systems or other planning regions that are (i) required to be mitigated by the WECC Path Rating process, FERC tariff requirements, or NERC Reliability Standards, or (ii) negotiated among interconnected parties, will be included in the total project costs and used in the calculation of B/C ratios.
- Cost allocation method and data shall be transparent and with adequate documentation.
- Different cost allocation methods may be used for different types of projects.

Specifically, the Planning Management Committee will consider the following projects eligible for cost allocation consideration as further described below based on specified criteria:

- Reliability projects;
- Economic or congestion relief projects; or
- Public policy projects.

Only projects that fall within one or more of these three categories and satisfy the cost-to-benefit analyses and other requirements, as specified herein, are eligible for cost allocation in the WestConnect Planning Region. PNM encourages all interested stakeholders to consult the Business Practice Manual for additional details regarding the assessment for eligibility for regional cost allocation. Summary provisions are provided below:

1. Allocation of Costs for Reliability Projects

In order to allocate costs to an enrolled transmission owner for system reliability improvements that are necessary for their systems to meet the NERC Transmission Planning Standards, the WestConnect cost allocation procedure will allocate costs for system reliability improvements only when a system improvement is required to comply with the NERC Transmission Planning Standards during the planning horizon.

All components of a transmission owner's local transmission plan will be rolled up into the Regional Plan and will be considered local transmission projects that are not eligible for regional cost allocation. A system performance analysis will be performed on the collective plans to ensure the combined plans adhere to all relevant NERC Transmission Planning Standards, and stakeholders will be afforded an opportunity to propose projects that are more efficient or cost effective than components of multiple transmission owner local plans as outlined in Section III.E above.

Should a reliability issue be identified in the review of the included local transmission plan, the project necessary to address that reliability issue will be included in the Regional Plan and the cost will be shared by the utilities whose

load contributed to the need for the project.

Should multiple utilities have separate reliability issues that are addressed more efficiently or cost effectively by a single regional project, that regional project will be approved for selection in the Regional Plan and the cost will be shared by those enrolled transmission owners in proportion to the cost of alternatives that could be pursued by the individual transmission owners to resolve the reliability issue. The ultimate responsibility for maintaining system reliability and compliance with NERC Transmission Planning Standards rests with each transmission owner.

The costs for regional reliability projects will be allocated according to the following equation:

$$(1 \text{ divided by } 2) \text{ times } 3 \text{ equals } 4$$

Where:

- 1 is the cost of local reliability upgrades necessary to avoid construction of the regional reliability project in the relevant enrolled transmission owner's retail distribution service territory or footprint
- 2 is the total cost of local reliability upgrades in the combination of enrolled transmission owners' retail distribution service territories or footprints necessary to avoid construction of the regional reliability project
- 3 is the total cost of the regional reliability project
- 4 is the total cost allocated to the relevant enrolled transmission owner's retail distribution service territory or footprint

The manner in which the Planning Management Committee applied this methodology to allocate the costs of each regional reliability project shall be described in the Regional Plan.

2. Allocation of Costs for Economic Projects

Cost allocation for economic projects associated with congestion relief that provide for more economic operation of the system will be based on the calculation of economic benefits that each enrolled transmission owner system will receive. Cost allocation for economic projects shall include scenario analyses to ensure that benefits will actually be received by beneficiaries with relative certainty. Projects for which benefits and beneficiaries are highly uncertain and vary beyond reasonable parameters based on assumptions about future conditions will not be selected for cost allocation.

In order for a project to be considered economically-justified and receive cost

allocation associated with economic projects, the project must have a B/C ratio that is greater than 1.0 under each reasonable scenario evaluated and have an average ratio of at least 1.25 under all reasonable scenarios evaluated. Costs will be allocated on the basis of the average of all scenarios evaluated. The B/C ratio shall be calculated by the Planning Management Committee. This B/C ratio shall be determined by calculating the aggregate load-weighted benefit-to-cost ratio for each transmission system in the WestConnect Planning Region. The benefits methodology laid out below ensures that the entities that benefit the most from the completion of an economic project are allocated costs commensurate with those project benefits.

The cost of any project that has an aggregate 1.25 B/C ratio or greater will be divided among the enrolled transmission owners that show a benefit based on the amount of benefits calculated to each respective transmission owner. For example, if a \$100 million dollar project is shown to have \$150 million in economic benefit, the entities for which the economic benefit is incurred will be determined. The cost of the project will then be allocated to those entities, based on the extent of each entity's economic benefits relative to the total project benefits. This will ensure that each entity that is allocated cost has a B/C ratio equal to the total project B/C ratio. For example:

- Project with \$150 million in economic benefit and \$100 million in cost
 - Company 1 has \$90 million in benefits; Company 2 has \$60 million in benefits
 - Company 1 allocation: $90/150 (100) = \$60$ million
 - Company 1 B/C ratio: $90/60 = 1.5$
 - Company 2 allocation: $60/150 (100) = \$40$ million
 - Company 2 B/C ratio: $60/40 = 1.5$

Other than through the reevaluation process described in Section III.E.7 of this Attachment K, the benefits and costs used in the evaluation shall only be calculated during the planning period and shall be compared on a net present value basis.

The WestConnect economic planning process shall consider production cost savings and reduction in reserve sharing requirements as economic benefits capable of contributing to the determination that a project is economically justified for cost allocation. Production cost savings are to be determined by the Planning Management Committee performing a product cost simulation to model the impact of the transmission project on production costs and congestion. Production cost savings will be calculated as the reduction in production costs between a production cost simulation with the project included compared to a simulation without the project. Reductions in reserve sharing requirements are to be determined by the Planning Management Committee identifying a transmission project's impact on the reserve requirements of individual

transmission systems, and not on the basis of the project's collective impact on a reserve sharing group, as a whole. The production cost models are to appropriately consider the hurdle rates between transmission systems. The following production cost principles may be applied:

- The production cost savings from a project must be present in each year from the project in-service date and extending out at least 10 years.
- Cost savings must be expressed in present-value dollars and should consider the impact of various fuel cost forecasts.
- The product cost study must account for contracts and agreements related to the use of the transmission system (this refers to paths in systems that might be contractually limited but not reliability limited).
- The production cost study must account for contracts and agreements related to the access and use of generation (this refers to generators that might only use spot purchases for fuel rather than firm purchases, or generation that has been designated as network resources for some entities and thus cannot be accessed at will by non-owners).

Access by stakeholders to the Planning Management Committee's application of its regional cost allocation method for a specific economic transmission project is available in several ways: First, stakeholders that are members of the Planning Management Committee will have firsthand knowledge of the way in which the regional method was applied to a particular project because the Planning Management Committee is responsible for performing the application of the regional cost allocation method. Second, stakeholders that choose not to become members of the Planning Management Committee may access such information through the WestConnect regional stakeholder process. See Section III.B of this Attachment K. Third, the manner in which the Planning Management Committee applied this methodology to allocate the costs of each economic project shall be described in the Regional Plan.

In determining which entities will be allocated costs for economic projects, WestConnect will compare the economic value of benefits received by an entity with the cost of the project to ensure that each entity allocated cost receives a benefit/cost ratio equal to the aggregate load-weighted benefit-to-cost ratio. These costs allocated to each company will be calculated based on the following equation:

$$(1 \text{ divided by } 2) \text{ times } 3 \text{ equals } 4$$

Where:

- 1 is the total projected present value of economic benefits for the relevant enrolled transmission owner
- 2 is the total projected present value of economic benefits for the entire project
- 3 is the total cost of the economic project

- 4 is the total cost allocated to the relevant enrolled transmission owner

Any enrolled transmission owner with benefits less than or equal to one percent of total project benefits shall be excluded from cost allocation. Where a project satisfies the B/C ratio, and is determined to provide benefits less than or equal to one percent of total project benefits to an identified enrolled transmission owner, such benefits will be re-allocated to all other identified enrolled beneficiaries on a pro-rata basis, in relation to each entity's share of total project benefits.

3. Allocation of Costs for Public Policy Projects

Any transmission system additions that arise from Public Policy Requirements, shall be included in the system models used for the WestConnect transmission system studies. Further, any additional system needs that arise from proposed public policy shall be reported by each entity for its own service territory. Decisions on the inclusion of those needs shall be made during the consideration and approval of the system models. Transmission needs driven by Public Policy Requirements will be included in the evaluation of reliability and economic projects.

Except for projects proposed through a transmission owner's local planning process, arising out of a local need for transmission infrastructure to satisfy Public Policy Requirements that are not submitted as projects for cost allocation (which are addressed in Section II of this Attachment K), any projects arising out of a regional need for transmission infrastructure to satisfy the Public Policy Requirements shall be considered public policy projects eligible for evaluation in the Regional Planning Process.

Stakeholders may participate in identifying regional transmission needs driven by Public Policy Requirements. After seeking the input of stakeholders pursuant to the stakeholder participation provisions of Section III, the Planning Management Committee is to determine whether to move forward with the identification of a regional solution to a particular regional need driven by Public Policy Requirements. Stakeholders may participate in identifying a regional solution to a regional need driven by Public Policy Requirements pursuant to the stakeholder participation provisions of Section III, or through membership on the Planning Management Committee itself. After seeking the input of stakeholders, the Planning Management Committee is to determine whether to select a particular regional solution in the regional transmission plan for purposes of cost allocation. The identification of beneficiaries of these projects shall be the entities that will access the resources enabled by the project in order to meet their Public Policy Requirements.

If an entity accesses resources that were enabled by a prior public policy project, that entity will need to either share in its relative share of the costs of that public

policy project or acquire sufficient transmission service rights to move the resources to its load with the determination left up to the entity or entities that were originally allocated the cost for the public policy project.

The costs for public policy projects will be allocated according to the following equation:

$$(1 \text{ divided by } 2) \text{ times } 3 \text{ equals } 4$$

Where:

- 1 is the number of megawatts of public policy resources enabled by the public policy project for the entity in question
- 2 is the total number of megawatts of public policy resources enabled by the public policy project
- 3 is the total project cost
- 4 is the cost for the public policy project allocated to the entity in question

The process to interconnect individual generation resources is provided for under the generator interconnection section each utility's OATT and not under this process.

Requests for transmission service that originate in a member's system and terminate at the border shall be handled through that member's OATT. Regional transmission needs necessary to meet Public Policy Requirements will be addressed through the Public Policy Requirements section of the Regional Planning Process.

The manner in which WestConnect applied this methodology to each public policy project shall be described in the Regional Transmission Plan.

4. Combination of Benefits

In developing a more efficient or cost effective plan, it is possible for the plan to jointly consider multiple types of benefits when approving projects for inclusion in the Regional Plan. The determination to consider multiple types of benefits for a particular project shall be made through the WestConnect stakeholder process, in which interested stakeholders are given an opportunity to provide input as set forth in Section III of this Attachment K. In determining whether a project would provide multiple benefits, the Planning Management Committee is to categorize the benefits as (a) necessary to meet NERC Transmission Planning Reliability Standards (reliability); (b) achieving production cost savings or a reduction in

reserve sharing requirements (economic); or (c) necessary to meet transmission needs driven by Public Policy Requirements, as applicable, using the methods set forth in this Attachment K. The Planning Management Committee will identify all three categories of benefits in its regional cost allocation process. If a project cannot pass the cost allocation threshold for any one of the three benefit categories, alone (reliability, economic or public policy), the sum of benefits from each benefit category may be considered.

The costs for projects that rely upon multiple types of benefits to secure inclusion in the Regional Plan for purposes of cost allocation will be shared according to the amount of cost that is justified by each type of benefits.

5. Allocation of Ownership and Capacity Rights.

An Eligible Transmission Developer that is subject to the Commission's jurisdiction under Section 205 of the Federal Power Act may not recover project costs from identified beneficiaries enrolled in the WestConnect Planning Region without securing approval for project cost recovery from FERC through a separate proceeding brought by the Eligible Transmission Developer under Section 205 of the Federal Power Act. In no event will identified beneficiaries enrolled in the WestConnect Planning Region from whom project costs are sought to be recovered under Section 205 be denied either transmission transfer capability or ownership rights proportionate to their allocated costs, as determined by FERC in such proceeding. An Eligible Transmission Developer who is not subject to the Commission's jurisdiction under Section 205 of the Federal Power Act would have to seek cost recovery from identified beneficiaries enrolled in the WestConnect Planning Region either: (a) through bilateral agreements that are voluntarily entered into between such Eligible Transmission Developer and the applicable identified beneficiaries; or (b) by obtaining approval from FERC for project cost recovery pursuant to any other applicable section of the Federal Power Act.

If a project beneficiary receives transmission transfer capability on the project in exchange for transmission service payments, such project beneficiary may resell the transfer capability. Alternatively, a project beneficiary could seek to make a direct capital contribution to the project construction cost (in lieu of making transmission service payments) in which case, the project beneficiary would instead receive an ownership percentage in proportion to their capital contribution (Ownership Proposal). This Ownership Proposal does not create a right of first refusal for transmission beneficiaries.

An ownership alternative will only be pursued if the Eligible Transmission Developer agrees. The Eligible Transmission Developer and the beneficiaries will enter into contract negotiations to address the many details regarding the capital funding mechanics and timing, as well as other details, such as defining (as between the Eligible Transmission Developer, whether a nonincumbent or

incumbent transmission developer, and those receiving ownership interests) responsibility for operations and maintenance, administrative tasks, compliance with governing laws and regulations, etc. These negotiations will take place at arm's length, without any one party having undue leverage over the other.

A transmission project beneficiary should not be expected to pay for its benefits from the project twice: once through a capital contribution, and again through transmission service payments. The Ownership Proposal permits an ownership share in a project that is in the same proportion to a beneficiary's allocable costs, which costs will have been allocated roughly commensurate with the benefits to be gained from the project. This will allow the beneficiary to earn a return on its investment. In addition, it allows those beneficiaries that may not necessarily benefit from additional transfer capability on a new transmission project, whether due to lack of contiguity to the new facilities or otherwise, to realize the benefits through an ownership option.

Any transmission project participant that is identified as a beneficiary of the project might be permitted by the Eligible Transmission Developer to contribute capital (in lieu of transmission service payments) and receive a proportionate share of ownership rights in the transmission project. The Ownership Proposal affords an identified beneficiary who contributes toward the project costs the opportunity to obtain an ownership interest in lieu of an allocated share of the project costs through transmission service payments in exchange for transfer capability on the project; it does not, however, confer a right to invest capital in a project. The Ownership Proposal merely identifies that, to the extent it is agreed among the parties that capital may be contributed toward a transmission project's construction, a proportionate share of ownership rights will follow.

Nothing in this Attachment K with respect to Order No. 1000 cost allocation imposes any new service on beneficiaries. Similarly, nothing in this Attachment K with respect to Order No. 1000 cost allocation imposes on an Eligible Transmission Developer of a project an obligation to provide transmission service to identified beneficiaries simply as a result of a project's having been selected in the Regional Plan for purposes of cost allocation; provided, however, if that Eligible Transmission Developer seeks authorization to provide transmission services to beneficiaries or others, and to charge rates or otherwise recover costs from beneficiaries or others associated with any transmission services it were to propose, it must do so by contract and/or under separate proceedings under the Federal Power Act. The purpose of this Section VII.B.5 is to (a) provide an option to a project developer to negotiate ownership rights in the project with identified beneficiaries, if both the developer and the identified beneficiaries mutually desire to do so, and (b) specify that, although Order No. 1000 cost allocation does not impose any new service on beneficiaries, identified beneficiaries have the opportunity to discuss with the project developer the potential for entering into transmission service agreements for transmission capacity rights in the project, and (c) ensure that Order No. 1000 cost allocation

does not mean that a project developer may recover project costs from identified beneficiaries without providing transmission transfer capability or ownership rights, and without securing approval for project cost recovery by contract and/or under a separate proceeding under the Federal Power Act.

If an Eligible Transmission Developer is not subject to the Commission's jurisdiction under Section 205 of the Federal Power Act, the Eligible Transmission Developer would have to seek to recover project costs from identified beneficiaries enrolled in the WestConnect Planning Region either: (a) through bilateral agreements that are voluntarily entered into between such Eligible Transmission Developer and the applicable identified beneficiaries; or (b) by obtaining approval from FERC for project cost recovery pursuant to any other applicable section of the Federal Power Act.

6. Project Development Schedule.

The Planning Management Committee will not be responsible for choosing a developer for, or managing the development of, any project selected for inclusion in the Regional Plan. However, after having selected a project in the Regional Plan, the Planning Management Committee will monitor the status of project's development. If a transmission facility is selected for inclusion in the Regional Plan for purposes of cost allocation, the transmission developer of that transmission facility must submit a development schedule that indicates the required steps, such as the granting of state approvals, necessary to develop and construct the transmission facility such that it meets the regional transmission needs of the WestConnect Planning Region. As part of the ongoing monitoring of the status of the transmission project once it is selected, the transmission owners and providers in the WestConnect Planning Region will establish the dates by which the required steps to construct must be achieved that are tied to when construction must begin to timely meet the need that the project is selected to address. If such required steps have not been achieved by those dates, then the transmission owners and providers in the WestConnect Planning Region may remove the transmission project from the selected category and proceed with reevaluating the Regional Plan to seek an alternative solution.

7. Economic Benefits or Congestion Relief.

For a transmission project wholly within the Transmission Provider's local transmission system that is undertaken for economic reasons or congestion relief at the request of a Requester, the project costs will be allocated to the Requester.

8. Transmission Provider Rate Recovery.

Notwithstanding the foregoing provisions, Transmission Provider will not assume cost responsibility for any transmission project if the cost of the project is not reasonably expected to be recoverable in its retail and/or wholesale transmission

rates.

9. No Obligation to Construct.

The Regional Planning Process is intended to determine and recommend more efficient or cost-effective transmission solutions for the WestConnect Planning Region. After the Regional Plan is approved, due to the uncertainty in the Regional Planning Process and the need to address cost recovery issues, the Regional Planning Process shall not obligate any entity to construct, nor obligate any entity to commit to construct, any facilities, including any transmission facilities, regardless of whether such facilities are included in any plan. Nothing in this Attachment K, the Business Practice Manual or the Planning Participation Agreement, or any cost allocation under this Attachment K and the Business Practice Manual shall (1) determine any transmission service to be received by, or any transmission usage by, any entity; (2) obligate any entity to purchase or pay for, or obligate any entity to commit to purchase or pay for, any transmission service or usage; (3) obligate any entity to implement or effectuate, or commit to implement or effectuate, any cost allocation; (4) obligate any entity to pay, or commit to pay, costs of any project or proposed project in accordance with any cost allocation; or (5) entitle any entity to recover for any transmission service or usage or to recover from any entity any cost of any transmission facilities, regardless of whether such transmission facilities are included in any plan. Without limiting the generality of the foregoing, nothing in this Attachment K, the Business Practice Manual or the Planning Participation Agreement with respect to regional cost allocation shall preclude any WestConnect Planning Region member from satisfying its statutory requirements.

10. Binding Order No. 1000 Cost Allocation Methods

Order No. 1000 cost allocation methods as set forth in Section VII of this Attachment K are binding on identified beneficiaries enrolled in the WestConnect Planning Region, without prejudice to the following rights and obligations: (1) the right and obligation of the Planning Management Committee to reevaluate a transmission facility previously selected for inclusion in the regional plan for purposes of Order No. 1000 cost allocation under Section III.E.7 of this Attachment K; (2) the right and obligation of an Eligible Transmission Developer to make a filing under Section 205 or other applicable provision of the Federal Power Act in order to seek approval from the Commission to recover the costs of any transmission facility selected for inclusion in the regional plan for purposes of Order No. 1000 cost allocation; (3) the right and obligation of any interested person to intervene and be heard before the Commission in any Section 205 or other applicable provision of proceeding initiated by an Eligible Transmission Developer, including the right of any identified beneficiaries of the transmission facility to support or protest the filing and to present evidence on whether the proposed cost recovery is or is not just and reasonable; and (4) the right and obligation of the Commission to act under Section 205 or other applicable provision of the Federal Power Act to approve or deny any cost recovery sought

by an Eligible Transmission Developer for a transmission facility selected in the regional plan for purposes of Order No. 1000 cost allocation³.

11. Impacts of a Regional Project on Neighboring Planning Regions

The Planning Management Committee is to study the impact(s) of a regional transmission project on neighboring planning regions, including the resulting need, if any, for mitigation measures in such neighboring planning regions. If the Planning Management Committee finds that a regional transmission project in the WestConnect Planning Region causes impacts on a neighboring planning region that requires mitigation (a) by the WECC Path Rating Process, (b) under FERC OATT requirements, (c) under NERC Reliability Standards requirements, and/or (d) under any negotiated arrangement between the interconnected entities, the Planning Management Committee is to include the costs of any such mitigation measures into the regional transmission project's total project costs for purposes of determining the project's eligibility for regional cost allocation under the procedures identified in Section VII.B of this Attachment K, including application of the region's benefits-to-costs analysis.

The WestConnect Planning Region will not be responsible for compensating a neighboring planning region, transmission provider, transmission owner, Balancing Area Authority, or any other entity, for the costs of any required mitigation measures, or other consequences, on their systems associated with a regional transmission project in the WestConnect Planning Region, whether identified by the Planning Management Committee or the neighboring system(s). The Planning Management Committee does not direct the construction of transmission facilities, does not operate transmission facilities or provide transmission services, and does not charge or collect revenues for the performance of any transmission or other services. Therefore, in agreeing to study the impacts of a regional transmission facility on neighboring planning regions, the Planning Management Committee is not agreeing to bear the costs of any mitigation measures it identifies. However, the Planning Management Committee will request of any developer of a regional transmission project selected in the Regional Plan for purposes of cost allocation that the developer design and build its project to mitigate the project's identified impacts on neighboring planning regions. If the project is identified as impacting a neighboring planning region that accords less favorable mitigation treatment to the WestConnect Planning Region than the WestConnect Planning Region accords to it, the Planning Management Committee will request that the project developer reciprocate by

³ An Eligible Transmission Developer may not be subject to the Commission's Section 205 jurisdiction. See Section VII.5. If an Eligible Transmission Developer is not subject to the Commission's jurisdiction under section 205 of the Federal Power Act, the Eligible Transmission Developer would have to seek to recover project costs from identified beneficiaries enrolled in the WestConnect Planning Region either: (a) through bilateral agreements that are voluntarily entered into between such Eligible Transmission Developer and the applicable identified beneficiaries; or (b) by obtaining approval from the Commission for project cost recovery pursuant to any other applicable section of the Federal Power Act.

using the lesser of (i) the neighboring region's mitigation treatment applicable to the mitigation of impacts of its own regional projects on the WestConnect Planning Region, or (ii) the Planning Management Committee's mitigation treatment set forth above in sub-sections (a) through (d).

12. Exclusions.

The cost for transmission projects undertaken in connection with requests for interconnection or transmission service on the PNM transmission system, which are governed by existing cost allocation methods within PNM's Tariff, will continue to be so governed and will not be subject to the principles of this Section VII.

VIII. Interregional Coordination and Cost Allocation

This Section VIII of Attachment K sets forth common provisions, which are to be adopted by or for each Planning Region and which facilitate the implementation of Order No. 1000 interregional provisions. WestConnect is to conduct the activities and processes set forth in this Section VIII of Attachment K in accordance with the provisions of this Section VIII and the other provisions of this Attachment K.

Nothing in this Section VIII will preclude any transmission owner or transmission provider from taking any action it deems necessary or appropriate with respect to any transmission facilities it needs to comply with any local, state, or federal requirements.

Any Interregional Cost Allocation regarding any ITP is solely for the purpose of developing information to be used in the regional planning process of each Relevant Planning Region, including the regional cost allocation process and methodologies of each such Relevant Planning Region.

References in this Section VIII to any transmission planning processes, including cost allocations, are references to transmission planning processes pursuant to Order No. 1000.

A. Definitions

The following capitalized terms where used in this Section VIII of Attachment K, are defined as follows:

Annual Interregional Coordination Meeting: shall have the meaning set forth in Section C below.

Annual Interregional Information: shall have the meaning set forth in Section B below.

Interregional Cost Allocation: means the assignment of ITP costs between or among Planning Regions as described in Section E.2 below.

Interregional Transmission Project (“ITP”): means a proposed new transmission project that would directly interconnect electrically to existing or planned transmission facilities in two or more Planning Regions and that is submitted into the regional transmission planning processes of all such Planning Regions in accordance with Section D.1.

Order No. 1000 Common Interregional Coordination and Cost Allocation Tariff Language: means this Section VIII, which relates to Order No. 1000 interregional provisions.

Planning Region: means each of the following Order No. 1000 transmission planning regions insofar as they are within the Western Interconnection: California Independent

System Operator Corporation, ColumbiaGrid, Northern Tier Transmission Group, and WestConnect.

Relevant Planning Regions: means, with respect to an ITP, the Planning Regions that would directly interconnect electrically with such ITP, unless and until such time as a Relevant Planning Region determines that such ITP will not meet any of its regional transmission needs in accordance with Section 4.2, at which time it shall no longer be considered a Relevant Planning Region.

B. Annual Interregional Information Exchange

Annually, prior to the Annual Interregional Coordination Meeting, WestConnect is to make available by posting on its website or otherwise provide to each of the other Planning Regions the following information, to the extent such information is available in its regional transmission planning process, relating to regional transmission needs in WestConnect's transmission planning region and potential solutions thereto:

1. study plan or underlying information that would typically be included in a study plan, such as:
 - a. identification of base cases;
 - b. planning study assumptions; and
 - c. study methodologies;
2. initial study reports (or system assessments); and
3. regional transmission plan

(collectively referred to as "Annual Interregional Information").

WestConnect is to post its Annual Interregional Information on its website according to its regional transmission planning process. Each other Planning Region may use in its regional transmission planning process WestConnect's Annual Interregional Information. WestConnect may use in its regional transmission planning process Annual Interregional Information provided by other Planning Regions.

WestConnect is not required to make available or otherwise provide to any other Planning Region (i) any information not developed by WestConnect in the ordinary course of its regional transmission planning process, (ii) any Annual Interregional Information to be provided by any other Planning Region with respect to such other Planning Region, or (iii) any information if WestConnect reasonably determines that making such information available or otherwise providing such information would constitute a violation of the Commission's Standards of Conduct or any other legal requirement. Annual Interregional Information made available or otherwise provided by WestConnect shall be subject to applicable confidentiality and CEII

restrictions and other applicable laws, under WestConnect's regional transmission planning process. Any Annual Interregional Information made available or otherwise provided by WestConnect shall be "AS IS" and any reliance by the receiving Planning Region on such Annual Interregional Information is at its own risk, without warranty and without any liability of WestConnect, including any liability for (a) any errors or omissions in such Annual Interregional Information, or (b) any delay or failure to provide such Annual Interregional Information.

C. Annual Interregional Coordination Meeting

WestConnect is to participate in an Annual Interregional Coordination Meeting with the other Planning Regions. WestConnect is to host the Annual Interregional Coordination Meeting in turn with the other Planning Regions, and is to seek to convene such meeting in February, but not later than March 31st. The Annual Interregional Coordination Meeting is to be open to stakeholders. WestConnect is to provide notice of the meeting to its stakeholders in accordance with its regional transmission planning process.

At the Annual Interregional Coordination Meeting, topics discussed may include the following:

1. each Planning Region's most recent Annual Interregional Information (to the extent it is not confidential or protected by CEII or other legal restrictions);
2. identification and preliminary discussion of interregional solutions, including conceptual solutions, that may meet regional transmission needs in each of two or more Planning Regions more cost effectively or efficiently; and
3. updates of the status of ITPs being evaluated or previously included in WestConnect's regional transmission plan.

D. ITP Joint Evaluation Process

1. Submission Requirements

A proponent of an ITP may seek to have its ITP jointly evaluated by the Relevant Planning Regions pursuant to Section D.2 by submitting the ITP into the regional transmission planning process of each Relevant Planning Region in accordance with such Relevant Planning Region's regional transmission planning process and no later than March 31st of any even-numbered calendar year. Such proponent of an ITP seeking to connect to a transmission facility owned by multiple transmission owners in more than one Planning Region must submit the ITP to each such Planning Region in accordance with such Planning Region's regional transmission planning process. In addition to satisfying each Relevant Planning Region's information requirements, the proponent of an ITP must include with its submittal to each Relevant Planning Region a list of all Planning Regions to which the ITP is being submitted.

2. Joint Evaluation of an ITP

For each ITP that meets the requirements of Section D.1, WestConnect (if it is a Relevant Planning Region) is to participate in a joint evaluation by the Relevant Planning Regions that is to commence in the calendar year of the ITP's submittal in accordance with Section D.1 or the immediately following calendar year. With respect to any such ITP, WestConnect (if it is a Relevant Planning Region) is to confer with the other Relevant Planning Region(s) regarding the following:

- a. ITP data and projected ITP costs; and
- b. the study assumptions and methodologies it is to use in evaluating the ITP pursuant to its regional transmission planning process.

For each ITP that meets the requirements of Section D.1, WestConnect (if it is a Relevant Planning Region):

- c. is to seek to resolve any differences it has with the other Relevant Planning Regions relating to the ITP or to information specific to other Relevant Planning Regions insofar as such differences may affect WestConnect's evaluation of the ITP;
- d. is to provide stakeholders an opportunity to participate in WestConnect's activities under this Section D.2 in accordance with its regional transmission planning process;
- e. is to notify the other Relevant Planning Regions if WestConnect determines that the ITP will not meet any of its regional transmission needs; thereafter WestConnect has no obligation under this Section D.2 to participate in the joint evaluation of the ITP; and
- f. is to determine under its regional transmission planning process if such ITP is a more cost effective or efficient solution to one or more of WestConnect's regional transmission needs.

E. Interregional Cost Allocation Process

1. Submission Requirements

For any ITP that has been properly submitted in each Relevant Planning Region's regional transmission planning process in accordance with Section D.1, a proponent of such ITP may also request Interregional Cost Allocation by requesting such cost allocation from WestConnect and each other Relevant Planning Region in accordance with its regional transmission planning process. The proponent of an ITP must include with its submittal to each Relevant Planning Region a list of all Planning Regions in which Interregional Cost

Allocation is being requested.

2. Interregional Cost Allocation Process

For each ITP that meets the requirements of Section E.1, WestConnect (if it is a Relevant Planning Region) is to confer with or notify, as appropriate, any other Relevant Planning Region(s) regarding the following:

- a. assumptions and inputs to be used by each Relevant Planning Region for purposes of determining benefits in accordance with its regional cost allocation methodology, as applied to ITPs;
- b. WestConnect's regional benefits stated in dollars resulting from the ITP, if any; and
- c. assignment of projected costs of the ITP (subject to potential reassignment of projected costs pursuant to Section F.2 below) to each Relevant Planning Region using the methodology described in this section 5.2.

For each ITP that meets the requirements of Section E.1, WestConnect (if it is a Relevant Planning Region):

- d. is to seek to resolve with the other Relevant Planning Regions any differences relating to ITP data or to information specific to other Relevant Planning Regions insofar as such differences may affect WestConnect's analysis;
- e. is to provide stakeholders an opportunity to participate in WestConnect's activities under this Section E.2 in accordance with its regional transmission planning process;
- f. is to determine its regional benefits, stated in dollars, resulting from an ITP; in making such determination of its regional benefits in WestConnect, WestConnect is to use its regional cost allocation methodology, as applied to ITPs;
- g. is to calculate its assigned *pro rata* share of the projected costs of the ITP, stated in a specific dollar amount, equal to its share of the total benefits identified by the Relevant Planning Regions multiplied by the projected costs of the ITP;
- h. is to share with the other Relevant Planning Regions information regarding what its regional cost allocation would be if it were to select the ITP in its regional transmission plan for purposes of Interregional Cost Allocation; WestConnect may use such information to identify its total share of the projected costs of the ITP to be assigned to WestConnect in order to determine whether the ITP is a more cost effective or efficient solution to a

transmission need in WestConnect;

- i. is to determine whether to select the ITP in its regional transmission plan for purposes of Interregional Cost Allocation, based on its regional transmission planning process; and
- j. is to endeavor to perform its Interregional Cost Allocation activities pursuant to this Section E.2 in the same general time frame as its joint evaluation activities pursuant to Section D.2.

F. Application of Regional Cost Allocation Methodology to Selected ITP

1. Selection by All Relevant Planning Regions

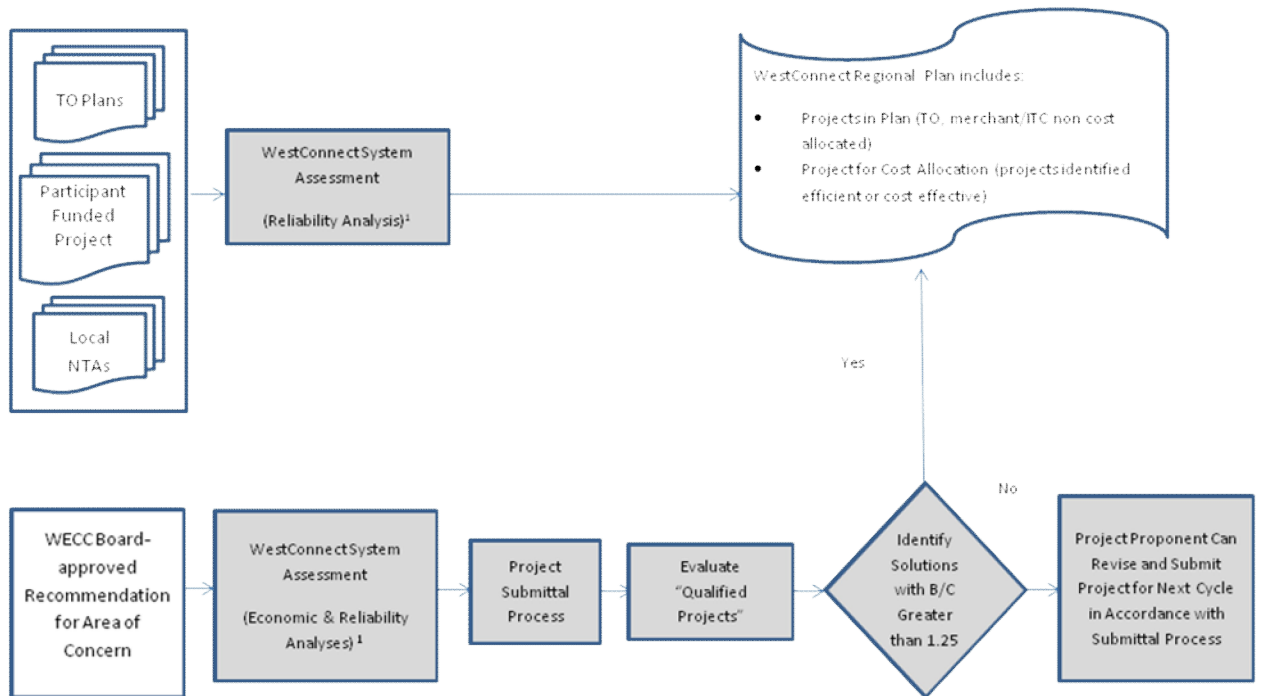
If WestConnect (if it is a Relevant Planning Region) and all of the other Relevant Planning Regions select an ITP in their respective regional transmission plans for purposes of Interregional Cost Allocation, WestConnect is to apply its regional cost allocation methodology to the projected costs of the ITP assigned to it under Sections E.2.d. or E.2.e. above in accordance with its regional cost allocation methodology, as applied to ITPs.

2. Selection by at Least Two but Fewer than All Relevant Regions

If the WestConnect (if it is a Relevant Planning Region) and at least one, but fewer than all, of the other Relevant Planning Regions select the ITP in their respective regional transmission plans for purposes of Interregional Cost Allocation, WestConnect is to evaluate (or reevaluate, as the case may be) pursuant to Sections E.2.d., E.2.e., and E.2.f. above whether, without the participation of the non-selecting Relevant Planning Region(s), the ITP is selected (or remains selected, as the case may be) in its regional transmission plan for purposes for Interregional Cost Allocation. Such reevaluation(s) are to be repeated as many times as necessary until the number of selecting Relevant Planning Regions does not change with such reevaluation.

If following such evaluation (or reevaluation), the number of selecting Relevant Planning Regions does not change and the ITP remains selected for purposes of Interregional Cost Allocation in the respective regional transmission plans of WestConnect and at least one other Relevant Planning Region, WestConnect is to apply its regional cost allocation methodology to the projected costs of the ITP assigned to it under Sections E.2.d. or E.2.e. above in accordance with its regional cost allocation methodology, as applied to ITPs.

Attachment K-1 WestConnect Regional Transmission Planning Process Chart



¹Public policy is considered within the scenario submittal, reliability, and economic analyses.

- B/C benefit/cost
- ITC Independent Transmission Company
- NTA non-transmission alternative
- TO Transmission Owner
- WECC Western Electricity Coordinating Council

Public Service Company of New Mexico
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September 20, 2013

VIA ELECTRONIC FILING

Kimberly D. Bose, Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, DC 20426

Re: Public Service Company of New Mexico
Docket No. ER13-79-____
Order No. 1000 OATT Compliance Filing

Dear Secretary Bose:

Pursuant to the Federal Energy Regulatory Commission's ("Commission" or "FERC") Order on Compliance, issued in this docket on March 22, 2013,¹ Section 206 of the Federal Power Act ("FPA"),² and Order No. 1000³ issued by the Commission, the WestConnect Filing Parties⁴ ("Filing Parties") hereby submit this compliance filing to reflect changes to Attachment K of their respective Open Access Transmission Tariff ("OATT").⁵ Attachment K of the OATT is included with this filing in both clean and redline formats,⁶ with an effective date of January 1 of the year following FERC conditional or full acceptance of the instant filing. The Filing Parties believe the changes proposed in their respective OATT Attachment Ks satisfy the Commission's directives in its March 22 Order.⁷

¹ Public Service Company of Colorado, et al., 142 FERC ¶ 61,206 (2013) ("March 22 Order")

² 16 U.S.C. 824e (2006).

³ *Transmission Planning and Cost Allocation by Transmission Owning and Operating Public Utilities*, Order No. 1000, 76 Fed. Reg. ¶ 49,842 (Aug. 11, 2011), FERC Stats. & Regs. ¶ 31,323 (2011), order on reh'g and clarification, Order No. 1000-A, 139 FERC ¶ 61,132 (2012) ("Order No. 1000").

⁴ The WestConnect Filing Parties are: Arizona Public Service Company ("APS"), Black Hills Power, Inc. ("Black Hills Power"), Basin Electric Power Cooperative, Powder River Electric Cooperative, Black Hills Colorado Electric Utility Company, LP ("Black Hills Colorado"), Cheyenne Light, Fuel, & Power Company ("Cheyenne LF&P"), El Paso Electric Company ("El Paso Electric"), NV Energy, Inc. Operating Companies ("NV Energy"), Xcel Energy Services, Inc. ("Xcel"), on behalf of Public Service Company of Colorado ("PSCo"), Public Service Company of New Mexico ("PNM"), Tucson Electric Power Company ("Tucson Electric"), and UNS Electric, Inc. ("UNS Electric").

⁵ This compliance filing is without prejudice to the Filing Parties' pending request for rehearing of the March 22 Order in these dockets.

⁶ The Attachment K included in this filing is redlined from the Attachment K included with the interregional compliance filing submitted to FERC on May 10, 2013 in Docket No. ER13-1447.

⁷ Filing Parties note that the term Attachment K is used for simplicity as that is the location of the local and regional planning process information in the *pro forma* OATT. Some Filing Parties use different OATT attachments for their planning process information; for example, APS uses Attachment E and PSCo uses Attachment R-PSCo.

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I. COMMUNICATIONS

Communications regarding this filing should be sent to the following individuals:

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II. DESCRIPTION OF THE FILING PARTY

PNM, a New Mexico corporation, is a wholly-owned, public utility operating company subsidiary of PNM Resources, Inc. PNM's principal place of business is Albuquerque, New Mexico. In the western United States, PNM is engaged in the generation, transmission, and sale of electricity at wholesale. Within the State of New Mexico, PNM is engaged in the generation, transmission, distribution, and sale of electricity at retail. PNM provides state-jurisdictional retail electric service to customers across New Mexico, the largest portion of which is located in north central New Mexico. PNM's retail electric operations are regulated by the New Mexico Public Regulation Commission ("NMPRC"). PNM provides transmission service pursuant to its FERC-approved OATT. PNM also is a transmission customer, taking service under its OATT, as well as under the transmission tariffs of other transmission owners in the West. PNM has been an active participant in regional and subregional transmission planning organizations, including the Western Electricity Coordinating Council ("WECC"), WestConnect, as well as the Southwest Area Transmission ("SWAT") planning group. PNM is also enrolled in the WestConnect Planning Region for Order No. 1000 transmission planning purposes.

III. BACKGROUND

On October 11, 2012, PNM, Arizona Public Service Company ("APS"), Black Hills Power, Inc. ("Black Hills Power"), Basin Electric Power Cooperative, Powder River Electric Cooperative, Black Hills Colorado Electric Utility Company, LP ("Black Hills Colorado"), Cheyenne Light, Fuel, & Power Company ("Cheyenne LF&P"), El Paso Electric Company ("El Paso Electric"), NV Energy, Inc. Operating Companies ("NV Energy"), Xcel Energy Services, Inc. ("Xcel"), on behalf of Public Service Company of Colorado ("PSCo"), Tucson Electric Power Company ("Tucson Electric"), and UNS Electric, Inc. ("UNS Electric") respectively submitted revisions to their transmission planning processes under their respective OATTs to comply with Order No. 1000. In its March 22 Order, the Commission accepted the Filing Parties compliance filings, as modified, subject to further compliance filings due within 120 days of the March 22 Order. On June 19, 2013 the Filing Parties requested an additional 60 days to respond to

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the March 22 Order. On July 5, 2013 the Commission granted the request for extension and set the Filing Parties' deadline to respond for no later than September 20, 2013. The instant filing is intended to satisfy the Filing Parties' compliance obligations arising from the March 22 Order.

IV. TRANSMISSION PLANNING REGION

In PP 24-26 of the March 22 Order, the Commission directed the Filing Parties to formally enroll in a transmission planning region and evidence such enrollment by listing the enrolled transmission providers in their respective OATTs. To address the Commission's directives, the Filing Parties have modified Section III.A.2.c of their respective OATT Attachment Ks to include the transmission providers formally enrolled in the WestConnect Order No. 1000 Planning Region. As discussed in more detail below, the list in Section III.A.2.c of Attachment K includes only the FERC-jurisdictional transmission providers formally enrolled in the Transmission Owner with Load Serving Obligations sector of the WestConnect Planning Region.

Non-jurisdictional transmission owners can participate by formally enrolling as a Transmission Owner with Load Serving Obligations, in which case the Filing Parties will file revisions to their respective OATT Attachments to indicate the formal enrollment of a new transmission provider. Non-jurisdictional transmission owners can also choose not to formally enroll, but instead participate in the Transmission Owner with Load Serving Obligations sector as a "Coordinating Transmission Owner". Coordinating Transmission Owners will not be formally enrolled in the WestConnect Planning Region; therefore, they will not be listed in the respective OATT Attachments of the Filing Parties.

V. PROVIDING FOR THE PARTICIPATION OF BOTH JURISDICTIONAL AND NON-JURISDICTIONAL TRANSMISSION OWNERS IN REGIONAL TRANSMISSION PLANNING

In the March 22 Order, the Commission directed the elimination of what it ruled to be the voluntary nature of project participation in the WestConnect Planning Region. In particular, the Commission found inconsistent with Order No. 1000 the ability of transmission owners to elect to participate in a regional transmission project selected in the regional plan for purposes of cost allocation.⁸ This finding triggered a several-month process within the region to restructure the WestConnect compliance plan to comport with the order. The result of this process is a structure that is characterized by a region with two types of regional transmission owners: (a) those transmission owners subject to the Commission's jurisdiction and to the mandates of Order No. 1000, who are required to enroll in the region for purposes of complying with Order No. 1000; and (b) those transmission owners not subject to the Commission's jurisdiction who may participate in regional transmission planning without enrolling in the region. Non-jurisdictional transmission owners may choose to enroll in the region (in which case, they will be

⁸ March 22 Order at P 306, *et seq.*

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subject to Order No. 1000 cost allocation provisions), or they may choose to participate in the regional planning process by executing the WestConnect Order No. 1000 Planning Participation Agreement (“Planning Participation Agreement”) and becoming a member of the Planning Management Committee (“PMC”).

The Commission’s Order No. 1000 requirements are aimed at improving the existing transmission planning processes throughout the country. Broad participation in planning by all transmission owners within the region should contribute to the success of the WestConnect regional transmission planning process. As discussed in more detail below, for those non-jurisdictional transmission owners that choose not to enroll in the region, the proposed structure allows for their continued participation in the WestConnect transmission planning process as coordinating transmission owners. The coordinating transmission owner provisions allow for the breadth of participation that the region enjoys today, and maintains the broad scope of funding of regional transmission planning activities that the region historically has experienced. In short, the coordinating transmission owner provisions allow for compliance with Order No. 1000 by the Filing Parties while maintaining the participation of non-jurisdictional transmission owners in the WestConnect regional transmission planning process to the fullest extent possible.

WestConnect presented this revised structure to stakeholders last month in a public meeting held on August 19, 2013. No stakeholder voiced opposition to it at the August meeting (or since). The Filing Parties present it to the Commission as a just and reasonable response to its compliance directives in the March 22 Order, and offer additional details on its characteristics, below:

A. The Difference Between Enrolling and Participating in the Region

To enroll in the region means being subject to the entirety of Order No. 1000 regional planning, including Order No. 1000’s regional cost allocation provisions. Transmission owners that do not enroll in the region are allowed to participate in the regional process in the same way as enrolled transmission owners in every aspect *except* Order No. 1000 regional cost allocation, including:

- They are allowed to become members of the PMC
- They are allowed to propose a project for study in the regional process
- They are allowed to comment on the projects proposed by others
- They are allowed to vote on matters before the PMC for decision, except for decisions on Order No. 1000 cost allocation
- They will fund the regional process in a manner comparable to that of transmission owners enrolled in the region

For those transmission owners that do not enroll in the region, their signing the Planning Participation Agreement (for PMC membership) will serve as an indicator of an individual transmission owner’s commitment to participate in the WestConnect regional

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transmission planning process. For ease of reference, transmission owners not enrolled in the region, but participating in the regional transmission planning process will be called Coordinating Transmission Owners if they join the PMC's Transmission Owners with Load Serving Obligations member sector.⁹

B. The Scope of Regional Planning for Coordinating Transmission Owners

Even though a Coordinating Transmission Owner does not "enroll" in the region, it may submit a new proposed regional transmission facility for study in the WestConnect regional planning process. A Coordinating Transmission Owner may not seek Order No. 1000 cost allocation in the WestConnect Planning Region, however, for its proposed regional project. In addition, a Coordinating Transmission Owner may not seek Order No. 1000 cost allocation in the WestConnect Planning Region for any proposed project that is shown through the study process to provide quantifiable benefits, as defined in the respective OATT Attachment Ks, to itself or other Coordinating Transmission Owner.¹⁰

The same treatment would apply without regard to whether the transmission facility is proposed by a Coordinating Transmission Owner or by someone else. Order No. 1000 cost allocation in the WestConnect Planning Region would not be applicable to any facility that electrically interconnects with a facility of a Coordinating Transmission Owner¹¹ (i.e., any transmission owner located within but not enrolled in the region). In addition, Order No. 1000 cost allocation in the WestConnect Planning Region would not be applicable to any proposed project that is shown through the WestConnect study process to provide quantifiable benefits, as defined in the respective OATT Attachment Ks, to a Coordinating Transmission Owner, or to any other transmission owner not enrolled in any region. Proposed transmission projects not eligible for Order No. 1000 cost allocation are eligible for study in the WestConnect regional transmission planning process as more efficient or cost-effective solutions to identified regional needs. The OATT has been revised to expressly provide for such eligibility. See Section III.C.5.

Other forms of cost responsibility may be pursued for such proposed regional projects, including, for example, participant funding. Participant funding is allowed, but will not serve as the method of Order No. 1000 cost allocation. Therefore, stakeholders interested in pursuing regional projects for which Order No. 1000 cost allocation is not available could pursue other forms of cost allocation outside of the parameters of Order No. 1000 cost allocation. Cost responsibility for participant funded projects will not be governed by the WestConnect Order No. 1000 regional cost allocation methods.

⁹ Timely and orderly withdrawal from enrollment in the WestConnect Planning Region, the continuing obligations of withdrawing entities toward the WestConnect Planning Region, and any conditions on re-enrollment will be addressed in the Planning Participation Agreement.

¹⁰ Any project proposed through the regional process that connects to one or more Enrolled Transmission Owners would be eligible to be studied for Order No. 1000 cost allocation.

¹¹ Owned wholly or in part.

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C. The Benefit of Proposing a Regional Project for Study by WestConnect When that Project is One for which Order No. 1000 Cost Allocation is Not Available

One benefit of proposing a regional project for study by WestConnect when that project is one for which Order No. 1000 cost allocation is not available would be the opportunity to have the facility's impacts (and benefits) identified and quantified holistically within a transparent, stakeholder-driven regional planning process, which could spur interest in the project's development among other parties. This will serve the Commission's goal of having a regional process that will identify projects that are more efficient or cost effective for the region. Even though Order No. 1000 cost allocation will not be available for every proposed transmission project in the region does not mean that projects that produce large benefits across the region will lag behind projects for which Order No. 1000 cost allocation is available. The expected outcome is that the better projects will get pursued, without regard to whether the cost allocation applicable to that project is Order No. 1000 cost allocation, or some other method.¹² The process that identifies impacts (benefits) may be the tipping point for discussions among interested parties to take place.

D. Consideration of a Less Inclusive Planning Structure

Given the Commission's determinations that drive these issues (that non-jurisdictional transmission owners are not subject to Order No. 1000 and its cost allocation directives, that projects cannot be selected for Order No. 1000 cost allocation unless their costs are commensurate with their benefits, and that projects selected for Order No. 1000 cost allocation must not result in free ridership concerns), an alternative might be to create a structure in which only public utility transmission owners *enroll and participate* in the WestConnect regional transmission planning process. That alternative is less attractive to the range of transmission owners in the WestConnect Planning Region because it removes from the regional planning process a large part of the current transmission system in the WestConnect region and bars participation by historical contributors of both financial and human resources for regional planning activities. In contrast, the proposal presented in the instant filing strives to retain within the region all transmission owners in the region for purposes of *the process of regional transmission planning*, while acknowledging that with respect to Order No. 1000 cost allocation, non-jurisdictional transmission owners are free to decide whether or not to be subject to Order No. 1000 cost allocation. Those that enroll, whether jurisdictional or non-jurisdictional, will be subject to Order No. 1000's cost allocation provisions. Those that do not enroll will not be subject to Order No. 1000's cost allocation provisions, but still will be able to participate in the region's planning process in all other respects. By retaining a WestConnect governance structure that permits the maximum possible involvement of all transmission owners in the region, combined with the affirmative obligation required by

¹² In this manner, cost allocation functions much like a project where all impacted parties have to agree to pursue the project before it moves forward.

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the Commission in its March 22 Order, should better permit the development and study of regional projects that will better serve the region's needs.

E. Consideration of Other Alternatives

The Filing Parties evaluated a structure under which a proposed regional project identified as one that would provide quantifiable benefits, as such benefits are defined in PNM's Attachment K, to an entity not enrolled in the WestConnect Planning Region would have its project costs allocated exclusively to enrolled transmission owners through an identification of the costs that would have otherwise been attributed to unenrolled beneficiaries in proportion to their overall benefits, and a re-allocation of those costs onto enrolled transmission owners. This kind of structure was rejected as contrary to Order No. 1000. Under Order No. 1000's Regional Cost Allocation Principle 1, allocated costs must be roughly commensurate with benefits. If benefits to entities not enrolled in the region are identified and quantified, then it would be counter to Order No. 1000 to re-assign those benefits solely to enrolled entities, where the allocation would no longer be roughly commensurate with benefits. The proposed project's cost allocation must align with the project's identified beneficiaries in order to be eligible for regional cost allocation under Order No. 1000. That is why WestConnect selected the alternative that if a proposed project's benefits are identified to include an entity not enrolled in the region (and therefore not within the reach of the region's Order No. 1000 cost allocation), that project is not eligible for Order No. 1000 cost allocation.¹³ To do otherwise would be to violate the Commission's Regional Cost Allocation Principle 1, and permit free ridership through the re-allocation of quantified benefits away from entities not subject to Order No. 1000 and not enrolled in the region, and onto the shoulders of enrolled entities.

F. Impact on Funding of Regional Transmission Planning Activities

Under the proposed WestConnect structure, annual funding responsibilities for WestConnect's administrative and planning functions of both Enrolled Transmission Owners and Coordinating Transmission Owners will be set forth in the Planning Participation Agreement, which is being developed to govern the rights and obligations of all PMC members. Historically, transmission owners that would make up the Coordinating Transmission Owner group have contributed approximately half (sometimes a little more than half) of the overall funding for WestConnect transmission planning activities. Providing a means for Coordinating Transmission Owners to participate in the WestConnect regional planning process through membership on the PMC should help mitigate the anticipated increase in the cost to execute the WestConnect Order No. 1000 Regional Planning Process—costs which would otherwise fall on other PMC members. In other words, it avoids the harsh and burdensome cost impacts that would come with a structure that loses the financial contributions of Coordinating Transmission Owners to fund the regional planning process.

¹³ In this manner, cost allocation functions much like a project where all impacted parties have to agree to pursue the project before it moves forward.

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G. Impact on Interregional Cost Allocation

The proposed structure does not trigger any change to the eligibility criteria for interregional cost allocation. Under the common interregional tariff language presented to the Commission by all four Order No. 1000 planning regions in the West, including WestConnect, for an interregional project to be eligible for interregional cost allocation, it must be selected in the regional transmission plans of at least two of the four western planning regions. This requirement remains unchanged. As a result, if a proposed regional transmission project in the WestConnect Planning Region electrically interconnects with transmission facilities of a transmission owner located within, but not enrolled in, the WestConnect Planning Region, or is shown through the study process to provide quantifiable benefits to that transmission owner, the proposed regional project would not be eligible for Order No. 1000 cost allocation in the WestConnect Planning Region. This would not affect the eligibility of the project for interregional cost allocation among the other three regions in the West. Under the common interregional tariff language, a project that interconnects with, but is not selected by, an individual region remains eligible for selection by the other relevant regions.¹⁴

VI. PMC GOVERNANCE-RELATED COMPLIANCE CLARIFICATION

In response to the Commission's directive in the March 22 Order at P 139, the Filing Parties incorporated new language into Section III.A of their respective OATT Attachments Ks to clarify that the WestConnect Steering Committee, and other historical committees of WestConnect, are to have no right to approve or deny the actions of the new PMC. In other words, the PMC is to be independent of the other committees and activities of WestConnect.

VII. OPENNESS

In PP 51-55 of the March 22 Order the Commission directed the Filing Parties to clarify that closed executive sessions of the PMC would only be used to address matters outside the Regional Planning Process. The Filing Parties had no intent to exclude stakeholders from the Regional Planning Process; however, to address the Commission directive, the Filing Parties have added language to Section III.B.5.b of their respective OATT Attachment Ks clarifying that closed executive sessions of the PMC will be used for matters involving contracts, personnel, financial matters, or legal matters such as, but not limited to, litigation. The Filing Parties believe these executive sessions, if necessary,

¹⁴ As is the case with any other proposed interregional project, any project that does not meet the requirements for cost allocation as an interregional project would be eligible for completion as a participant-funded project. In this case, the project would have a full analysis of benefits to assist in development discussions.

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will have no impact on the Regional Planning Process nor will they exclude stakeholders from meaningful participation.

In PP 51-57 of the March 22 Order the Commission also directed the Filing Parties to include the process for stakeholders to access and submit non-disclosure agreements with WestConnect planning members. The Filing Parties have included additional language in Section III.E.8 of their respective OATT Attachment Ks directing any entity wishing to access confidential information to the WestConnect website to access a non-disclosure agreement and instructions for submitting the agreement.

VIII. DISPUTE RESOLUTION

The March 22 Order directed the Filing Parties to further revise the dispute resolution section of their respective OATT Attachments to include all procedures to address disputes arising from the regional transmission planning process.¹⁵ The Commission noted that the Filing Parties' dispute resolution provision did not address disputes that might arise between PMC members.¹⁶

As part of the instant filing, the Filing Parties added a new section to the dispute resolution provisions of their respective OATT Attachments to address the Commission's directive. The new section describes the procedures applicable to disputes that might arise between members of the PMC, and requires that disputes, whether arising under the OATT Attachment or between PMC members, be initiated on a timely basis, as further described in the OATT Attachment. The procedures incorporate a process whereby (i) the disputing PMC members must first seek to resolve the dispute through negotiation and the adoption by the PMC of a recommended course of action; or (ii) if a resolution is not adopted by the PMC, alternatively, the disputing parties may refer the dispute to arbitration in accordance with the provisions of the Planning Participation Agreement. If the disputing PMC members are unable to resolve their dispute using the avenues described above, a disputing PMC member may refer either a procedural or substantive matter within the Commission's jurisdiction to FERC for resolution, such as by filing a complaint, request for declaratory order or a change in rate, in accordance with its rights under the Federal Power Act.

IX. COMPARABILITY

The Commission directed the Filing Parties to address the tariff's omission of a requirement that "WestConnect, after considering the data and comments supplied by customers and other stakeholders, will develop a transmission system plan that meets the specific service requests of their transmission customers and otherwise treats similarly-situated customers (e.g., network and retail native load) comparably in transmission

¹⁵ March 22 Order at 95.

¹⁶ *Id.*

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system planning.”¹⁷ In response, the Filing Parties have incorporated into Section III.B.1 of their respective OATT Attachment Ks a statement that “the PMC, after considering the data and comments supplied by customers and other stakeholders, is to develop a regional transmission plan that treats similarly-situated customers (e.g., network, retail network, and native load) comparably in transmission system planning.” Filing Parties point out that the reference to “a transmission system plan that meets the specific service requests of their transmission customers” does not appear in the compliance tariff. This is because the PMC has no transmission customers, and does not receive or evaluate specific service requests for transmission service on any individual transmission system. The PMC can, and will, accept the charge that its development of the regional transmission plan not reflect the unduly discriminatory treatment of similarly-situated customers in transmission system planning. In addition, Section III.E.1 of the Filing Parties’ respective Attachment Ks makes clear that the regional plan developed by the PMC is to identify projects that more efficiently or cost effectively meet identified regional transmission needs. With respect to the obligation to reliably satisfy individual transmission service requests on an individual transmission system, that obligation is left in the hands of each individual transmission provider in a manner consistent with the Commission’s instructions in the March 22 Order at P 336 (“Order No. 1000 does not require that the transmission facilities in a public utility transmission provider’s local transmission plan (whether developed individually or jointly) be subject to approval at the regional or interregional level, unless the public utility transmission provider seeks to have any of those facilities selected in the regional transmission plan for purposes of cost allocation”).

Second, in P 89 of the March 22 Order, the Commission directed the parties to provide that sponsors of non-transmission alternatives are to have an opportunity to demonstrate that information required for a project submittal should not be required for a specific non-transmission alternative proposal, because that opportunity is afforded to sponsors of transmission proposals. The Filing Parties have done so in Section III.C.6 of their respective OATT Attachment Ks.

Third, in P 90 of the March 22 Order, the Commission found that the scope of the application of the Filing Parties’ proposed \$25,000 project submittal fee “might be unjust, unreasonable, and unduly discriminatory.” The Commission concluded that the filing fee appeared to have been developed for projects eligible for regional cost allocation, and then questioned its application to projects not eligible for regional cost allocation (identifying, specifically, non-transmission alternatives). In response, the Filing Parties have restructured the scope and method of collecting fees associated with studying projects for the regional transmission plan in Section III.C of their respective OATT Attachment Ks. First, any project may seek study by the PMC to address an identified regional need, without regard to whether the project seeks regional cost allocation. Second, all projects seeking to be studied by the PMC as a more efficient or cost effective solution to an identified regional need are to pay for the cost of such study, without

¹⁷ March 22 Order at P 87.

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regard to whether the project is a transmission project or a non-transmission alternative, and without regard to whether the project seeks regional cost allocation. Finally, the method of collecting reimbursement for such study costs has been changed from a \$25,000 flat fee to a structure somewhat more akin to the way in which generator interconnection study costs are collected (by submission of a \$25,000 deposit, subject to true-up based upon actual study costs). As restructured, the collection of study costs is comparable for all projects seeking study by the PMC to address an identified regional need.

X. OBLIGATION TO PLAN

In PP 116-119 of the March 22 Order, the Commission directed that the PMC may not solely rely on stakeholders and other interested parties to propose more efficient or cost effective solutions, finding that it has an affirmative obligation to identify solutions that more efficiently or cost effectively meet regional transmission needs, even in the absence of requests by stakeholders. In response, the Filing Parties have incorporated into Section III.E.1 of their respective OATT Attachment Ks a statement to make clear that the PMC has this affirmative obligation, even in the absence of requests by stakeholders. In addition, the Filing Parties have expanded the OATT Attachment K language to describe the process by which the PMC will conduct its regional analysis through power flow studies, production cost analyses and other methods. See OATT Attachment K Sections III.E.2, III.E.3, III.E.4, and III.E.5 for the additions.

XI. TRANSPARENCY

In P 61 of the March 22 Order, the Commission found that the original compliance tariffs complied with the transparency principle. The Commission simply cautioned in P 62 that as tariff revisions are developed to comply with other directives in the March 22 Order, the Filing Parties are to evaluate whether additional revisions are necessary to remain in compliance with the transparency principle. In response, the Filing Parties developed the instant compliance revisions with the transparency principle in mind. Not only was care taken not to erode the transparency reflected in the original as-filed compliance tariff, the Filing Parties expanded upon it by improving the description of how stakeholders may participate in each transmission provider's local transmission planning processes with respect to transmission needs driven by Public Policy Requirements in Section II.C of their respective OATT Attachment Ks.

XII. INFORMATION EXCHANGE

In P 67 of the March 22 Order, the Commission concluded that WestConnect had not provided sufficient clarity about the timing of information submissions in the WestConnect Regional Planning Process. According to the Commission, the proposal

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“only generally describes the timing of such submissions and the notice that will be provided to stakeholders and other entities responsible for submission of such data.”¹⁸

To address this directive, the WestConnect Filing Parties have established a more detailed schedule of information submission windows for stakeholders providing information for the WestConnect Regional Planning Process. Under the proposed language, WestConnect will provide a window of at least 30 days whenever WestConnect requests information from members and stakeholders. This is consistent with the language in the WestConnect Filing Parties’ existing tariffs specifying a 30-day window for information requested from transmission customers, independent transmission developers and owners, merchant transmission developers, and transmission owners with load serving obligations. In addition, the proposed language clarifies that transmission project submittals and non-transmission alternative submittals that address an identified regional need may be made through the 5th quarter of the planning cycle.¹⁹

XIII. INFORMATION REQUIREMENTS

Order No. 1000 required planning regions to identify the information that project sponsors must submit for any projects that project sponsor sought to have considered in the regional planning process.²⁰ In the March 22 Order, the Commission found that the WestConnect Filing Parties had proposed sufficiently detailed information requirements, but also found that the WestConnect Filing Parties’ tariffs had not included in their tariff language all of the information requirements for proposed projects that are included in their draft Business Practices. To remedy this, the Commission directed the WestConnect Filing Parties to include in their tariffs the requirement that prospective project sponsors provide the project’s in-service date and other applicable requirements.²¹

In compliance, the WestConnect Filing Parties have revised their respective tariffs so that the list of information that project sponsors must provide in order for a project to be considered in the regional plan includes the project in-service date, among other identified requirements for a project proponent to submit its project in the regional planning process to address an identified regional need.²²

To address possible impacts from the proposed transmission project on other regions, the information requirements for proposed projects will require that the sponsor provide transmission system impact studies showing the system reliability impacts on neighboring transmission systems or other transmission planning regions, including the identification of all costs associated with upgrades required to mitigate the adverse

¹⁸ March 22 Order at P 67.

¹⁹ Proposed Attachment K Section III.C.5 (“Transmission Project Submittals”); Proposed Attachment K Section III.C.6 (“Submission of Non-Transmission Alternatives”).

²⁰ Order No. 1000 at P 325.

²¹ March 22 Order at P 226. The Commission explained that these changes are only necessary if the WestConnect utilities intend to require that transmission project sponsors provide this information. *Id.*

²² Proposed Attachment K Section III.C.5.

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impacts on other transmission systems. If such studies are not available, the project sponsor can request that they be performed by WestConnect at the sponsor's expense as part of WestConnect's analysis of the proposed project.²³

XIV. MERCHANT TRANSMISSION DEVELOPERS

In the March 22 Order, the Commission held that the WestConnect proposed tariff language on merchant transmission developers partially complied with Order No. 1000.²⁴ However, the Commission concluded that WestConnect Filing Parties should clarify their OATTs to specify the information requirements for merchant transmission developers. In particular, the Commission found that the WestConnect Filing Parties had indicated that merchant transmission developers must submit the same project information as is required for other transmission projects submitted through the WestConnect Regional Planning Process, must have proper NERC registrations, and must comply with Reliability Standards, but that the proposed tariff language had not made this clear.

In compliance with the Commission's directive on merchant developers, the WestConnect Filing Parties have proposed clarifications to their tariff language. In the description of the information collection requirements of the regional planning process, the description of the information to be submitted by merchant transmission developers has been expanded to specify that merchant transmission developers are subject to the same Reliability Standards as transmission owners with load-serving obligations, and are responsible for NERC registration and compliance with Regional Reliability Standards and other applicable local, state, and federal requirements governing their activities.²⁵

XV. QUALIFICATION CRITERIA

In PP 217-218 of the March 22 Order, the Commission concluded that the WestConnect Planning Region did not include the qualification criteria that WestConnect would use to establish a potential transmission developer's eligibility to develop a transmission project selected in the WestConnect Regional Plan for purposes of cost allocation. As stated in Order No. 1000, these criteria "must provide each potential transmission developer the opportunity to demonstrate that it has the necessary financial resources and technical expertise to develop, construct, own, operate and maintain transmission facilities."²⁶ The instant filing complies with the Commission's directive on developer qualification criteria.

WestConnect Filing Parties have specified that any entity may propose projects for consideration in the regional planning process if they provide the relevant information, but has established separate qualification criteria for entities seeking to be eligible to

²³ Proposed Attachment K Section III.C.5.

²⁴ March 22 Order at P 144.

²⁵ Proposed Attachment K Section III.C.3.

²⁶ Order No. 1000 at P 323.

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develop projects selected in the regional plan for cost allocation. This is consistent with the Commission's clarification that these developer qualification criteria apply only to transmission developers seeking to be eligible to use the WestConnect regional cost allocation process to develop projects identified in the WestConnect Regional Plan for purposes of cost allocation, and that any entity that does not seek to itself develop projects should be eligible to propose projects for consideration in the Regional Plan without pre-qualification.²⁷ Thus, Section III.C.5 of Attachment K explains that any entity may "propose a project for selection in the Regional Plan" so long as the project proponent submits the necessary information and is "an active member in good standing within one of the five PMC membership sectors." To become a member of a PMC membership sector, an entity must execute the WestConnect Planning Participation Agreement, and pay any dues, and comply with the provisions (as applicable) under that agreement.²⁸ As the dues for membership sectors such as "transmission customers," "state regulatory commissions," and "key interest groups" are minimal, the requirement to execute the WestConnect Planning Participation Agreement should not prevent any entity from proposing a project that it does not intend to develop itself.

If any entity wishes to propose a project for selection in the regional plan for purposes of cost allocation and be eligible to develop that project, WestConnect has provided criteria that such developers must meet to demonstrate that they have the "necessary financial resources and technical expertise to develop, construct, own, operate and maintain transmission facilities."²⁹

These criteria, included in Section III.D of Attachment K, consist of the following:

- *Overview:* Section III.D.2.a requires a prospective transmission developer to provide a brief overview of its capability to finance, own, construct, operate, and maintain regional transmission projects consistent with Good Utility Practice,

²⁷ Order No. 1000 at P 324 n.304 ("[Q]ualification criteria . . . should not be applied to an entity proposing a transmission project for consideration in the regional transmission planning process if that entity does not intend to develop the proposed transmission project."); *PacifiCorp*, 143 FERC ¶ 61,151 at P 156 ("Whether a transmission project is *proposed* during the regional transmission planning process is different than whether there is an entity qualified to *develop* such a project. Therefore, we direct Filing Parties to clarify in their OATTs that: (1) any entity may submit a transmission project into the regional transmission planning process for consideration for purposes of cost allocation; and (2) their proposed qualification criteria will only apply to a transmission developer that intends to develop a transmission project that it submits into the regional transmission planning process for purposes of cost allocation.").

²⁸ Proposed Attachment K Section III.A.2.a.

²⁹ March 22 Order at P 211. Although a prospective transmission developer may satisfy these criteria, this does not entitle that developer to construct, own, and operate a transmission project in the WestConnect Planning Region. As noted in proposed Attachment K Section III.D.1, only governmental authorities have the authority to grant those rights. This is consistent with the Commission's statement that "Nothing in this Final Rule preempts or limits any obligations or requirements that a nonincumbent transmission developer may be subject to under state or local laws." Order No. 1000 at P 339. *See also* March 22 Order at P 269 ("The determination of which transmission developer may use the regional cost allocation method for a selected transmission project does not necessarily confer rights to construct the project.").

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- including the prospective developer's history of constructing, owning, operating, and maintaining transmission projects.
- *Business Practices*: Section III.D.2.b requires a prospective transmission developer to describe its processes and history of developing transmission projects, including the types of resources it brings to transmission projects, including relevant capability and experience contemplated for the licensing, design, engineering, material and equipment procurement, siting and routing, right-of-way and land acquisition, construction and project management related to the construction of transmission projects.
 - *Compliance History*: Section III.D.2.c requires a prospective transmission developer to describe its compliance history related to violations of NERC and/or Regional Reliability Standards and/or other regulatory requirements pertaining to the development, construction, ownership, operation, and/or maintenance of electric transmission facilities by the applicant or any Alternate Qualifying Entity. This will provide valuable information to the PMC about the applicant's ability to comply with the regulatory requirements governing the development of transmission projects. To the extent the applicant and any Alternate Qualifying Entity it may rely upon to meet these criteria lacks such a compliance history, this section provides them the flexibility to provide equivalent information regarding any electric distribution or generation facilities it has developed, constructed, owned, operated and/or maintained.
 - *Participation in the Planning Process*: Section III.D.2.d requires a prospective transmission developer to describe its participation in the WestConnect Regional Planning Process or other planning forums for the identification, analysis, and communication of transmission projects as a way of determining the applicant's participation in the industry's efforts related to transmission development.
 - *Project Execution*: Section III.D.2.e requires a prospective transmission developer to explain why it has the capability and experience to comply with the on-going scheduling, operating, and maintenance activities associated with project development and execution.
 - *Right-of-Way Acquisition Ability*: Section III.D.2.f requires a prospective transmission developer to describe its procedures and practices for addressing the transmission project siting and right-of-way acquisition requirements necessary for transmission development.
 - *Financial Health*: Section III.D.2.g requires a prospective transmission developer to demonstrate that it is sufficiently creditworthy and has adequate capital resources to finance transmission projects. In order to provide the flexibility sought by the Commission in this area,³⁰ WestConnect provides several methods by which applicants can demonstrate their financial health. An applicant can demonstrate that it has an investment grade credit rating from both S&P and

³⁰ See, e.g., *Louisville Gas & Electric Co.*, 144 FERC ¶ 61,054 at P 154 (2013).

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Moody's. Alternatively, an applicant can provide corporate financial statements for the most recent five years. If an applicant does not have a credit rating and is less than five years old, the applicant can submit corporate financial statements for each year those statements are available. As an alternative, the applicant can provide copies of their guarantees, surety bonds, letters of credit or other forms of security for the PMC's review. If an applicant is providing financial statements, the applicant must provide the funds from operations-to-interest coverage ratio, the funds from operation-to-total debt ratio, and the total debt-to-total capital ratio. The applicant must also indicate the levels of these ratios that the applicant will maintain during and after construction of the transmission project.

- *Safety Program*: Section III.D.2.h requires a prospective transmission developer to demonstrate that it has an adequate internal safety program, contractor safety program, safety performance record, and has executed its safety program.
- *Transmission Operations*: Section III.D.2.i requires a prospective transmission developer to demonstrate it has the ability to operate a transmission project after it is complete. This includes, among other things, demonstrating that the applicant has control center operations capabilities, the ability to obtain required path ratings, a NERC compliance process and compliance history, as applicable, the required NERC certifications or the ability to obtain any applicable NERC certifications, the ability to establish Total Transfer Capability, storm/outage response and restoration plans, and a record of past reliability performance, as applicable. Recognizing that transmission developers might rely on other entities for these capabilities, WestConnect asks that the applicant provide a statement of which entity(ies) will be operating completed transmission facilities and will be responsible for staffing, equipment, and crew training.
- *Transmission Maintenance*: Section III.D.2.j requires a prospective transmission developer to demonstrate that it has an adequate transmission maintenance program or, alternatively, plans to develop such a program. Such a maintenance program would cover staffing and crew training and transmission facility and equipment maintenance. This would also address the applicant's record of past maintenance performance, NERC compliance process and any past history of NERC compliance or plans to develop a NERC compliance program. Recognizing that transmission developers might rely on other entities for these capabilities, WestConnect asks that the applicant provide a statement of which entity(ies) will be maintaining the completed transmission facilities.
- *Regulatory Compliance*: Section III.D.2.k requires a prospective transmission developer to demonstrate that it has the ability (or plans to develop the ability) to comply with Good Utility Practice, WECC criteria and Regional Reliability Standards, NERC Reliability Standards, construction standards, industry standards, environmental standards, and applicable local, state, and federal permitting requirements, as these are the regulatory requirements most closely

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- related to successfully developing, operating, and maintaining a regional transmission project.
- *Affiliation Agreements*: Section III.D.2.l provides a prospective transmission developer an opportunity to rely on other entities, called “Alternate Qualifying Entities,” to fulfill the transmission developer qualification criteria. This is consistent with Commission directives in other orders, which have stressed flexibility in the arrangements that prospective developers can rely upon to fulfill developer qualification criteria.³¹ Under the WestConnect proposal, a transmission developer can rely on its own qualification, the qualifications of a corporate affiliate, or the qualifications of an unaffiliated third-party that submits an affidavit stating its willingness to perform the tasks identified by the prospective transmission developer.
 - *WestConnect Membership*: Section III.D.2.m requires a prospective transmission developer to either be a member of WestConnect in the Transmission Owners with Load Serving Obligations sector or Independent Transmission Developers and Owners sector or to agree to join the WestConnect Transmission Owners with Load Serving Obligations or Independent Transmission Developers and Owners sector and sign the Planning Participation Agreement. The Commission has accepted a similar commitment in another region.³²
 - *Other*: Section III.D.2.n permits the applicant to provide any additional information about its project development experience that the applicant believes would demonstrate its expertise related to the developer criteria.

The necessary information demonstrating qualification under these criteria must be submitted by potential developers during the first quarter of the WestConnect planning cycle, except that during the first WestConnect planning cycle the PMC shall have the discretion to extend the period for the submission of this information.³³ By September 30 each year, the PMC will notify each prospective transmission developer whether it has satisfied these criteria. If an applicant did not satisfy the criteria, the PMC will provide that applicant with 30 days to correct the deficiency and the PMC will notify the

³¹ *Avista Corp.*, 143 FERC ¶ 61,255 at P 187 (2013) (“Given the potential for a prospective transmission developer to rely on third-party contractors to construct, own, operate and maintain transmission facilities, it is unreasonable to require such a developer to demonstrate that it has the capability to do so without also providing an opportunity for a transmission developer to satisfy this showing through reliance on relevant third-party experience.”); *Southwest Power Pool, Inc.*, 144 FERC ¶ 61,059 at P 227 (2013) (“that it is premature at the qualification stage to require a potential transmission developer to enter into executed contracts with any entity the transmission developer may rely on to meet the managerial qualification criteria.”).

³² *Avista Corp.*, 143 FERC ¶ 61,255 at P 181 (“[W]e find reasonable the requirement that any transmission developer who intends to sponsor a transmission project in the ColumbiaGrid transmission planning region execute the Restated PEFA before requesting Order No. 1000 cost allocation for a transmission project that it proposed.”).

³³ Proposed Attachment K Section III.D.2. This discretion ensures that the PMC can provide a larger submission window as needed to accommodate the many prospective transmission developers who will be preparing to submit this information for the first time.

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applicant within 45 days after receiving the new information whether the applicant has satisfied the qualification criteria.³⁴ Then, by December 31 each year, the PMC will post on the WestConnect website a list of the transmission developers who satisfy the transmission developer criteria. Transmission developers found to meet the qualification criteria are “Eligible Transmission Developers.”³⁵

By June 30 each subsequent year, Eligible Transmission Developers must submit a notarized letter to WestConnect stating that the developer continues to meet the qualification criteria or identifying changes to the information in its initial application. Each Eligible Transmission Developer that is not yet a WestConnect member and current on its membership dues must submit an annual certification fee, which is equal to the membership fee they would pay each year as a member of WestConnect. WestConnect members that are current on their membership dues need not submit this annual certification fee.³⁶ Equality in this area ensures that no entity is unduly advantaged or disadvantaged based on its membership or lack of membership in WestConnect.

Each Eligible Transmission Developer will have an ongoing obligation to notify the PMC chair of changes to the information provided in the developer’s transmission developer application. Such notifications must be submitted within 30 days of the change. After receiving notification of the change, the PMC will either (1) determine that the change does not affect the status of the transmission developer as an Eligible Transmission Developer, (2) suspend the transmission developer’s eligibility status until any deficiency in the transmission developer’s qualifications is cured, (3) allow the transmission developer to maintain its eligibility status for a limited time period, as specified by the PMC, while the transmission developer cures the deficiency, or (4) terminate the transmission developer’s eligibility status.³⁷

The PMC has the authority to terminate a transmission developer’s Eligible Transmission Developer status if the Eligible Transmission Developer (1) fails to submit its annual certification letter, (2) fails to pay the applicable WestConnect membership fees, (3) experiences a change in its qualifications and the PMC determines that it may no longer qualify as an Eligible Transmission Developer, (4) informs the PMC that it no longer desires to be an Eligible Transmission Developer, (5) fails to notify the PMC of a change to the information provided in its application within thirty (30) days of such change, or (6) fails to execute the Planning Participation Agreement within a reasonable time defined by the PMC after seeking to be an entity eligible to use the cost allocation methodology for a project selected in the regional plan for purposes of cost allocation.

³⁴ This is consistent with the Commission’s directive in other proceedings that regions provide “procedures for timely notifying potential transmission developers of whether they satisfy the qualification criteria and providing opportunities to remedy any deficiencies.” *PacifiCorp*, 143 FERC ¶ 61,151 at P 157 (2013).

³⁵ Proposed Attachment K Section III.D.3.a.

³⁶ Proposed Attachment K Section III.D.3.b.

³⁷ Proposed Attachment K Section III.D.3.b.

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XVI. REEVALUATION PROCESS

In the March 22 Order, the Commission explained that Order No. 1000 requires public utility transmission providers in a region to set forth the circumstances under which they will reevaluate the regional transmission plan to determine if delays in the development of a transmission facility selected in the regional plan for purposes of cost allocation require evaluation of alternative transmission solutions.³⁸ The purpose of this requirement is to ensure that “adequate processes are in place to determine whether delays associated with the completion of a transmission facility selected in a regional plan for purposes of cost allocation have the potential to adversely affect an incumbent transmission provider’s ability to fulfill its reliability needs or service obligations.”³⁹ The Commission stated that while it interpreted the Filing Parties proposed language concerning reevaluation as addressing this requirement, the Commission directed the Filing Parties to revise their OATTs to the extent necessary to conform them to the Commission’s description of the requirements of Order No. 1000.⁴⁰ In connection with this directive, the Commission further ordered the Filing Parties to revise their OATTs to: (1) allow an incumbent transmission provider to propose solutions that it would implement within its retail distribution service territory or footprint if an evaluation of alternatives is needed; and (2) if the proposed solution is a transmission facility, provide for the facility’s evaluation for possible selection in the regional transmission plan for purposes of cost allocation.⁴¹

As revised, the Filing Parties’ proposed reevaluation process is fully consistent with the Commission’s description of the requirements of Order No. 1000. Under the process set out in the Filing Parties’ OATT Attachment Ks, the PMC shall reevaluate the Regional Plan and transmission facilities selected in the Regional Plan for purposes of cost allocation to determine if alternative transmission solutions are necessary if: (1) a project is delayed and fails to meet its in-service date by more than 2 years; (2) there are changes to underlying projects characteristics or beneficiaries, including a project’s failure to secure a developer or a project developer’s non-compliance with the qualification criteria set out in the OATT Attachment Ks; (3) there are significant physical changes to the project, including rating changes and changes to the number of transmission elements or point of interconnection; or (4) there is a change in the calculation of benefits or the cost-benefit ratio of the project that may affect whether the project remains an efficient or cost effective solution to meeting regional needs. Individual projects are subject to reevaluation until: (1) state and federal approval processes are completed and approved; (2) all local, state, and federal siting permits have been approved; and (3) major construction contracts have been issued. When reevaluation is required, the PMC will determine whether alternative transmission solutions are needed using the same regional planning processes and procedures that it uses in identifying solutions to regional

³⁸ March 22 Order at P 254.

³⁹ See Order No. 1000-A at P 477.

⁴⁰ March 22 Order at P 254.

⁴¹ *Id.*

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transmission needs. Further, consistent with the Commission's directive, if an alternative solution is needed, an incumbent transmission owner may propose one or more solutions that it would implement within its retail distribution service or footprint and may submit any proposed transmission project for possible selection in the Regional Plan for purposes of cost allocation.

The criteria established by the Filing Parties ensures that the PMC will consider the need for alternative transmission solutions anytime that a project fails to meet its in-service date by a prescribed period of time or the project exhibits other characteristics, such as project, developer, or system changes, that are hallmarks that a project will be delayed or ultimately will not be constructed. Thus, consistent with the Commission's discussion, the Filing Parties have established a process by which the PMC will engage in ongoing review of project delays and the need for alternative solutions and which ensures that any such delays will not adversely affect an incumbent transmission provider's ability to fulfill its reliability needs or service obligations.

Moreover, the process established by the Filing Parties meets the other requirements of the March 22 Order. The Filing Parties have revised Section III.E.7 of their respective OATT Attachment Ks to clarify that the PMC is required to reevaluate the Regional Plan— not just individual projects – and that only the PMC has the authority to modify the status of a transmission project selected for purposes of cost allocation from the Regional Plan. In addition, the Filing Parties proposed revisions establish defined triggers for reevaluation, provide additional detail concerning changes to costs and benefits that trigger reevaluation, and clarify that the PMC will reevaluate projects selected in the Regional Plan for purposes of cost allocation and the need for alternative transmission solutions using the same processes that it uses when evaluating projects for selection in the Regional Plan for purposes of cost allocation in the first instance. Also, the Filing Parties have eliminated the concept of voluntary participant funding of projects in its reevaluation criteria. Finally, the Filing Parties have clarified that local or single system projects that have been selected in the Regional Plan for purposes of cost allocation are subject to reevaluation and have eliminated the exemptions from reevaluation for planned transmission system upgrades selected in the plan for purposes of regional cost allocation and projects that have been approved by the PMC in previous planning cycles.

XVII. TRANSMISSION NEEDS DRIVEN BY PUBLIC POLICY REQUIREMENTS IN LOCAL AND REGIONAL PROCESS

The March 22 Order set forth a variety of directives for the Filing Parties to further revise their respective OATTs to fully comply with the Order No. 1000 directives to consider transmission needs driven by public policy requirements in the local and regional transmission planning process. The Filing Parties' instant filing contains various revisions, as summarized below, to satisfy these directives.

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As required by the March 22 Order, the Filing Parties revised their respective OATT Attachment Ks to include a definition of public policy requirements.⁴² Specifically, this definition is set forth in Section II.A.3.c of the Filing Parties' respective OATT Attachment Ks and defines "Public Policy Requirements" to mean those requirements enacted by state or federal laws or regulations, including those laws enacted by local governmental entities, such as a municipality or county. This definition is used in both the Filing Parties' local and regional transmission planning sections of the OATT Attachment Ks. The Filing Parties also revised their respective OATT Attachment Ks to explain their reference to the term "proposed public policy requirements", as required by the Commission.⁴³ As a preliminary matter, the Filing Parties replaced the term "proposed public policy requirements" with the term "proposed public policy" in the OATT Attachment Ks, which more accurately reflects that such public policy has not yet been enacted and, therefore, is not yet a requirement. As used in the Filing Parties' OATT Attachment Ks, "proposed public policy" refers to public policy that has been proposed before a governmental authority, but not yet enacted.⁴⁴

The terms "Public Policy Requirements" and "proposed public policy" are used in both the local and regional transmission planning sections of the Filing Parties' OATT Attachment Ks. A summary of the other changes made to the Filing Parties' respective OATT Attachments to address consideration of Public Policy Requirements in both the local and regional transmission planning processes is set forth below.

A. Consideration of Public Policy Requirements in the Regional Transmission Planning Process

In response to the Commission's directives in the March 22 Order, the Filing Parties added provisions that describe how stakeholders can submit what they believe are transmission needs driven by Public Policy Requirements and how the proposed process for evaluating solutions to transmission needs in the regional transmission planning process provides an opportunity for stakeholders to provide input during the evaluation of potential solutions to identified needs.⁴⁵ In addition, the Commission directed the Filing Parties to address how they would identify which transmission needs driven by Public Policy Requirements would be evaluated for solutions, among the larger set of transmission needs driven by Public Policy Requirements.⁴⁶

Regional transmission needs driven by Public Policy Requirements will be addressed initially within the local planning cycles of the Filing Parties through the consideration of local transmission needs driven by Public Policy Requirements. For those Public Policy Requirements that affect more than one transmission owner in the WestConnect Planning

⁴² March 22 Order at PP 168, 196.

⁴³ *Id.* at PP 169, 196.

⁴⁴ *See* Section II.A.3.c of the Filing Parties OATT Attachment Ks.

⁴⁵ March 22 Order at PP 170, 176.

⁴⁶ *Id.* at P 172.

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Region (as defined in the OATT Attachment Ks), a solution identified at the local level to satisfy the local needs of the affected transmission owners(s) may also satisfy a regional transmission need identified by the PMC for the WestConnect Planning Region. As such, stakeholders will have the opportunity to first offer input on or make proposals of what they believe are transmission needs driven by Public Policy Requirements at the local transmission planning meetings held by the respective Filing Parties. Stakeholders will also have the opportunity to participate in the open meetings held under the Regional Planning Process (as defined in the respective OATT Attachment Ks) to discuss transmission needs driven by Public Policy Requirements and the evaluation of solutions to such needs. During these open meetings, stakeholders may propose transmission needs driven by Public Policy Requirements and possible solutions to such needs, or offer comments on proposals of others. Stakeholders that sign the WestConnect Planning Participation Agreement and become members of the PMC will perform regional transmission planning functions, which will also provide opportunities to identify regional transmission needs driven by Public Policy Requirements and develop solutions to those needs through membership on the PMC subcommittees.

Notice of both regional and local transmission planning meetings in which stakeholders may participate will be posted on the WestConnect website.

Finally, the Filing Parties revised their respective OATT Attachment Ks to describe a just and reasonable and not unduly discriminatory process for identifying the transmission needs driven by enacted Public Policy Requirements for which solutions will be evaluated in the regional transmission planning process. The Filing Parties also explain in their compliance filings how their open and transparent regional transmission planning process determines whether to move forward regarding transmission needs driven by Public Policy Requirements.”⁴⁷

B. Consideration of Public Policy Requirements in the Local Transmission Planning Process

Each of the Filing Parties revised its respective OATT Attachment K to include new provisions⁴⁸ that address: “(1) procedures to identify transmission needs driven by public policy requirements that allow stakeholders an opportunity to provide input and to offer proposals regarding the transmission needs they believe are driven by public policy requirements, and (2) a just and reasonable and not unduly discriminatory process for identifying, out of this larger set of needs, those needs for which transmission solutions will be evaluated” in response to the Commission’s directives in the March 22 Order.⁴⁹ The new provisions describe how stakeholders will have a meaningful opportunity to submit what the stakeholders believe are transmission needs driven by Public Policy Requirements, and provides for an open and transparent transmission planning process in

⁴⁷ March 22 Order at P 172.

⁴⁸ See Section II.C of the respective Filing Parties OATT Attachment Ks.

⁴⁹ March 22 Order at P 200.

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compliance with the March 22 Order by incorporating stakeholder input at various stages of the local planning process.⁵⁰

Stakeholders may participate in identifying local transmission needs driven by Public Policy Requirements by contacting the respective Filing Parties' point of contact directly at the email address provided in its OATT Attachment K. Additionally, stakeholders may offer input on or make proposals for local transmission needs driven by Public Policy Requirements at the Filing Parties' open meetings under their local transmission planning processes set forth in their OATT Attachment Ks.

The Filing Parties revised their respective OATT Attachment Ks to describe a just and reasonable and not unduly discriminatory process for identifying the local transmission needs driven by enacted Public Policy Requirements for which solutions will be evaluated in the regional transmission planning process. The Filing Parties also explain in their compliance filings how their open and transparent transmission planning process determines whether to move forward regarding local transmission needs driven by Public Policy Requirements.⁵¹

Stakeholders may also participate in the evaluation of solutions to those local transmission needs driven by Public Policy Requirements that are selected by each Filing Party for further evaluation. Stakeholders may provide comments on proposed solutions or may submit other proposed solutions to such local transmission needs during the respective Filing Parties' open local transmission planning meetings. After seeking the input of stakeholders, each Filing Party will determine whether to select a particular local solution in its local transmission plan using the same procedures used to evaluate any other project proposed in the local planning process.

Additionally, the Filing Parties included in these new provisions a requirement to post on each of their own respective websites: (i) a list of all local transmission needs identified that are driven by Public Policy Requirements and that are included in its respective local planning studies; and (ii) an explanation of why other suggested transmission needs driven by Public Policy Requirements will not be evaluated.

XVIII. OWNERSHIP RIGHTS

To address the Commission's concerns discussed in P 340 of the March 22 Order, the Filing Parties propose additional language to what was originally proposed in Section VII.B.5 of their respective OATT Attachment Ks. The additional language clarifies that the Filing Parties did not intend to create a right of first refusal for transmission beneficiaries, but instead intended ownership as an alternative if the parties involved negotiated an arm's length transaction that allowed an identified beneficiary to receive an ownership percentage of the project rather than paying an allocated share of project costs

⁵⁰ *Id.*

⁵¹ *Id.*

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through transmission service payments. If the parties are unable to reach an agreement under the ownership scenario, the identified beneficiaries would remain obligated for its allocated share of project costs identified through the regional cost allocation methodology. The Filing Parties believe the proposed language allows for flexibility for both the project developer and identified beneficiaries while still meeting the Commissions objectives for cost allocation.

The OATT Attachment K language proposed by the Filing Parties in Section VII.B.5 clarifies two things. First, it provides for an identified beneficiary to receive transfer capability on a project in exchange for its allocation of cost. Second, it provides an alternative through which an identified project beneficiary that contributes capital toward the construction of a regional transmission project (in lieu of making transmission service payments for transfer capability on a transmission project) to obtain, should it so elect and only upon the agreement of the project developer, a proportionate ownership interest in the project. The proposed language also affords an entity that is willing to front a portion of the cost of a project the opportunity to be fairly compensated for its contribution and in a manner proportionate to its investment in the project—no greater and no less - and opens up the opportunity for a transmission developer to secure capital contributions for its project (a choice a developer may find, in certain instances, superior to the option of securing service subscriptions). Additionally, providing an ownership option (in lieu of transmission service payments) allows those beneficiaries that may not necessarily benefit from additional transfer capability on a new transmission project, whether due to lack of contiguity to the new facilities or otherwise, to realize the benefits through an ownership option. Under either scenario, ownership or transmission service, such rights are limited to the extent of the benefit gained by the identified project beneficiary.

XIX. COST ALLOCATION, EVALUATION PROCESS FOR SELECTION IN PLAN FOR PURPOSES OF COST ALLOCATION

The Filing Parties have proposed changes to the language in their respective OATT Attachment Ks addressing the Commission's directives in the March 22 Order regarding cost allocation and the evaluation process for selection in the regional transmission plan for purposes of cost allocation. These proposed changes are as follows:

A. Evaluation Process for Transmission Proposals for Selection in the Regional Transmission Plan for Purposes of Cost Allocation

1. Evaluation and Selection Process for Projects and the Role of Each WestConnect Committee and/or Subcommittee.

To address the Commission's issues discussed in P 238 of the March 22 Order regarding the role of certain WestConnect Committees in the process for determining the selection of a project in the regional transmission plan for purposes of cost allocation, the Filing

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Parties have added language to Section III.B.5.b of their respective OATT Attachment Ks that provides additional detail on the role of the PMC in the management of the WestConnect Regional Planning Process. Additionally, the PMC is responsible for the creation of and dissolving of subcommittees such as the Planning Subcommittee and Cost Allocation Subcommittee that provide recommendations to the PMC concerning the evaluation and selection process for projects to be included in the plan for purposes of cost allocation that address identified regional needs.

2. The Role of a Local Transmission Plan in the PMC Selection Process of a Regional Reliability Transmission Project

The Filing Parties have added language to Section III.E.2 of their respective OATT Attachment Ks to address the Commission's issue in P 242 of the March 22 Order, that a local transmission owner's willingness to modify its local transmission plan should not impact the PMC's selection of a more efficient or cost effective regional transmission project for purposes of cost allocation. In Section III.E.2, the Filing Parties state: "Because local transmission owners are ultimately responsible for compliance with NERC Reliability Standards and for meeting local needs the local transmission plans will not be modified; however, the PMC may identify more efficient or cost effective regional transmission projects." These revised provisions comport with the Commission's clarification on this issue in Order No. 1000-A at P 190 ("we also clarify that we do not require that the transmission facilities in a public utility transmission provider's local transmission plan be subject to approval at the regional or interregional level, unless that public utility transmission provider seeks to have any of those facilities selected in the regional transmission plan for purposes of cost allocation").

B. Cost Allocation for Transmission Projects Selected in the Regional Transmission Plan for Purposes of Cost Allocation

1. Binding Cost Allocation on Identified Beneficiaries

To address the Commission's issues discussed in P 309 of the March 22 Order regarding binding cost allocation on identified beneficiaries, the Filing Parties have added a new Section VII.B.10 to their respective OATT Attachment Ks. Section VII.B.10 states that the cost allocation methods, as provided in Section VII of the Filing Parties OATT Attachment Ks, are binding on the Enrolled Transmission Owners identified as beneficiaries, without prejudice to certain rights and obligations:

- (a) The right and obligation of the PMC to reevaluate a transmission facility previously selected for inclusion in the regional plan for purposes of cost allocation;
- (b) The right and obligation of a transmission developer to make a filing under Section 205 or other applicable provision of the Federal Power Act in order to

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seek approval from the Commission to recover the costs of any transmission facility selected for inclusion in the regional plan for purposes of cost allocation;

- (c) The right and obligation of any interested person to intervene and be heard before the Commission in any Section 205 or other applicable proceeding initiated by a transmission developer under the Federal Power Act, including the right of any identified beneficiaries of the transmission facility to support or protest the filing and to present evidence on whether the proposed cost recovery is or is not just and reasonable; and
- (d) The right and obligation of the Commission to act under Section 205 or other applicable provision of the Federal Power Act to approve or deny any cost recovery sought by a transmission developer for a transmission facility selected in the regional plan for purposes of cost allocation.

2. Clarification of Which Entities may be Allocated Costs for Reliability Projects Selected for Purposes of Cost Allocation

To address the Commission's issues discussed in P 313 of the March 22 Order, the Filing Parties have added a statement to Section VII.B.1 of their respective OATT Attachment Ks that states that the ultimate responsibility for maintaining system reliability and compliance with NERC Transmission Planning Standards rests with each transmission owner, and that the costs of reliability projects will be allocated to enrolled transmission owners identified as beneficiaries.

3. Clarification of the Allocation of Costs Less Than or Equal to One Percent of Total Benefits for an Economic Transmission Project Selected for Cost Allocation

To address the Commission's issues discussed in P 315 of the March 22 Order regarding allocation of costs less than or equal to one percent of total benefits for an economic transmission project selected for cost allocation, the Filing Parties have added a statement to Section VII.B.2 of their respective OATT Attachments to clarify that: "Where a project satisfies the B/C ratio and is determined to provide benefits less than or equal to one percent of total project benefits to an Enrolled Transmission Owner, such benefits will be re-allocated to all other enrolled identified beneficiaries on a pro-rata basis, in relation to each entity's share of total project benefits."

4. Clarification of Which Entities may be Allocated Costs for Economic Projects Selected for Purposes of Cost Allocation

To address the Commission's issues discussed in P 316 of the March 22 Order regarding the entities which may be allocated costs for economic projects selected for purposes of

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cost allocation, the Filing Parties have added a statement to Section VII.B.2 of their respective OATT Attachments that states that: “The cost of any project that has an aggregate 1.25 B/C ratio or greater will be divided among the enrolled transmission owners that show a benefit based on the amount of benefits calculated to each respective transmission owner.”

5. Explanation of the Determination of Whether Multiple Types of Benefits will be considered for a Single Transmission Project

To address the Commission’s issues discussed in P 318 of the March 22 Order regarding the determination of whether multiple types of benefits will be considered for a single transmission project, the Filing Parties have provided additional clarification in Section VII.B.4 on this point, stating that interested stakeholders are given the opportunity to provide input to determine whether to consider multiple benefits for a single transmission project, in accordance with Section III (the Regional Transmission Planning Process). Further, the Filing Parties also describe the steps that the PMC will utilize in the determination of whether to consider multiple benefits for a single project, including categorizing the benefits as: (a) meeting NERC Transmission Reliability Standards (reliability); (b) achieving production cost savings or a reduction in reserve sharing requirements (economic); or (c) necessary to meet transmission needs driven by Public Policy Requirements. The PMC will identify all three benefits through the regional cost allocation process, and if the project cannot pass the cost allocation threshold for any one of the three benefit categories alone, the sum of benefits from each benefit may be considered.

6. Calculation of Benefit to Cost Ratios for Economic Transmission Projects

To address the Commission’s issues discussed in P 322 of the March 22 Order regarding calculation of benefit to cost ratios for economic transmission projects, the Filing Parties have added clarifying language in Section VII.B.2 of their respective OATT Attachment Ks. The additional language states that in order for an economic project to be considered economically justified and receive cost allocation, it must have a benefit to cost ratio that is greater than 1.0 under each reasonable scenario evaluated and have an average ratio of at least 1.25 under all reasonable scenarios evaluated. The Filing Parties have also included a description of how scenario analyses will be used to ensure that benefits for economic project selected for cost allocation and involving more than one system will be attributed to the beneficiary enrolled transmission owners. The clarification language also incorporates an example of how an aggregate load-weighted benefit to cost ratio calculation will be used to allocate costs of a project to the enrolled transmission owners, based on the extent of each of the enrolled transmission owners economic benefits received, relative to the total project benefits.

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7. Consequences of a Transmission Facility Selected in the Regional Transmission Plan for Purposes of Cost Allocation on a Transmission System in Another Region

To address the Commission's issues discussed in P 323 of the March 22 Order regarding the consequences of a transmission facility selected in the regional transmission plan for purposes of cost allocation on a transmission system in another region, the Filing Parties have added a new Section VII.B.11 to their respective OATT Attachment Ks, to address the "Impact of a Regional Project on Neighboring Planning Regions." Under Section VII.B.11, the Filing Parties state that the PMC will study the impact(s) of a regional transmission project on neighboring planning regions, including the resulting need, if any, for mitigation measures in such neighboring planning regions resulting from: a) the WECC Path Rating Process; b) under FERC OATT requirements; c) under NERC Reliability Standards requirements, and/or d) under any negotiated arrangements between the interconnected entities. In agreeing to study the impacts of a regional transmission facility on neighboring planning region, the PMC is not agreeing to bear the cost of any mitigation measures it identifies, and will request that developers design and build projects to mitigate the project's identified impacts on neighboring planning regions. Any costs involved in the mitigation shall be included in the regional transmission project's total project costs for purposes of determining the projects eligibility for regional cost allocation under Section VII.B. The Filing Parties state that the WestConnect Planning Region will not be responsible for compensating a neighboring planning region, transmission provider, transmission owner, Balancing Authority Area, or any other entity, for the costs of any required mitigation measure, or other consequences, on their systems associated with a regional transmission project in the WestConnect Planning Region.

8. Documentation on Regional Cost Allocation for Reliability and Public Policy Transmission Projects

To address the Commission's issues discussed in P 325 of the March 22 Order regarding documentation of regional cost allocation for reliability and public policy transmission projects, the Filing Parties have incorporated an additional statement in each of Section VII.B.1 and Section VII.B.3 of their respective OATT Attachment Ks, stating that the manner in which WestConnect Regional Planning Process applies this methodology for cost allocation shall be described in the Regional Transmission Plan.

9. Production Cost Savings, Reserve Sharing Requirements and Documentation for Economic Transmission Projects

To address the Commission's issues discussed in P 326 of the March 22 Order regarding production cost savings, reserve sharing requirements and documentation for economic transmission projects, the Filing Parties have incorporated additional language in Section VII.B.2 of their respective OATT Attachment Ks. Specifically, the Filing Parties state

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that production cost savings are to be determined by the PMC performing a production cost simulation that models the impact of the proposed transmission project on production costs and congestion. The production cost savings and reductions in reserve sharing requirements will be calculated as the reduction in production costs between a production cost simulation with the project included, as compared to a production cost simulation without the project. The PMC will identify a transmission project's impact on reserve sharing requirements as it applies to the individual transmission systems involved. The Filing Parties intend that the following production cost principles be applied and that the production cost models appropriately consider the hurdle rates between transmission systems.

- The production cost savings from a project must be present in each year from the project in-service date and extending out at least 10 years.
- Cost savings must be expressed in present-value dollars and consider the impact of various fuel cost forecasts.
- The production cost study must account for contracts and agreements related to the use of the transmission system.
- The production cost study must account for contracts and agreements related to the access and use of generation.

The Filing Parties have also included language to provide stakeholders several different ways to acquire information regarding how the PMC applies the regional cost allocation method for an economic transmission project to a transmission facility.

XX. LOCAL TRANSMISSION PLANNING PROCESSES

In P 353 of the March 22 Order the Commission directed the Filing Parties to identify and justify changes to the Local Transmission Planning sections of their respective OATT Attachment Ks. PNM made several changes in the Local section it believes were done to conform to the directives of Order No. 1000 or to be consistent with the Regional Planning Section of Attachment K.

First, PNM inserted the word "local" throughout Section II of its Attachment K to differentiate the local process from the regional process. Second, PNM replaced the term "demand response" with "Non-Transmission Alternatives" throughout Section II of its Attachment K to be consistent with Order No. 1000 terminology. PNM believes the use of the term Non-Transmission Alternatives, rather than individual non-transmission alternatives such as demand response, is consistent with the directives in Order No. 1000. Third, in Section II.A.2 of its Attachment K, PNM corrected the link to the WECC non-disclosure agreement needed to access confidential or proprietary data, to conform to the Commissions directives for stakeholder participation and transparency in Order No. 1000.

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XXI. REQUEST FOR EFFECTIVE DATE AND ACCEPTANCE FOR FILING

In PP 24, 28, and 29 of the March 22 Order the Commission expressed concern with the Filing Parties proposal to tie the effective date of their respective OATT Attachment Ks with final Commission action and the apparent inconsistency between the implementation date for the Order No. 1000 planning process and the effective date of the OATT Attachments. In the instant filing, the Filing Parties propose an effective date of January 1 of the year following FERC conditional or full acceptance of the instant filing. Should this proposal result in an effective date in an odd-numbered year, WestConnect will conduct an abbreviated planning process in that odd-numbered year and begin its full biennial process in the following even-numbered year.

The Filing Parties believe this proposal gives FERC and WestConnect flexibility to allow for a January 1, 2014 effective date if the Commission chooses to issue an order prior to the end of 2013 and also gives some certainty to the parties participating in the WestConnect Planning Region that the effective date will be January 1, 2015 if the Commission issues an order after the end of 2013. WestConnect also will need to begin the full biennial planning process on an even-numbered year to align with its interregional neighbors, Northern Tier Transmission Group, ColumbiaGrid, and the California Independent System Operator. In the interim, while the Commission reviews the instant filing, WestConnect plans to continue transition efforts to the extent it can prior to Commission acceptance.

Sincerely,

/s/ Michael L. Edwards

Michael L. Edwards
Director, Federal Regulatory Policy
Public Service Company of New Mexico

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FERC rendition of the electronically filed tariff records in Docket No. ER13-00079-002

Filing Data:

CID: C001218

Filing Title: Order 1000 IntraRegional Compliance Filing

Company Filing Identifier: 233

Type of Filing Code: 80

Associated Filing Identifier: 169

Tariff Title: PNM Open Access Transmission Tariff

Tariff ID: 17

Payment Confirmation:

Suspension Motion:

Tariff Record Data:

Record Content Description, Tariff Record Title, Record Version Number, Option Code:

Elec Tariff Vol No. 6, Open Access Transmission Tariff (S-57) Attachment K, 1.0.0, A

Record Narrative Name: PNM OATT, FERC Electric Tariff Volume No. 6 (Section 57) Attachment K

Tariff Record ID: 58

Tariff Record Collation Value: 803014054 Tariff Record Parent Identifier: 0

Proposed Date: 9998-12-31

Priority Order: 5

Record Change Type: CHANGE

Record Content Type: 1

Associated Filing Identifier:

Public Service Company of New Mexico

ATTACHMENT K

ATTACHMENT K - Transmission Planning Process

I. Overview of the PNM Transmission Planning Process.

PNM is a vertically integrated public utility engaged in the generation and transmission of electric power and energy in the states of New Mexico and Arizona and in the distribution of electric power and energy in the State of New Mexico. PNM provides electric transmission and related reliability services under state and federal statutes and regulations. PNM's transmission planning process is based on the following three core objectives:

- Maintain safe and reliable electric service;
- Improve the efficiency of electric system operations, including the provision of open and non-discriminatory access to the transmission facilities under its control; and
- Identify and promote new investments in transmission infrastructure in a coordinated, open, transparent and participatory manner.

PNM's transmission planning process is intended to facilitate a timely, coordinated and transparent process that fosters the development of electric infrastructure that both maintains reliability and meets load growth so that PNM can continue to provide reliable and cost-effective service to its customers.

The PNM transmission planning process includes a series of open planning meetings that PNM will conduct at least twice a year to allow anyone including, but not limited to, network and point-to-point transmission service customers, sponsors of transmission solutions, generation solutions and solutions utilizing non-transmission alternatives ("NTAs"), interconnected neighbors, regulatory and state bodies and other stakeholders, input into and comment on the PNM transmission plan through all stages of its development.

In addition to its local transmission planning process, PNM coordinates its transmission planning with other transmission providers and stakeholders in the Desert Southwest area, and the Western Interconnection as a whole, through its active participation in the Southwest Area Transmission Planning ("SWAT") group, membership in WestConnect, membership in the Western Electricity Coordinating Council ("WECC") and participation in the WECC Transmission Expansion Planning Policy Committee ("TEPPC") and its Technical Advisory Subcommittee ("TAS").

Three subregional planning groups operate within the WestConnect footprint: SWAT, Colorado Coordinated Planning Group ("CCPG") and the Sierra Subregional Planning Group ("SPPG"). WestConnect's planning effort, which includes funding and provision of planning management, analysis, report writing and communication services, supports and manages the coordination of the subregional planning groups and their respective studies. Such responsibilities are detailed in the WestConnect Project Agreement for

Subregional Transmission Planning (WestConnect “STP Project Agreement”) dated May 23, 2007 (see Hyperlinks List on PNM’s Open Access Same-Time Information System (“OASIS”) as www.oasis.oati.com/pnm/index.html). PNM is a signatory to the STP Project Agreement.

The subregional planning groups within the WestConnect footprint, assisted by the WestConnect planning manager, coordinate with other Western Interconnection transmission providers and their subregional planning groups through TEPPC. TEPPC provides for the development and maintenance of an economic transmission study database for the entire Western Interconnection and performs annual congestion studies at the Western Interconnection region level.

II. PNM Local Transmission Planning

A. PNM Planning Process

Participation in PNM’s local planning process is open to all affected parties, including but not limited to, all network and point-to-point transmission customers, sponsors of transmission solutions, generation solutions and solutions utilizing NTAs, interconnected neighbors, regulatory and state bodies, and other stakeholders.

1. PNM Contact for Transmission Planning Process

(see Hyperlinks List on PNM’s OASIS at www.oasis.oati.com/pnm/index.html)

2. Confidential or Proprietary Information

PNM’s local transmission planning studies may include base case data that are WECC proprietary data or classified as Critical Energy Infrastructure Information (“CEII”) by the Federal Energy Regulatory Commission (“FERC” or “Commission”). A stakeholder must hold membership in or execute a non-disclosure agreement with WECC (see Hyperlinks List on PNM’s OASIS at www.oasis.oati.com/pnm/index.html) in order to obtain requested base case data from PNM. A stakeholder may obtain PNM transmission planning information classified as CEII from PNM by following PNM’s Procedures for Requesting Access to CEII posted on PNM’s OASIS at www.oasis.oati.com/pnm/index.html.

3. Types of Planning Studies

- a. Transmission Planning Studies. PNM will conduct local reliability studies to ensure that all North American Electric Reliability Corporation (“NERC”), WECC, and local reliability standards are met for each year of the ten-year planning horizon, including all PNM customer’s requirements for planned loads and resources, including NTAs. These reliability studies will be coordinated with the other regional transmission planning

organizations through SWAT studies.

- b. Economic Studies. Economic planning studies are performed to identify significant and recurring congestion on the transmission system and the effects of load growth, load management programs and adding new resources. Such studies may analyze any, or all, of the following: (i) the location and magnitude of the congestion, (ii) possible remedies for the elimination of the congestion, in whole or in part, including transmission solutions, generation solutions, and solutions utilizing NTAs, (iii) the associated costs of congestion, (iv) the cost associated with relieving congestion through system enhancements (or other means), and as appropriate (v) the economic impacts of load growth, load management programs and adding new resources. PNM will perform, or cause to be performed, economic planning studies at the request of any transmission customer or stakeholder. All economic planning studies performed, either by PNM or TEPPC, will utilize the TEPPC public data base or other appropriate public data.
- c. Consideration of Public Policy Requirements. For purposes of this Attachment K, “Public Policy Requirements” means those requirements enacted by state or federal laws or regulations, including those enacted by local governmental entities, such as a municipality or county. Enacted Public Policy Requirements, as applicable, are incorporated into the load forecasts and/or are modeled in the local planning studies. For example, PNM incorporates existing and planned energy efficiency, demand response and distributed generation programs that are required as a result of state-mandated renewable energy standards and energy efficiency rules in its transmission planning analysis. Proposed public policy (public policy proposed before a governmental authority, but not yet enacted), may be studied if time and resources permit.

4. PNM’s Local Transmission Planning Study Process

- a. Overview. PNM’s local transmission planning process consists of an assessment of the following needs:
 - i. Provide adequate transmission to access sufficient resources in order to reliably and economically serve retail and network loads.
 - ii. Where feasible, identify NTA’s that could meet or mitigate the need for transmission additions or upgrades
 - iii. Support PNM’s local transmission and sub-transmission systems.
 - iv. Provide for interconnection of new generation resources.

- v. Coordinate new interconnections with other transmission systems.
 - vi. Accommodate requests for long-term transmission access.
 - vii. Consider transmission needs driven by Public Policy Requirements.
- b. PNM's Local Transmission Planning Cycle.
- i. Calendar Year Planning Cycle. PNM conducts its local transmission planning on a calendar year cycle for a ten-year planning horizon.
 - ii. Annually Updated Ten-year Plan. PNM updates its ten-year plan annually and publishes an annual Ten-year Transmission Plan on its OASIS in the first quarter of each calendar year (see Section II.A.4.c. below).
- c. Transmission Customer's Responsibility for Providing Data
- i. Use of Customer Data. PNM uses the information provided by its transmission customers to, among other things, assess network load and resource projections (including NTAs), transmission needs, operating dates and retirements for generation resources in PNM's system and to update regional models used to conduct planning studies.
 - ii. Submission of Data by Network Transmission Customers. Network Customers are required, pursuant to the PNM Open Access Transmission Tariff ("OATT") to submit their ten-year projected network load and network resources (including NTAs) to PNM on an annual basis. Such information shall be submitted annually by March 1st of each year to the PNM Contact for Transmission Planning Process: (see Section II.A.1).
 - iii. Submission of Data by Other Transmission Customers. All other transmission customers shall provide their ten-year needs in the form of relevant data for inclusion in the PNM transmission planning process. Such information shall be submitted annually by March 1st each year by forwarding such data to the PNM Contact for Transmission Planning Process (see Section II.A.1.).
 - iv. Transmission Customer Data to be submitted. To the maximum extent practical and consistent with protection of

proprietary information, data submitted by network transmission customers and other transmission customers shall include for the ten-year planning horizon:

- a. Generators – planned additions or upgrades (including status and expected in-service date), planned retirements and environmental restrictions.
 - b. NTAs – include, without limitation, technologies that defer or possibly eliminate the need for new and/or upgraded transmission lines, such as distributed generation, demand side management (load management, such as energy efficiency and demand response programs), energy storage facilities and smart grid equipment that can help eliminate or mitigate a grid reliability problem, reduce uneconomic grid congestion, and/or help to meet grid needs driven by Public Policy Requirements.
 - c. Network customers – forecast information for load and resource requirements over the planning horizon and identification of demand response reductions.
 - d. Point-to-Point transmission customers – projections of need for service over the ten-year planning horizon, including transmission capacity, duration, and receipt and delivery points.
- v. Notification of Material Changes to Transmission Customer Data. Each transmission customer shall submit timely written notice to PNM of material changes in any of the information previously provided to PNM related to the transmission customer's load, resources (including NTAs), or other aspects of its facilities or operations which may, directly or indirectly, affect PNM's ability to provide service.
- d. Stakeholder Participation
- i. During its 1st Quarter open public meeting, PNM shall: (a) review its transmission planning process and current study plan with stakeholders; (b) request stakeholder review and input on any aspect of PNM's current study plan (including, but not limited to, methodology, study inputs, Public Policy Requirements, and potential stakeholder-suggested transmission needs driven by Public Policy Requirements and study results) and transmission planning process; (c) invite the submittal of transmission study requests from stakeholders for review and discussion; (d) solicit information from its

transmission customers on loads and resources (including NTAs) and other needs for the preparation of its ten-year plan; and (e) provide updates on its planned projects.

After the 1st Quarter meeting, but not less than 30 days before the 4th Quarter meeting, PNM will post on its OASIS an explanation of those transmission needs driven by Public Policy Requirements that have been identified for evaluation for potential solutions in the local transmission planning process and an explanation of why any suggested transmission needs driven by Public Policy Requirements will not be evaluated.

- ii. During its 4th Quarter open public meeting, PNM will present a draft of its Ten-year Plan for the following calendar year for stakeholder review and comment.
 - iii. This schedule may be modified to coordinate with subregional and regional transmission planning processes, subject to updated postings on the PNM OASIS and WestConnect websites.
- e. Coordination of Transmission Study Cycle with SWAT and WestConnect Study Cycle. PNM will coordinate the timing of its local transmission planning study cycle process with the development of the assumptions, and coordinated base cases, used within the SWAT and WestConnect planning group, which is open to participation by all interested parties.
 - f. PNM Point of Contact for Local Reliability Study Requests. Customer/stakeholder questions regarding modeling, criteria, assumptions and data underlying system plans shall be directed to the PNM Contact for Transmission Planning Process (see Section II.A.1.).
 - g. PNM Local Study Criteria and Guidelines. Customers are advised to refer to the PNM Study Criteria and Guidelines on the PNM OASIS. (see Hyperlinks List on PNM's OASIS at www.oasis.oati.com/pnm/index.html).
 - h. PNM and Stakeholder Alternative Solutions Evaluation Basis. PNM's local planning process is an objective process that evaluates use of the transmission system on a comparable basis for all customers. All solution alternatives that have been presented on a timely basis (per Section II.A.4.c. and II.A.4.d. of this Attachment K), including transmission solutions, generation solutions and solutions utilizing NTAs, whether presented by PNM or another stakeholder, will be evaluated on a comparable basis. The same criteria and evaluation

process will be applied to competing solutions and/or projects, regardless of type or class of stakeholder. Solution alternatives will be evaluated against one another on the basis of the following criteria to select the preferred solution or combination of solutions: (1) ability to practically fulfill the identified need; (2) ability to meet applicable reliability criteria or NERC Transmission Planning Standards issues; (3) technical, operational and financial feasibility; (4) operational benefits/constraints or issues; (5) cost-effectiveness over the time frame of the study or the life of the facilities, as appropriate (including adjustments, as necessary, for operational benefits/constraints or issues, including dependability); and (6) where applicable, consistency with State or local integrated resource planning requirements, or regulatory requirements, including cost recovery through regulated rates.

5. PNM Economic Planning Study Process.

- a. Requesting Economic Planning Studies. Any PNM transmission customer or other interested stakeholder, including sponsors of transmission solutions, generation solutions and solutions utilizing NTAs (“Requester”) may submit a study request for an economic planning study directly to PNM, WestConnect, or TEPPC. PNM’s Economic Planning Study Request Form may be downloaded from PNM’s OASIS (see Hyperlinks List on PNM’s OASIS at www.oasis.oati.com/pnm/index.html). The Requester must submit its study request(s) no later than September 30th of each year for PNM to review the study request(s) with stakeholders at its 4th Quarter open public meeting. All such requests submitted to PNM shall be sent to the PNM Contact for Transmission Planning Process (see Section II.A.1.). PNM will make reasonable efforts to coordinate the timing of its economic planning study cycle process with WestConnect and TEPPC planning processes.
- b. Process for Handling Economic Transmission Planning Study Requests. PNM shall manage any economic planning study requests it receives under this Attachment K in the following manner:
 - i. TEPPC Master List. PNM shall forward the request to TEPPC for inclusion in the TEPPC Master List of economic planning studies for the Western Interconnection and for consideration by TEPPC as a priority request. TEPPC’s Master List is publicly available (see Hyperlinks List on PNM’s OASIS at www.oasis.oati.com/pnm/index.html).
 - ii. Stakeholder Review of Economic Transmission Study Requests. PNM shall review local requests timely submitted per II.A.4.a. above in the PNM 4th Quarter open public

meeting. Based on stakeholder input, PNM shall determine whether (i) the study should be considered a local priority request and performed by PNM; (ii) whether the study request encompasses a sub-region or region, in which case PNM will transfer the request to WestConnect for consideration as a regional priority request at WestConnect's stakeholder meeting; or (iii) whether the study request encompasses the Western Interconnection, in which case PNM will transfer the request to TEPPC for consideration as a Western Interconnection priority request at TEPPC's stakeholder meeting. The criteria WestConnect utilizes to prioritize requests for regional economic studies is described in Section III below. The criteria TEPPC utilizes to prioritize requests for regional economic studies are posted on the TEPPC page of the WECC website (see Hyperlinks List on PNM's OASIS at www.oasis.oati.com/pnm/index.html).

- iii. Criteria Used for Local Priority Economic Transmission Planning Study Request. Based in part on the number and type of local study requests received, PNM shall consider the following criteria to determine whether the economic transmission planning study request is a local priority request:
 - (a) Whether the study request does not affect interconnected transmission systems, and
 - (b) Whether the remedies are confined to a local area and can be resolved within the PNM's transmission system.
- iv. Economic Transmission Planning Study Requests Determined to be a Local Priority.
 - (a) If PNM determines, with input from stakeholders obtained through the PNM open public meeting that the economic planning study request is a local priority, *e.g.*, if the study request does not affect interconnected transmission systems, and the remedies are confined to a local area and can be resolved within the PNM transmission system, then PNM may conduct the study internally and coordinate assumptions and results with its customers, stakeholders and interconnected neighbors. PNM will have no obligation to conduct more than three priority local economic planning studies per calendar year.
 - (b) If PNM receives more than three requests for local economic studies that are determined to be priority local requests, it may perform one or more additional studies at

its sole discretion. If PNM elects not to perform such additional study, the Requester may request, and PNM will provide, PNM's assistance in having a third party perform the economic planning study at the Requester's expense. The Requester will have use of the TEPPC economic study data base and PNM will support the Requester in ensuring that the study is coordinated as necessary through local, subregional or regional planning groups.

- c. Process for Handling Economic Study Requests Received by TEPPC. TEPPC will review economic planning study requests received from Transmission Providers or from Requesters directly. TEPPC shall review such study requests during its open stakeholder meeting and, together with its stakeholders, prioritize requests for economic planning studies in accordance with TEPPC's Transmission Planning Protocol. PNM shall participate in the TEPPC prioritization process and provide input as to whether a study request should be included in the TEPPC study plan. The Requester is also encouraged to participate and provide input in the TEPPC prioritization process. Additionally, WestConnect will provide advice, on an as needed basis, to TEPPC regarding prioritizing regional economic planning study requests and potential clustering of requested regional economic planning studies, if those studies involve facilities in the WestConnect footprint. For more detail regarding the TEPPC economic planning study process, see the TEPPC Transmission Planning Protocol **Error! Hyperlink reference not valid.**
- d. Low Priority Economic Study Requests. If either PNM, WestConnect and/or TEPPC determine, after reviewing through an open stakeholder process, that the requested economic planning study is not a priority study, the Requester may request PNM's assistance in having a third party perform the economic planning analysis at the Requester's expense. The Requester will have use of the TEPPC economic study data base, or other appropriate public data, and PNM will support the Requester in ensuring that the study is coordinated as necessary through local, subregional or regional planning groups.
- e. Clustering Local Priority Economic Planning Studies. PNM may determine that any number of Requester's economic planning study requests should be studied together or a Requester may request that PNM study its request together with other requests. PNM will combine such studies as it deems appropriate in accordance with the following criteria:
 - i. Transmission Provider Proposed Clusters
In the event that PNM proposes to cluster certain Local Priority

Studies on any reasonable grounds, including without limitation, upon its determination that the proposed cluster of studies are sufficiently similar, from an electrical perspective, to be feasibly and meaningfully studied as a group, it shall provide notice to each Requester that it proposes to include in the study. Each Requester shall be provided the opportunity to opt out of the cluster within ten (10) days of notice from PNM, such notice to be given in writing to the PNM Contact for Transmission Planning Process (see Section II.A.1.).

ii. Requester Proposed Clusters

If a Requester wishes to propose a cluster study, such request must be provided in writing to the PNM Contact for Transmission Planning Process (see Section II.A.1.). Prior to submitting an economic planning study cluster request to PNM, the Requester must contact all of the other Requesters whose requests it proposes to cluster, and obtain written consent that they are willing to have their request clustered with other identified requests. PNM will reasonably determine whether the economic planning study requests that the Requester proposes to cluster and for which the other affected Requesters have provided consent, are sufficiently similar, from an electrical perspective, to be feasibly and meaningfully studied together. PNM reserves the right to reject a Requester-proposed cluster on any reasonable grounds, including, without limitation, upon its determination that the proposed cluster cannot be feasibly studied as a group or if the proposed clustering impairs administration or timely processing of the economic study process. PNM will make the determination whether to reject a proposed cluster, and provide notice of any decision to reject, within twenty (20) days of receipt of all of the written consents of the Requesters that propose to be clustered.

f. Cost Responsibility for Economic Studies

- i. Priority Local Economic Planning Studies. Priority local economic planning studies selected pursuant to Section II.A.5.b.iv. including clustered priority local economic planning studies selected pursuant to Section II.A.5.e. will be performed or caused to be performed by PNM at PNM's expense. PNM shall recover the costs of such studies through its transmission rates.
- ii. Priority Regional Economic Planning Studies. Regional economic studies performed by TEPPC will be funded by WECC.

- iii. Other Local Economic Study Requests. Local economic study requests not selected pursuant to Section II.A.5.b.iv. or II.A.5.e. will be performed at the Requester's expense. At the Requester's request, PNM may perform the study work or work with the Requester and its third party contractor.

g. Exchange of Data Unique to Economic Planning Studies

- i. Data Used for Economic Planning Studies. PNM obtains all data used for its economic planning studies from the TEPPC data base, or uses other appropriate public data.
- ii. Request for Base Case Data. Requester requests for detailed base case data must be submitted to WECC in accordance with the WECC procedures.
- iii. Posting of Customer's Requests for Economic Planning Studies. All requests for economic planning studies and responses to such requests shall be posted on the PNM OASIS and the WestConnect website (see Hyperlinks List posted on PNM's OASIS at www.oasis.oati.com/pnm/index.html), subject to confidentiality requirements.

- h. PNM Point of Contact for Study Requests. Customer/Requester questions regarding modeling, criteria, assumptions and data underlying economic planning studies shall be directed to the PNM Contact for Transmission Planning Process (see Section II.A.1.).
 - i. PNM Study Criteria and Guidelines. Requesters are advised to refer to the PNM Study Criteria and Guidelines posted on the PNM OASIS (see Hyperlinks List posted on PNM's OASIS at www.oasis.oati.com/pnm/index.html).
6. Communication of Transmission Study Plans and Study Results. PNM transmission study plans and study results will be communicated through presentations at the PNM Open Public Meetings (*see* Section II.B.2. below) and all documents and presentations will be posted on the PNM OASIS or the WestConnect website (see Hyperlinks List posted on PNM's OASIS at www.oasis.oati.com/pnm/index.html).

B. PNM Open Public Meetings

PNM will hold at least two open local public meetings a year that will allow, and promote, all network and point-to-point transmission customers, interconnected neighbors, regulatory and state bodies, sponsors of transmission solutions, generation solutions and solutions utilizing NTAs, and other stakeholders to participate in a coordinated, nondiscriminatory process for development of the PNM local transmission plan.

- 1. Purpose and Scope
PNM's open public meetings will provide an open transparent forum whereby electric transmission stakeholders can comment and provide advice to PNM during all stages, including the early stages, of its local transmission planning. Open public meetings will serve to:
 - a. Provide a forum for open and transparent communications among New Mexico transmission providers, state regulatory authorities, customers, sponsors of transmission solutions, generation solutions and solutions utilizing NTAs, and other interested stakeholders;
 - b. Promote discussion of all aspects of the PNM local transmission planning activities, including, but not limited to, methodology, study inputs and study results; and
 - c. Provide a forum for PNM to understand better the specific electric transmission interests of key stakeholders.
- 2. PNM Public Local Planning Process
 - a. Open Public Meetings. PNM public planning meetings will be open to all stakeholders.

- b. PNM Local Planning Meeting Schedule. PNM will establish its open local public meeting schedule as needed, but such meetings will occur no less than twice annually.
- c. Meeting Purpose. Open public meetings will be conducted to: (i) allow PNM to maximize its understanding of its customers' forecast needs for the PNM transmission system; (ii) offer customers' sponsors of transmission solutions, generation solutions and solutions utilizing NTAs, and other stakeholders an opportunity to be informed about and offer input to the PNM local planning process and any proposed upgrades identified by PNM; (iii) review study results; and (iv) review local transmission plans.
- d. Coordination with SWAT and WestConnect. PNM anticipates that much of its local transmission planning process will be conducted through and coordinated with SWAT and WestConnect (see Section III.B. below).
- e. Posting of Meeting Notices. All open public meeting notices, including date, time, place and proposed meeting agenda, will be posted on the PNM OASIS and WestConnect website **Error! Hyperlink reference not valid.**) and circulated to PNM's distribution list at least thirty (30) days prior to the PNM open local public meeting.
- f. Posting of Study Plans and Planning Results. Local study plans and planning results will be posted on the PNM OASIS or WestConnect website (see Hyperlinks List on PNM's OASIS at www.oasis.oati.com/pnm/index.html) and notice of such posting will be circulated to PNM's distribution list at least two (2) weeks prior to the PNM open local public meeting.

- g. Meeting Process. At the PNM open local public meetings, PNM shall: (i) review its local transmission planning process and current local study plan with stakeholders; (ii) request stakeholder review of the current local study plan; (iii) provide opportunity for comment on any aspect of its local transmission planning process; (iv) invite the submittal of local transmission study requests from stakeholders for review and discussion; (v) review local economic planning study requests; (vi) solicit information from its transmission customers on loads and resources and other needs for the preparation of its ten-year plan; and (vii) provide updates on its planned projects. During the meeting and for fifteen (15) calendar days following the meeting, all stakeholders and interested parties are encouraged to submit comments to PNM on study results presented during the meetings.
- h. Input and Comments. Stakeholders and interested parties are also encouraged to provide input, comments, advice and questions on PNM's local transmission planning process at any time by sending them to the PNM Contact for Transmission Planning Process (see Section II.A.1.).
- i. PNM's Local Open Public Meeting Schedule and Agenda. PNM holds at least two open public meetings each year with respect to the development of the PNM transmission plan, one in the 1st Quarter and one in the 4th Quarter. At the 1st Quarter meetings, PNM will solicit information on loads and resources (including NTAs), and other needs from its transmission customers for the preparation of its ten-year plan. At the 4th Quarter meetings, PNM will present a draft of its ten-year plan for stakeholder review and comment. This schedule may be modified to coordinate with the subregional, regional and Western Interconnection-wide transmission planning processes, subject to updated postings on the PNM OASIS and WestConnect website (see Hyperlinks List on PNM's OASIS at www.oasis.oati.com/pnm/index.html).
- j. PNM Distribution List. All existing PNM network and point-to-point transmission customers and interconnection service customers will be included on PNM's distribution list and actively notified *via* email of all upcoming local open public meetings. Any other stakeholder, including but not limited to sponsors of transmission solutions, generation solutions, and solutions utilizing NTAs, wanting to be included on PNM's email distribution list should submit its information to the PNM Contact for Transmission Planning Process (see Section II.A.1)
- k. Posting of Meeting Documents. PNM will post all meeting-related

notes, documents and draft or final reports on its OASIS or the WestConnect website at **Error! Hyperlink reference not valid.**)

1. Posting of Public Documents. In order to permit all stakeholders access to the information posted on the PNM OASIS and WestConnect website, only public information will be shared, and public business conducted, in the PNM open public meetings.

C. **Planning for Public Policy Requirements in the Local Planning Process**

1. Procedures for Identifying Transmission Needs Driven by Public Policy Requirements.

Stakeholders may participate in identifying local transmission needs driven by Public Policy Requirements by contacting PNM's point of contact on PNM's OASIS at www.oasis.oati.com/pnm/index.html. In addition, stakeholders have the opportunity to offer input or make proposals at PNM's open meetings held pursuant to this Attachment K._

The process by which PNM is to identify those local transmission needs for which a local transmission solution(s) will be evaluated, out of what may be a larger set of local transmission needs, is to utilize the two communication channels it has in place with stakeholders, identified above, through which local transmission needs driven by Public Policy Requirements are to be part of the open dialogue: (a) direct electronic communication to the PNM dedicated email address, through which a stakeholder desiring to communicate directly with PNM transmission planners may offer its views on which local transmission needs are ripe for evaluation for solutions, and (b) through participation in PNM's open meetings held pursuant to this Attachment K.

In selecting those local transmission needs driven by Public Policy Requirements that will be evaluated for solutions in the current planning cycle, PNM is to consider, on a non-discriminatory basis, factors, including but not limited to, the following:

- (i) whether the Public Policy Requirement is driving a local transmission need that can be reasonably identified in the current planning cycle;
- (ii) the feasibility of addressing the local transmission need driven by the Public Policy Requirement in the current planning cycle;
- (iii) the factual basis supporting the local transmission need driven by the Public Policy Requirement; and
- (iv) whether the Public Policy Requirement has been identified for which a local transmission need has not yet materialized, or for which there may exist a local transmission need but the development of a solution to that need is premature. One example is a renewables portfolio increase that is enacted for implementation in a future year, and for which the process by which the renewable resource is to be identified, selected, and sited under the

governing state-regulated resource adequacy process has not yet begun (making it premature to identify the location and scope of the local transmission need and/or the appropriate solution for the need).

No single factor shall necessarily be determinative in selecting among the potential transmission needs driven by Public Policy Requirements.

PNM is not required to identify any particular set of local transmission needs driven by Public Policy Requirements, but if PNM chooses not to identify any stakeholder suggested local transmission need driven by a Public Policy Requirement as a transmission need for which solutions will be evaluated in the local transmission planning process, PNM will post on its OASIS an explanation of why the suggested transmission need will not be evaluated. PNM's OASIS posting will include both an explanation of those local transmission needs driven by Public Policy Requirements that have been identified for evaluation for potential solutions in the local transmission planning process, and an explanation why other stakeholder suggested transmission needs driven by Public Policy Requirements were not identified for further evaluation. After considering the input of stakeholders, PNM is to determine whether to move forward with the identification of a local solution to a particular local need driven by Public Policy Requirements.

2. Procedures for Evaluating Solutions to Identified Transmission Needs.

Stakeholders may use the two communication avenues identified above (direct electronic communication via email and/or participation in PNM's open meetings) to participate in the evaluation of solutions to identified local transmission needs driven by Public Policy Requirements that are selected by PNM for further evaluation. Stakeholders may provide comments on proposed solutions or may submit other proposed solutions to such local transmission needs.

After seeking the input of stakeholders, PNM is to determine whether to select a particular solution in its local transmission plan. PNM will post its local transmission plan, which will include any such solutions selected.

The procedures for evaluating potential solutions to the identified local transmission needs driven by Public Policy Requirements are the same as those procedures used to evaluate any other project proposed in the local planning process.

3. Posting of Public Policy Needs.

PNM will maintain on its OASIS (i) a list of transmission needs identified that are driven by Public Policy Requirements and that are included in the studies for the current local planning cycle; and (ii) an explanation of why other suggested transmission needs driven by Public Policy Requirements

will not be evaluated.

D. Ten-year Transmission System Plan

Each year PNM uses the planning process described in Section II.A above to update its Ten-year Transmission System Plan. The PNM Ten-year Transmission System Plan identifies all of its new transmission facilities, 115 kV and above, and all facility replacements/upgrades required over the next ten-years to reliably and economically serve its loads (see Hyperlinks List on PNM's OASIS at www.oasis.oati.com/pnm/index.html).

III. Regional Transmission Planning

A. Overview

PNM participates in a regional transmission planning process through its participation in the WestConnect planning region (the "WestConnect Planning Region"). The WestConnect Planning Region is defined by the transmission owners and transmission provider members (referred to generally as "transmission owners") participating in the regional transmission planning process (the "Regional Planning Process") and for whom WestConnect is conducting regional planning. The service areas of the transmission providers consist of all or portions of nine states: Arizona, California, Colorado, Nebraska, New Mexico, Nevada, South Dakota, Texas and Wyoming.

The purpose of the WestConnect Regional Planning Process is to produce a regional transmission plan (the "Regional Plan") and provide a process for evaluating projects submitted for cost allocation in accordance with the provisions of this Attachment K and those business practices adopted by WestConnect in the WestConnect Regional Planning Process Business Practice Manual, as may be amended from time to time, available on the WestConnect website

(http://www.westconnect.com/filestorage/wc_draft_regional_planning_bpm_master_version_10_1_090312.pdf) (the "Business Practice Manual").

PNM actively participates in SWAT and the WestConnect planning processes to ensure PNM's local transmission plans, together with data and assumptions are included in and coordinated with any applicable subregional or regional transmission plans.

Following the effective date of PNM's September 20, 2013 Order No. 1000 compliance filing ("Effective Date"), the WestConnect Order No. 1000 regional transmission planning management committee (the "Planning Management Committee") will commence the Regional Planning Process. This committee will be responsible for administering the Regional Planning Process. In order to align its regional process with the western interregional coordination process, it is WestConnect's intent to begin its biennial process in even-numbered years. Should FERC acceptance of WestConnect's compliance filing result in an effective date in an odd-numbered year,

WestConnect will conduct an abbreviated planning process in its first year and begin its biennial process the next year. To effectuate such an abbreviated process, the Planning Management Committee will develop a study scope for the first year, including project submission deadlines, and post it to the WestConnect website within the first thirty (30) days of the year.

In connection with the establishment of the Planning Management Committee, the WestConnect members, in consultation with interested stakeholders, will establish a separate project agreement (the "Planning Participation Agreement") to permit interested stakeholders to participate in the Regional Planning Process. Although, the Regional Planning Process is open to the public, stakeholders interested in having a voting right with respect to projects submitted through the Regional Planning Process will be required to execute the Planning Participation Agreement and any necessary confidentiality agreements (as further described below). The Planning Management Committee will implement the stakeholder developed Regional Planning Process, which results in a Regional Plan for the ten-year transmission planning cycle.

PNM has been a party to the WestConnect STP Project Agreement (see Hyperlinks List on PNM's OASIS at www.oasis.oati.com/pnm/index.html) for purposes of coordinating the local transmission plans of PNM with those developed through subregional and regional transmission planning processes. The committees formed under the WestConnect STP Project Agreement and the WestConnect Steering Committee have no authority over the Planning Management Committee and the Planning Management Committee's decision making in implementing the Regional Planning Process.

1. WestConnect Planning Participation Agreement.

Each WestConnect member will be a signatory to the Planning Participation Agreement, which formalizes the members' relationships and establishes obligations, including transmission owner coordination of regional transmission planning among the WestConnect participants and the local transmission planning processes and production of a Regional Plan.

2. Members.

WestConnect has two types of members: (i) transmission owners that enroll in WestConnect to comply with the Order No. 1000 planning requirements, as well as non-public utility transmission owners that are not subject to Order No. 1000, but elect to participate in the WestConnect Regional Planning Process for Order No. 1000 cost allocation purposes; and (ii) stakeholders who wish to have voting input on the methodologies, studies and decisions made in the execution of the Order No. 1000 requirements.

a. Joining the WestConnect Planning Region.

A transmission owner that wishes to enroll or participate in the WestConnect Planning Region may do so by executing the Planning Participation Agreement and paying its share of costs as provided for in the Planning Participation Agreement.

A stakeholder that wishes to have voting input may join the WestConnect Planning Region by executing the Planning Participation Agreement paying annual dues and complying with applicable provisions, as outlined in such agreement.

b. Exiting the WestConnect Planning Region.

Should a transmission owner wish to exit the WestConnect Planning Region, it must submit notice in accordance with the Planning Participation Agreement and pay its share of any WestConnect expenditures approved prior to the effective date of the formal notice of withdrawal from the WestConnect Planning Region.

Should a stakeholder wish to exit the WestConnect Planning Region, it may do so by providing notice in accordance with the Planning Participation Agreement. Withdrawing stakeholders will forfeit any monies or dues paid to the Planning Management Committee and agree to remit to the Planning Management Committee any outstanding monies owed to the committee on or prior to the effective date of such withdrawal.

c. List of Enrolled Entities.

Transmission owners enrolled in the WestConnect Planning Region for purposes of Order 1000:

- Arizona Public Service Company
- Black Hills Colorado Electric Utility Company, LP
- Black Hills Power, Inc.
- Cheyenne Light, Fuel, & Power Company
- El Paso Electric Company
- NV Energy, Inc. Operating Companies
- Public Service Company of Colorado
- Public Service Company of New Mexico

- Tucson Electric Power Company
- UNS Electric, Inc.

3. WestConnect Objectives and Procedures for Regional Transmission Planning.

The Regional Planning Process will produce a Regional Plan that complies with existing Order No. 890 principles as carried forward in Order No. 1000:

- Coordination
- Openness
- Transparency
- Information exchange
- Comparability
- Dispute Resolution

PNM, along with the other Planning Participation Agreement participants, will work through the regional planning group processes, as applicable, to integrate their transmission plans into a single, ten year Regional Plan for the WestConnect footprint by:

- a. Actively coordinating development of the Regional Plan, including incorporating information, as appropriate, from all stakeholders;
- b. Coordinating, developing and updating common base cases to be used for all study efforts within the Regional Planning Process and ensuring that each plan adheres to the methodology and format developed for the Regional Plan;
- c. Providing funding for the Planning Participation Agreement planning management functions pursuant to the Planning Participation Agreement;
- d. Maintaining a regional planning section on the WestConnect website where all WestConnect planning information, including meeting notices, meeting minutes, reports, presentations, and other pertinent information is posted;
- e. Posting detailed notices of all regional and local planning meeting agendas on the WestConnect website; and
- f. Establishing a cost allocation process for regional transmission projects selected in the Regional Planning Process for cost allocation.

B. Roles in the Regional Transmission Planning Process

1. WestConnect Role.

The Planning Management Committee is responsible for bringing transmission planning information together and sharing updates on active projects. The Planning Management Committee provides an open forum where any stakeholder interested in the planning of the regional transmission system in the WestConnect footprint can participate and obtain information regarding base cases, plans, and projects and provide input or express its needs as they relate to the transmission system. On a biennial basis and in coordination with its members, transmission owners, and other interested stakeholders, the Planning Management Committee will develop the Regional Plan. The Planning Management Committee, after considering the data and comments supplied by customers and other stakeholders, is to develop a regional transmission plan that treats similarly-situated customers (e.g., network, retail network, and native load) comparably in transmission system planning.

The Planning Management Committee charged with development and approval of the Regional Plan. The Planning Management Committee will be comprised of representatives from each stakeholder sector, as described in Section III.B.5, below. The Planning Management Committee will be empowered to create and dissolve subcommittees as necessary to facilitate fulfillment of its responsibilities in developing the Regional Plan.

2. Stakeholder Participation and Assistance

Stakeholders may participate in the Regional Planning Process by any one or more of the following ways: (a) joining one of five WestConnect regional transmission planning membership sectors described below; (b) by attending publicly-posted WestConnect regional transmission planning stakeholder meetings; and/or (c) by submitting project proposals for consideration and evaluation in the Regional Planning Process.

Attendance at meetings is open to all interested stakeholders. These meetings will include discussion of models, study criteria and assumptions, and progress updates. Formal participation, including voting as allowed by the process, can be achieved through payment of applicable fees and annual dues in accordance with the Planning Participation Agreement. Transmission owners with load serving obligation shall be the default funding source to support WestConnect transmission planning activities beyond dues paid by other organizations. As such, transmission owners with load serving obligations shall not be responsible for annual dues.

WestConnect Planning Region members will assist stakeholders interested in becoming involved in the Regional Planning Process by directing them to appropriate contact persons and websites (see Hyperlinks List on PNM's OASIS at www.oasis.oati.com/pnm/index.html). All stakeholders are encouraged to bring their plans for future generators, loads or transmission services or NTAs to the WestConnect planning meetings. Each transmission planning cycle will contain a period during which project ideas are accepted for potential inclusion in that cycle's Regional Plan.

3. Forum for Evaluation

The WestConnect Regional Planning Process provides a forum for transmission project sponsors to introduce their specific projects to interested stakeholders and potential partners and allows for joint study of these projects by interested parties, coordination with other projects, and project participation, including ownership from other interested parties. This may include evaluation of transmission alternatives or NTAs in coordination with the Regional Planning Process.

4. Stakeholder Meetings

WestConnect will hold open stakeholder meetings on at least a semi-annual basis, or as needed and noticed by the Planning Management Committee with thirty (30) days advanced notice to update stakeholders about its progress in developing the Regional Plan and to solicit input regarding material matters of process related to the regional transmission plan. Notice for such meetings will be posted on the WestConnect website and via e-mail to the WestConnect Regional Transmission Planning e-mail distribution list.

The meeting agendas for all WestConnect planning meetings will be sufficiently detailed, posted on the WestConnect website, and circulated in advance of the meetings in order to allow stakeholders the ability to choose their meeting attendance most efficiently.

5. WestConnect Planning Governance Process.

a. Membership Sectors.

The Regional Planning Process will be governed by the Planning Management Committee, which will be tasked with executing the Regional Planning Process and will have authority for approving the Regional Plan. For those entities desiring to be a part of the

management of the Regional Planning Process, one of five Planning Management Committee membership sectors is available:

- Transmission Owners with Load Serving Obligations
- Transmission Customers
- Independent Transmission Developers and Owners
- State Regulatory Commissions
- Key Interest Groups

Except for qualified transmission owners, any entity may join any membership sector for which it qualifies, but may only participate in one membership sector. Only transmission owners with load serving obligations may join the Transmission Owners with Load Serving Obligations membership sector. The Transmission Owners with Load Serving Obligations sector will be comprised of (a) those transmission owners that enroll in the WestConnect Planning Region for purposes of compliance with Order No. 1000 and (b) those transmission owners that elect to participate in the WestConnect Regional Planning Process as coordinating transmission owners.

b. Planning Management Committee.

The Planning Management Committee will be empowered to, without limitation, create and dissolve subcommittees as necessary to ensure timely fulfillment of its responsibilities; to assess fees for membership status on the Planning Management Committee; and to assess fees for projects submitted for evaluation as part of the Regional Planning Process. The Planning Management Committee is to manage the Regional Planning Process, including approval of the Regional Plan that includes application of regional cost allocation methodologies.

The Planning Management Committee is to coordinate and have the decision making authority over whether to accept recommendations from the Planning Subcommittee and Cost Allocation Subcommittee. The Planning Management Committee, among other things, is to develop and approve the Regional Plan based on recommendations from the Planning Subcommittee and Cost Allocation Subcommittee; and develop and approve a scope of work, work plan, and periodic reporting for WestConnect planning functions, including holding a minimum of two stakeholder informational meetings per year. The Planning Management Committee is to appoint the chair of the Planning Subcommittee and Cost Allocation Subcommittee. The chair for each subcommittee must be a representative of the Transmission Owners with Load Serving Obligations member sector.

The Planning Subcommittee responsibilities include, but are not limited to, reviewing and making recommendations to the Planning Management Committee for development of study plans, establishing base cases, evaluating potential solutions to regional transmission needs, producing and recommending the Regional Plan for Planning Management Committee approval and coordinating with the Cost Allocation Subcommittee. The Planning Subcommittee shall provide public notice of committee meetings and provide opportunities for stakeholders to provide comments on the process and proposed plan.

The Cost Allocation Subcommittee responsibilities include, but are not limited to, performing and/or overseeing the performance of the cost allocation methodology. The Cost Allocation Subcommittee also is to review and make recommendations to the Planning Management Committee for modifying definitions of benefits and cost allocation methodology as necessary to meet WestConnect planning principles on identification of beneficiaries and cost allocation. The Cost Allocation Subcommittee is to review and recommend projects to the Planning Management Committee for purposes of cost allocation identified in the Regional Planning Process. The Cost Allocation Subcommittee shall provide public notice of committee meetings and provide opportunities for stakeholders to provide comments on the process and proposed cost allocation.

All actions of the Planning Management Committee (including approval of the Regional Plan) will be made possible by satisfying either of the following requirements:

- 75% of the members voting within at least three sectors

approve a motion, where one of the three sectors approving is the Transmission Owners with Load Serving Obligation sector; or

- 75% of the members voting within the four member sectors other than the Transmission Owners with Load Serving Obligation sector approve a motion, and where two-thirds (2/3's) of the members voting within the Transmission Owners with Load Serving Obligation sector also approve the same motion

Each entity within a membership sector is entitled to one vote on items presented for decision, except that transmission owners in the Transmission Owners with Load Serving Obligation sector that are not enrolled in the WestConnect Planning Region are not eligible to vote on the regional cost allocation decisions of the Planning Management Committee.

Any closed executive sessions of the Planning Management Committee will only be to address matters outside of the development of the Regional Planning Process, including matters involving contracts, personnel, financial matters, or legal matters, such as, but not limited to, litigation (whether active or threatened).

C. Submission of Data by Customers, Transmission Developers, and Transmission Owners

When stakeholder feedback on modeling assumptions is requested, the data submittal period for such feedback will be established by the Planning Management Committee. In all cases, requests for submittal of data from WestConnect members and stakeholders will be followed by a submittal window lasting no less than thirty (30) days from the date of such requests. In addition, consistent with the Regional Planning Process, any interested stakeholder may submit project ideas for consideration in the Regional Plan without a need for that stakeholder's project to qualify for a project submittal for purposes of cost allocation. Specific project submittals are treated differently than generalized project ideas. For any project seeking study by the Planning Management Committee in the Regional Planning Process (without regard to whether the project seeks cost allocation), a project submittal deposit will be collected and made subject to later true-up based upon the actual cost of the study(ies) performed. Project submittals are to be accepted through the fifth (5th) quarter of the planning cycle (or first (1st) quarter of the second (2nd) year), and are addressed in Section III.C.5 of this Attachment K.

1. Transmission Customers.

Transmission customers shall generally submit their load forecast and

other relevant data through the WestConnect Planning Region member's (i.e. PNM's) local transmission planning process. However, from time to time, there may be a need for transmission customers participating in the Regional Planning Process to submit data directly to WestConnect. This data may include, but is not limited to, load forecasts, generation resource plans, demand side management resources, proposed transmission upgrade recommendations, and feedback regarding certain assumptions in the planning process.

No less than thirty (30) days notice shall be given for customers to submit any required data and data submissions shall generally be able to be made via e-mail or by posting information to a designated website.

2. Independent Transmission Developers and Owners.

Transmission developers are entities with project ideas they wish to submit into the Regional Planning Process. These may include projects submittals that the developer wishes to be considered to address an identified regional need (whether or not the project is eligible for regional cost allocation).

Each regional transmission planning cycle will include a submission period for project submittals, as described in Section III.C.5, below. Notice of the submission period will be posted on the WestConnect website and will also be made via e-mail to WestConnect stakeholders. The submission period will last for no less than thirty (30) days and during this time, any entity that wishes to submit a transmission project for consideration in the Regional Planning Process to address an identified regional need may do so.

Projects proposed by Independent Transmission Developers and Owners are subject to the same reliability standards as projects submitted by Transmission Owners with Load Serving Obligations. The project developer shall register with NERC and WECC in accordance with the applicable registration rules in the NERC Rules of Procedure. In addition, project developers shall observe and comply with regional requirements as established by the applicable regional reliability organization, and all local, state, regional, and federal requirements.

3. Merchant Transmission Developers.

Merchant transmission developers are entities pursuing completion of projects that do not wish to have their projects considered for regional cost allocation. Nonetheless, coordination between merchant projects and the Regional Planning Process is necessary to effect a coordinated Regional Plan that considers all system needs.

Each regional transmission planning cycle will include a submission period for project submittals to address an identified regional need, as described in Section III.C.5, below. Notice of the submission period will be posted on the WestConnect website and will also be made via e-mail to WestConnect stakeholders. In addition, it is necessary for merchant transmission developers to provide adequate information and data to allow the Planning Management Committee to assess the potential reliability and operational impacts of the merchant transmission developer's proposed transmission facilities on the other systems in the region. The submission period shall last for no less than thirty (30) days and during this time sponsors of merchant transmission projects that are believed to impact the WestConnect transmission system will be asked to provide certain project information.

Projects proposed by Merchant Transmission Developer projects are subject to the same reliability standards as projects submitted by Transmission Owners with Load Serving Obligations. The project developer is responsible for properly registering with NERC and WECC in accordance with the applicable registration rules in the NERC Rules of Procedure. In addition, project developers shall observe and comply with regional requirements as established by the applicable regional reliability organization and all local, state, regional, and federal requirements.

4. Transmission Owners with Load Serving Obligation.

Transmission owners and transmission providers that are members of the WestConnect Planning Region are responsible for providing all necessary system information through the Regional Planning Process.

At the beginning of each regional transmission planning cycle, transmission owners and transmission providers that are participating in the WestConnect Regional Planning Process shall be responsible for verifying the accuracy of any data (including, but not limited to system topology and project proposal information) they have previously submitted. Transmission owners shall also be required to submit all relevant data for any new projects being proposed for inclusion in the Regional Plan to address an identified regional need in accordance with Section III.C.5, below. Transmission owners shall also be responsible for submitting any project plans developed through their local transmission planning processes for inclusion in the Regional Plan models.

5. Transmission Project Submittals

All submittals of transmission projects to address an identified regional need, without regard to whether or not the project seeks

regional cost allocation, are to contain the information set forth below, together with the identified deposit for study costs, and be submitted timely within the posted submittal period in order for the project submittal to be eligible for evaluation in the Regional Planning Process. A single project submittal may not seek multiple study requests. To the extent a project proponent seeks to have its project studied under a variety of alternative project assumptions, the individual alternatives must be submitted as individual project submittals. To be eligible to propose a project for selection in the Regional Plan, a project proponent must also be an active member in good standing within one of the five Planning Management Committee membership sectors described above in Section III.B.5.a.

- Submitting entity contact information
- Explanation of how the project is a more efficient or cost effective solution to regional transmission needs
- A detailed project description including, but not limited to, the following:
 - Scope
 - Points of interconnection to existing (or planned) system
 - Operating Voltage and Alternating Current or Direct Current status
 - Circuit Configuration (Single, Double, Double-Circuit capable, etc.)
 - Impedance Information
 - Approximate circuit mileage
- Description of any special facilities (series capacitors, phase shifting transformers, etc.) required for the project
- Diagram showing geographical location and preferred route; general description of permitting challenges
- Estimated Project Cost and description of basis for that cost
- Any independent study work of or relevant to the project
- Any WECC study work of or relevant to the project
- Status within the WECC path rating process
- The project in-service date
- Change files to add the project to a standard system power flow model
- Description of plan for post-construction maintenance and operation of the proposed line
- A \$25,000 deposit to support the cost of relevant study work, subject to true-up (up or down) based upon the actual cost of the study(ies)
- Comparison Risk Score from WECC Environmental Data

Task Force, if available

- Impacts to other regions. The applicant must provide transmission system impacts studies showing system reliability impacts to neighboring transmission systems or another transmission planning region. The information should identify all costs associated with any required upgrades to mitigate adverse impacts on other transmission systems.

If impact studies and costs are not available at the time of submittal, the transmission developer may request that impact studies be performed, at the project proponent's expense, as part of the analysis to determine whether the project is the more efficient or cost effective solution. Requests for transmission system impact studies are approved through the Planning Management Committee depending on whether the project proponent provides funding for the analysis and if the request can be performed within the planning cycle timeframe.

There is to be an open submission period for project proposals to address identified regional needs. Notice of the submission period will be posted on the WestConnect website and will also be made via e-mail to WestConnect stakeholders. The submission period will last for no less than thirty (30) days and will end by the fifth (5th) quarter of the WestConnect planning cycle (or first (1st) quarter of the second (2nd) year of the planning cycle). Proposals submitted outside that window shall not be considered. The Planning Management Committee will have the authority to determine the completeness of a project submittal. Project submittals being deemed incomplete will be granted a reasonable opportunity to cure any deficiencies identified in writing by the Planning Management Committee.

Any stakeholder wishing to submit a project to address an identified regional need will be required to submit the data listed above to be considered in the Regional Planning Process. Should the submitting stakeholder believe certain information is not necessary, it shall identify the information it believes is not necessary and shall provide a justification for its conclusion that the information is not necessary. The Planning Management Committee retains the sole authority for determining completeness of the information submittal. After the completion of the project submittal period, The Planning Management Committee will post a document on the WestConnect website detailing why any projects were rejected as incomplete. Upon posting of the document, any project submittal rejected as incomplete will be given a reasonable opportunity to cure the reason(s) it was rejected to the satisfaction of Planning

Management Committee in its sole discretion.

6. Submission of NTA Projects.

Any stakeholder may submit projects proposing NTAs to address an identified regional need for evaluation under the Regional Planning Process, as those projects are described in Section III.D.5 of Attachment K. The submission period will last for no less than thirty (30) days. The submission window will end by the fifth (5th) quarter of the WestConnect planning cycle (or first (1st) quarter of the second (2nd) year of the planning cycle). The following criteria must be satisfied in order for a non-transmission alternative project submittal to be evaluated under the Regional Planning Process:

- Basic description of the project (fuel, size, location, point of contact)
- Operational benefits
- Load offset, if applicable
- Description of the issue sought to be resolved by the generating facility or non-transmission alternative, including reference to any results of prior technical studies
- Network model of the project flow study
- Short-circuit data
- Protection data
- Other technical data that might be needed for resources
- Project construction and operating costs
- Additional miscellaneous data (e.g., change files if available)

As with entities submitting a transmission project under Section III.C.5, those who submit under Section III.C.6 a non-transmission alternative under the Regional Planning Process must adhere to and provide the same or equivalent information (and deposit for study costs) as transmission alternatives. Should the submitting stakeholder believe certain information is not necessary, it shall identify the information it believes is not necessary and shall provide a justification for its conclusion that the information is not necessary. Although non-transmission alternative projects will be considered in the Regional Planning Process, they are not eligible for regional cost allocation.

7. The WestConnect Regional Planning Cycle.

The WestConnect regional transmission planning cycle is biennial. The WestConnect Planning Management Committee will develop and publish a Regional Plan every other year.

D. Transmission Developer Qualification Criteria

1. In General

A transmission developer that seeks to be eligible to use the regional cost allocation methodology for a transmission project selected in the Regional Plan for purposes of cost allocation must identify its technical and financial capabilities to develop, construct, own, and operate a proposed transmission project. To be clear, satisfaction of the criteria set forth below does not confer upon the transmission developer any right to:

- (i) construct, own, and/or operate a transmission project,
- (ii) collect the costs associated with the construction, ownership and/or operation of a transmission project,
- (iii) provide transmission services on the transmission facilities constructed, owned and/or operated.

The governing governmental authorities are the only entities empowered to confer any such rights to a transmission developer. The Planning Management Committee is not a governmental authority.

2. Information Submittal

A transmission developers seeking eligibility for potential designation as the entity eligible to use the regional cost allocation for a transmission project selected in the Regional Plan for purposes of cost allocation must submit to the Planning Management Committee the following information during the first quarter of the WestConnect planning cycle, except that during the first WestConnect planning cycle the Planning Management Committee shall have the discretion to extend the period for the submission of this information:

a) Overview

A brief history and overview of the applicant demonstrating that the applicant has the capabilities to finance, own, construct, operate and maintain a regional transmission project consistent with Good Utility Practices within the state(s) within the WestConnect planning region. The applicant should identify all transmission projects it has constructed, owned, operated and/or maintained, and the states in which such projects are located.

b) Business Practices

A description of the applicant's experience in processes, procedures, and any historical performance related to engineering, constructing, maintaining electric transmission facilities, and managing teams

performing such activities. A discussion of the types of resources, including relevant capability and experience (in-house labor, contractors, other transmission providers, etc.) contemplated for the licensing, design, engineering, material and equipment procurement, siting and routing, Right-of-Way (ROW) and land acquisition, construction and project management related to the construction of transmission projects. The applicant should provide information related to any current or previous experience financing, owning, constructing, operating and maintaining and scheduling access to regional transmission facilities.

c) Compliance History

The applicant should provide an explanation of any violation(s) of NERC and/or Regional Entity Reliability Standards and/or other regulatory requirements pertaining to the development, construction, ownership, operation and/or maintenance of electric transmission facilities by the applicant or any parent, owner, affiliate, or member of the applicant that is an Alternative Qualifying Entity(ies) under Section III.D.2.1. Notwithstanding the foregoing, if at the time the applicant submits the information required by this Section III.D.2, the applicant has not developed, constructed, owned, operated or maintained electric transmission facilities, the applicant shall instead submit such information for any electric distribution or generating facilities it develops, constructs, owns, operates and/or maintains, as applicable, to demonstrate its compliance history.

d) Participation in the Regional Planning Process

A discussion of the applicant's participation within the Regional Planning Process or any other planning forums for the identification, analysis, and communication of transmission projects.

e) Project Execution

A discussion of the capability and experience that would enable the applicant to comply with all on-going scheduling, operating, and maintenance activities associated with project development and execution.

f) Right-of-Way Acquisition Ability

The applicant's preexisting procedures and historical practices for siting, permitting, landowner relations, and routing transmission projects including, acquiring ROW and land, and managing ROW and land acquisition for transmission facilities. Any process or

procedures that address siting or routing transmission facilities through environmentally sensitive areas and mitigation thereof. If the entity does not have such preexisting procedures, it shall provide a detailed description of its plan for acquiring ROW and land and managing ROW and land acquisition.

g) Financial Health

The applicant must demonstrate creditworthiness and adequate capital resources to finance transmission projects. The applicant shall either have an investment grade credit rating from both S&P and Moody's or provide corporate financial statements for the most recent five years for which they are available. Entities that do not have a credit rating, or entities less than five years old, shall provide corporate financial statements for each year that is available. Alternatively, the applicant may provide a guarantee, a surety bond, letter of credit or other form of security that is reasonably acceptable to the Planning Management Committee.

The following ratios must be provided with any explanations regarding the ratios:

- Funds from operations-to-interest coverage.
- Funds from operation-to-total debt.
- Total debt-to-total capital.
- The applicant must indicate the levels of the above ratios the company will maintain during and following construction of the transmission element.

The Planning Management Committee may request additional information or clarification as necessary.

h) Safety Program

The applicant must demonstrate that they have an adequate internal safety program, contractor safety program, safety performance record and program execution.

i) Transmission Operations

The applicant must: demonstrate that it has control center operations capabilities, including reservations, scheduling, and outage coordination, ability to become a transmission service provider; demonstrate that it has the ability to obtain required path ratings; provide evidence of its NERC compliance process and compliance history, as applicable; demonstration of existing required NERC certifications or the ability to obtain any applicable NERC

certifications, establish required Total Transfer Capability; provide evidence of storm/outage response and restoration plans; provide evidence of its record of past reliability performance, as applicable; and provide a statement of which entity will be operating completed transmission facilities and will be responsible for staffing, equipment, and crew training.

j) Transmission Maintenance

The applicant must demonstrate that they have, or have plans to develop, an adequate transmission maintenance program, including staffing and crew training, transmission facility and equipment maintenance, record of past maintenance performance, NERC compliance process and any past history of NERC compliance or plans to develop a NERC compliance program, statement of which entity will be performing maintenance on completed transmission facilities.

k) Regulatory Compliance

The applicant must demonstrate the ability, or plans to develop the ability, to comply with Good Utility Practice, WECC criteria and regional reliability standards, NERC Reliability Standards, construction standards, industry standards, environmental standards, and applicable local, state, and federal requirements.

l) Affiliation Agreements

A transmission developer can demonstrate that it meets these criteria either on its own or by relying on an entity or entities with whom it has a corporate affiliation or other third-parties with relevant experience (Alternate Qualifying Entity(ies)). In lieu of a contractual or affiliate relationship with one or more Alternate Qualifying Entity(ies) and to the extent a transmission developer intends to rely upon third-parties for meeting these criteria, the transmission developer must submit an affidavit from the third-parties stating their willingness to perform the tasks identified by the transmission developer. Such affidavits shall not be viewed as a binding statement of intent by the third-parties. If the transmission developer seeks to satisfy the criteria in whole or in part by relying on one or more Alternate Qualifying Entity(ies), the transmission developer must submit: (1) materials demonstrating to Planning Management Committee's satisfaction that the Alternate Qualifying Entity(ies) meet(s) the criteria for which the transmission developer is relying upon the Alternate Qualifying Entity(ies) to satisfy; and (2) a commitment to provide in any project cost allocation application an executed agreement that contractually obligates the Alternate

Qualifying Entity(ies) to perform the function(s) for which the transmission developer is relying upon the Alternate Qualifying Entity(ies) to satisfy.

m) WestConnect Membership

A transmission developer must be a member of either the WestConnect Transmission Owners with Load Serving Obligations or Independent Transmission Developers and Owners sector, or must agree to join the WestConnect Transmission Owners with Load Serving Obligations or Independent Transmission Developers and Owners sector and agree to sign the Planning Participation Agreement if the transmission developer seeks to be an entity eligible to use the regional cost allocation method for a transmission project selected in the Regional Plan for purposes of cost allocation.

n) Other

Any other relevant project development experience that the transmission developer believes may demonstrate its expertise in the above areas.

3. Identification of Transmission Developers Satisfying the Criteria

a) Notification to Transmission Developers

No later than September 30 of each year, the Planning Management Committee is to notify each transmission developer whether it has satisfied the stated criteria. A transmission developer failing to satisfy one or more of the qualification criteria is to be informed of the failures(s) and accorded an additional opportunity to cure any deficiency(ies) within thirty (30) calendar days of notice from the Planning Management Committee by providing any additional information.

The Planning Management Committee is to inform the transmission developer whether the additional information satisfies the qualification criteria within forty-five (45) calendar days of receipt of the additional information.

The Planning Management Committee is to identify the transmission developers that have satisfied the qualification criteria (the "Eligible Transmission Developers") by posting on the WestConnect website, on or before December 31 of each year.

b) Annual Recertification Process and Reporting Requirements

By June 30 of each year, each Eligible Transmission Developer must submit to WestConnect a notarized letter signed by an authorized officer of the Eligible Transmission Developer certifying that the Eligible Transmission Developer continues to meet the current qualification criteria.

The Eligible Transmission Developer shall submit to the Planning Management Committee an annual certification fee equal to the amount of the WestConnect annual membership fee. If the Eligible Transmission Developers is a member of WestConnect and is current in payment of its annual membership fee, then no certification fee will be required.

If at any time there is a change to the information provided in its application, an Eligible Transmission Developer shall be required to inform the Planning Management Committee chair within thirty (30) calendar days of such change so that the Planning Management Committee may determine whether the Eligible Transmission Developer continues to satisfy the qualification criteria. Upon notification of any such change, the Planning Management Committee shall have the option to: (1) determine that the change does not affect the status of the transmission developer; (2) suspend the transmission developer's eligibility status until any deficiency in the transmission developer's qualifications is cured; (3) allow the transmission developer to maintain its eligibility status for a limited time period, as specified by the Planning Management Committee, while the transmission developer cures the deficiency; or (4) terminate the transmission developer's eligibility status.

c) Termination of Eligibility Status

The Planning Management Committee may terminate an Eligible Transmission Developer's status if the Eligible Transmission Developer: (1) fails to submit its annual certification letter; (2) fails to pay the applicable WestConnect membership fees; (3) experiences a change in its qualifications and the Planning Management Committee determines that it may no longer qualify as an Eligible Transmission Developer; (4) informs the Planning Management Committee that it no longer desires to be an Eligible transmission developer; (5) fails to notify the Planning Management Committee of a change to the information provided in its application within thirty (30) days of such change; or (6) fails to execute the Planning Participation Agreement as agreed to in the qualification criteria within a reasonable time defined by the Planning Management Committee, after seeking to be an entity eligible to use the regional cost allocation method for a

transmission project selected in the Regional Plan for purposes of cost allocation.

E. Regional Planning Methodology and Protocols; Evaluation and Selection of Solution Alternatives

1. Overview of Regional Planning Methodology and Evaluation Process.

The Regional Planning Process is intended to identify regional needs and more efficient or cost-effective solutions to satisfy those needs. Consistent with Order No. 890, qualified projects timely submitted through the Regional Planning Process will be evaluated and selected from competing solutions and resources such that all types of resources, as described below, are considered on a comparable basis. The same criteria and evaluation process will be applied to competing solutions and/or projects, regardless of type or class of stakeholder proposing them. Where a regional transmission need is identified, the Planning Management Committee is to perform studies that seek to meet that need through regional projects, even in the absence of project proposals advanced by stakeholders or projects identified through the WECC process. When the Planning Management Committee performs a study to meet an identified regional need in circumstances where no stakeholder has submitted a project proposal to meet that regional need, the Planning Management Committee is to pursue such studies in a not unduly discriminatory fashion and within the means permitted by Planning Management Committee funds. The study methods employed for Planning Management Committee-initiated studies will be the same types of study methods employed for stakeholder-initiated studies (see, e.g., Sections III.E.2 addressing the use of NERC Transmission Planning (TPL) Reliability Standards for regional reliability projects, Section III.E.3 addressing the use of production modeling for regional economic projects, and Section III.E.4 addressing the identification of Public Policy Requirements for regional public policy driven projects).

The solution alternatives will be evaluated against one another on the basis of the following criteria to select the preferred solution or combination of solutions: (1) ability to practically fulfill the identified need; (2) ability to meet applicable reliability criteria or NERC Transmission Planning Standards issues; (3) technical, operational and financial feasibility; (4) operational benefits/constraints or issues; (5) cost-effectiveness over the time frame of the study or the life of the facilities, as appropriate (including adjustments, as necessary, for operational benefits/constraints or issues, including dependability); (6) where applicable, consistency with Public Policy Requirements, or regulatory requirements, including cost recovery through regulated rates; and (7) a project must be determined by the Planning Management Committee to be a more efficient or more cost-effective solution to one or more regional transmission needs to be eligible

for regional cost allocation, as more particularly described below in Section VII. The Regional Planning Process provides for an assessment of regional solutions falling in one or more of the following categories:

- Regional reliability solutions.
- Regional economic solutions
- Regional transmission needs driven by Public Policy Requirements.
- Non-transmission alternatives

PNM encourages all interested stakeholders to consult the Business Practice Manual for additional details regarding the planning process, timing, and implementation mechanics. A flow chart depicting the Regional Planning Process is attached hereto as Attachment K-1.

All WestConnect Transmission Owners with Load Serving Obligations shall be responsible for submitting their local transmission plans for inclusion in the Regional Plan in accordance with the timeline stated in the Business Practice Manual. Those individual plans will be included in the Regional Plan base case system models.

2. WestConnect Reliability Planning Process.

Once the base case is established and verified, as detailed in the Business Practice Manual, WestConnect shall perform a regional reliability assessment in which the base case system models will then be checked for adherence to the relevant NERC Transmission Planning Standards through appropriate studies, including, but not limited to, steady-state power flow, voltage, stability, short circuit, and transient studies as more specifically outlined in the Business Practice Manual. If a reliability violation is identified in this power flow process, the violation will be referred back to the appropriate transmission owner.

The Planning Management Committee will identify projects to resolve any regional violations that impact more than one transmission owner of the relevant NERC or WECC Transmission Planning Standards or WECC criteria. In addition, as part of the Regional Planning Process, an opportunity will be afforded to any interested party to propose regional reliability projects that are more efficient or cost effective than other proposed solutions. The Planning Management Committee will then identify the more efficient or cost effective regional transmission project that meets the identified regional transmission need, taking into account factors such as how long the project will take to complete and the timing of the need. Because local transmission owners are ultimately responsible for compliance with NERC Reliability Standards and for meeting local needs, the local transmission plans will not be modified; however, the Planning Management Committee may identify more efficient or cost effective regional transmission projects.

3. WestConnect Economic Planning Process.

As part of the Regional Planning Process, the Planning Management Committee is to analyze whether there are projects that have the potential to reduce the total delivered cost of energy by alleviating congestion or providing other economic benefits to the transmission system located within the WestConnect Planning Region through production cost modeling. This analysis also shall take into account a WECC Board-approved recommendation to further investigate congestion within the WestConnect Planning Region for congestion relief or economic benefits that has subsequently been validated by WestConnect. Additional projects may also be proposed by stakeholders or developed through the stakeholder input process for evaluation of economic benefits. Under the Regional Planning Process, the Planning Management Committee will identify more efficient or cost effective regional transmission projects, but will not modify local transmission plans.

Generally speaking, the WestConnect economic planning process will analyze benefits via detailed production cost simulations. The models employed in the production cost simulations will appropriately consider the impact of transmission projects on production cost and system congestion. The WestConnect economic planning process will also consider the value of decreased reserve sharing requirements in the development of a Regional Plan that is more efficient or cost effective.

4. WestConnect Public Policy Planning Process
 - a. Procedures for Identifying Regional Transmission Needs Driven by Public Policy Requirements

It is anticipated that any regional transmission need that is driven by Public Policy Requirements will be addressed initially within the local planning cycles of the individual transmission owners in the WestConnect Planning Region (through the consideration of local transmission needs driven by a Public Policy Requirement), since a Public Policy Requirement is a requirement that is imposed upon individual transmission owners (as opposed to a requirement that is imposed on a geographic region). For those Public Policy Requirements that affect more than one transmission owner in the WestConnect Planning Region, a solution identified at the local level to satisfy the local needs of the affected transmission owner(s), may also satisfy a regional transmission need identified by the Planning Management Committee for the WestConnect Planning Region.

WestConnect transmission owner members that are planning consistent with Order No. 890 will continue to conduct local transmission planning processes (Section II.C of this Attachment K), which provide a forum for discussions on local transmission needs driven by Public Policy Requirements. These local processes

provide the basis for the individual transmission owners' local transmission plans, which are then incorporated into the regional base case at the start of the Regional Planning Process under Order No. 1000.

The Planning Management Committee is to provide notice on the WestConnect website of both regional transmission planning meetings convened by the Planning Management Committee for the WestConnect region, and local transmission planning meetings of the individual transmission owners in the WestConnect region.

The Planning Management Committee will begin the evaluation of regional transmission needs driven by Public Policy Requirements by identifying any Public Policy Requirements that are driving local transmission needs of the transmission owners in the WestConnect Planning Region, and including them in the transmission system models (the regional base case) underlying the development of the Regional Plan. Then, the Planning Management Committee will seek the input of stakeholders in the WestConnect region on those Public Policy Requirements in an effort to engage stakeholders in the process of identifying regional transmission needs driven by Public Policy Requirements. The Planning Management Committee will communicate with stakeholders through public postings on the WestConnect website of meeting announcements and discussion forums. In addition, the Planning Management Committee is to establish an email distribution list for those stakeholders who indicate a desire to receive information via electronic list serves.

After allowing for stakeholder input on regional transmission needs driven by Public Policy Requirements and regional solutions to those needs, as part of the Regional Planning Process, the Planning Management Committee is to identify in the Regional Plan those regional transmission needs driven by Public Policy Requirements that were selected by the Planning Management Committee for evaluation of regional solutions.

In selecting those regional transmission needs driven by Public Policy Requirements that will be evaluated for regional solutions in the current planning cycle, the Planning Management Committee is to consider, on a non-discriminatory basis, factors, including but not limited to, the following:

- (i) whether the Public Policy Requirement is driving a regional transmission need that can be reasonably identified in the current planning cycle;
- (ii) the feasibility of addressing the regional transmission need driven by the Public Policy Requirement in the current planning cycle;

(iii) the factual basis supporting the regional transmission need driven by the Public Policy Requirement; and

(iv) whether a Public Policy Requirement has been identified for which a regional transmission need has not yet materialized, or for which there may exist a regional transmission need but the development of a solution to that need is premature.

No single factor shall necessarily be determinative in selecting among the potential regional transmission needs driven by Public Policy Requirements.

The process by which Planning Management Committee is to identify those regional transmission needs for which a regional transmission solution(s) will be evaluated, out of what may be a larger set of regional transmission needs, is to utilize the communication channels it has in place with stakeholders, identified above (open meetings and discussion forums convened by the Planning Management Committee), through which regional transmission needs driven by Public Policy Requirements are to be part of the open dialogue.

b. Procedures for Identifying Solutions to Regional Transmission Needs Driven by Public Policy Requirements.

Stakeholders are to have opportunities to participate in discussions during the Regional Planning Process with respect to the development of solutions to regional transmission needs driven by Public Policy Requirements. Such participation may take the form of attending planning meetings, offering comments for consideration by the Planning Management Committee on solutions to regional needs driven by Public Policy Requirements, and offering comments on proposals made by other stakeholders or by the Planning Management Committee. Stakeholders that are members of the WestConnect Planning Management Committee are performing the function of regional transmission planning, and, developing regional solutions to identified regional transmission needs driven by Public Policy Requirements through membership on subcommittees of the Planning Management Committee.

After allowing for stakeholder input on solutions to regional transmission needs driven by Public Policy Requirements, as part of the Regional Planning Process, the Planning Management Committee is to identify in the Regional Plan those regional transmission solutions driven by Public Policy Requirements that were selected by the Planning Management Committee and any

regional transmission project(s) that more efficiently or cost-effectively meet those needs.

The procedures for identifying and evaluating potential solutions to the identified regional transmission needs driven by Public Policy Requirements are the same as those procedures used to evaluate any other project proposed in the Regional Planning Process, whether or not submitted for purposes of cost allocation.

c. Proposed Public Policy

A public policy that is proposed, but not required (because it is not yet enacted or promulgated by the applicable governmental authority) may be considered through Section III.E.3 (WestConnect Economic Planning Process) of this Attachment K, if time and resources permit.

d. Posting of Public Policy Considerations

WestConnect will maintain on its website: (i) a list of all regional transmission needs identified that are driven by Public Policy Requirements and that are included in the studies for the current regional transmission planning cycle; and (ii) an explanation of why other suggested regional transmission needs driven by Public Policy Requirements will not be evaluated.

5. WestConnect NTA Planning Process

NTAs will be evaluated to determine if they will provide a more efficient or cost-effective solution to an identified regional transmission need. NTAs include, without limitation, technologies that defer or possibly eliminate the need for new and/or upgraded transmission lines, such as distributed generation resources, demand side management (load management, such as energy efficiency and demand response programs), energy storage facilities and smart grid equipment that can help eliminate or mitigate a grid reliability problem, reduce uneconomic grid congestion, and/or help to meet grid needs driven by Public Policy Requirements. NTAs are not eligible for regional cost allocation.

6. Approval of the WestConnect Regional Transmission Plan

Upon completion of the studies and stakeholder input, the Planning Management Committee will vote to approve the Regional Transmission Plan. The Regional Transmission Plan will document why projects were either included or not included in the Regional Transmission Plan. In addition, the Regional Plan shall describe the manner in which the

applicable regional cost allocation methodology was applied to each project selected in the Regional Plan for purposes of regional cost allocation. Projects that meet system needs are incorporated into the Regional Transmission Plan. Participant funded projects and other types of projects may be included in the Regional Plan; however, those projects are not eligible for regional cost allocation.

7. Project Reevaluation.

The Planning Management Committee is the governing body responsible for deciding whether to reevaluate the Regional Plan to determine if the conditions, facts and/or circumstances relied upon in initially selecting a transmission project for inclusion in the Regional Plan for purposes of cost allocation have changed and, as a result, require reevaluation. Reevaluation will begin within the second planning cycle following the Effective Date. The Regional Plan and any project selected for cost allocation in the Regional Plan, including any local or single-system transmission projects or planned transmission system upgrades to existing facilities selected for purposes of cost allocation, shall be subject to reevaluation in each subsequent planning cycle according to the criteria below. Upon reevaluation, the Regional Plan and any projects selected for purposes of cost allocation in connection therewith may be subject to modification, including the status as a project selected for cost allocation, with any costs reallocated under Section VII as if it were a new project. Only the Planning Management Committee has the authority to modify the status of a transmission project selected for cost allocation. Conditions that trigger reevaluation are:

- The underlying project characteristics and/or regional or interregional needs change in the Regional Plan. Examples include, but are not limited to: (a) a project's failure to secure a developer, or a developer's failure to maintain the qualifications necessary to utilize regional cost allocation, or (b) a change (increase or decrease) in the identified beneficiaries of a project (which changes may occur through company acquisitions, dissolutions or otherwise), or (c) a change in the status of a large load that contributes to the need for a project, or (d) projects affected by a change in law or regulation;
- Projects that are delayed and fail to meet their submitted in-service date by more than two (2) years. This includes projects delayed by funding, regulatory approval, contractual administration, legal proceedings (including arbitration), construction delays, or other delays.
- Projects with significant project changes, including, but not limited

to kilovolt (kV), megavolt ampere (MVA), or path rating, number of circuits, number of transmission elements, or interconnection locations; and

- Projects with a change in the calculation of benefits or benefit/cost (B/C) ratio that may affect whether the project is selected for inclusion in the Regional Plan for purposes of cost allocation is a more efficient or cost effective regional solution.
 - Example 1: Where an increase in the selected project's costs, including but not limited to, material, labor, environmental mitigation, land acquisition, operations and maintenance, and mitigation for identified transmission system and region, causes the total project costs to increase above the level upon which the project was initially selected for inclusion in the Regional Plan for purposes of cost allocation, the inclusion of the regional project in the Regional Plan will be reevaluated to determine if the regional project continues to satisfy the region's B/C ratio and can be found to be a more efficient and cost effective solution under current cost information.
 - Example 2: A selected project's benefits may include identification of a reliability benefit in the form of remedying a violation of a Reliability Standard. If the identified beneficiary implements improvements, such as a Remedial Action Scheme, to achieve reliability in compliance with the Reliability Standard at issue, inclusion of the regional project in the regional plan will be reevaluated to determine if the regional project continues to satisfy the region's B/C ratio and can be found to be a more efficient and cost effective solution under current benefit information.
 - Example 3: Where a project's estimated benefits include benefits in the form of avoided costs (e.g., a regional project's ability to avoid a local project), and the project is not avoided, the inclusion of the regional project in the Regional Plan will be reevaluated to determine if the regional project continues to satisfy the region's B/C ratio and can be found to be a more efficient and cost effective solution under current facts and circumstances.

Projects selected for purposes of cost allocation will continue to be reevaluated until all the following conditions have been met:

- State and federal approval processes completed and approved (including cost recovery approval under Section 205 of the Federal Power Act as applicable);
- All local, state and federal siting permits have been approved; and
- Major construction contracts have been issued.

When the Regional Plan is reevaluated as the result of any of the conditions triggering reevaluation addressed above, the Planning Management Committee is to determine if an evaluation of alternative transmission solutions is needed in order to meet an identified need. In doing so, the Planning Management Committee is to use the same processes and procedures it used in the identification of the original transmission solution to the regional need. If an alternative transmission solution is needed, the incumbent transmission owner may propose one or more solutions that it would implement within its retail distribution service territory or footprint, and if such proposed solution is a transmission facility, the transmission owner may submit the project for possible selection in the Regional Plan for purposes of cost allocation.

Projects not subject to reevaluation include, but are not limited to, the following:

- Local or single system transmission projects that have been identified in individual transmission provider's Transmission Planning (TPL) Reliability Standards compliance assessments to mitigate reliability issues and that have not been proposed for (and selected by the Planning Management Committee for) regional cost allocation; and

Planned transmission system upgrades to existing facilities that have not been proposed for (and selected by the Planning Management Committee for) regional cost allocation.

Projects meeting any of the following criteria as of the Effective Date will also not be subject to reevaluation under the Regional Planning Process:

- Projects of transmission owners who have signed the Planning Participation Agreement and that have received approval through local or state regulatory authorities or board approval;
- Local or single system transmission projects that have been planned and submitted for inclusion in the Regional Plan or exist in the 10-year corporate capital project budgets; and
- Projects that are undergoing review through the WECC Project Coordination and Rating Review Process as of the Effective Date.

8. Confidential or Proprietary Information

Although the Regional Planning Process is open to all stakeholders, stakeholders will be required to comply at all times with certain applicable confidentiality measures necessary to protect confidential information, proprietary information or CEII. From time to time the regional transmission planning studies and/or open stakeholder meetings may

include access to base case data that are WECC proprietary data, information classified as CEII by FERC, or other similar confidential or proprietary information. In such cases, access to such confidential or proprietary information shall be limited to only those stakeholders that (i) hold membership in or execute a non-disclosure agreement with WECC (see Hyperlinks List on PNM's OASIS at www.oasis.oati.com/pnm/index.html); (ii) execute a non-disclosure agreement with the applicable WestConnect Planning Region members; or (iii) are parties to the Planning Participation Agreement, as may be applicable.

Any entity wishing to access confidential information, subject to applicable standards of conduct requirements, discussed in the Regional Planning Process must execute an NDA, and submit it to NDA@westconnect.com. The NDA can be accessed on the WestConnect website.

IV. Recovery of Planning Costs

Unless PNM allocates planning-related costs to an individual stakeholder as permitted under the Tariff, all costs incurred by PNM related to its annual Ten Year Transmission Planning process, or its participation in the sub-regional or Regional Planning Process (including the interregional activities set forth in Section VIII), shall be included in PNM's transmission rate base, as applicable.

v. Dispute Resolution

In the event of a dispute concerning either a procedural or substantive matter within the jurisdiction of FERC, the following dispute resolution processes will apply:

1. WECC. If the dispute is one that is within the scope of the WECC dispute resolution procedures, then such procedures contained in the WECC Business and Governance Guidelines and Policies shall apply (see Hyperlinks List on PNM's OASIS at www.oatioasis.com/pnm/index.html).
2. Non-WECC disputes. For disputes not within the scope of the WECC dispute resolution procedures, the dispute resolution procedures set forth in Section 12 of PNM's OATT, as applicable, will apply, with the added provision that upon agreement of the parties, any dispute that is not resolved by direct negotiation between or among the affected parties within a reasonable period of time, may be referred to mediation (before or during arbitration), and all applicable timelines will be suspended until such time as the mediation process terminates (unless otherwise agreed by the parties). Notwithstanding that the dispute resolution procedures under Section 12 of PNM's OATT apply only to PNM and its respective Transmission Customers, Section 12 of PNM's OATT will be deemed to be applicable to stakeholders for purposes of this Attachment K, except as otherwise provided herein.

3. Notwithstanding anything to the contrary in this Section V, any affected party may refer the matter to FERC for resolution, for example, by filing with FERC a complaint, a request for declaratory order or a change in rate.

For disputes between members of the Planning Management Committee, the following dispute resolution procedures are to apply:

- a. The disputing Planning Management Committee member(s) must initiate its dispute by providing written notification to the Planning Management Committee (or a designated sub-committee of the Planning Management Committee) in accordance with the provisions of the Planning Participation Agreement, in which event the Planning Management Committee will seek to resolve the dispute through discussion, negotiation and the development of a recommended course of action. The Planning Management Committee may act to adopt a resolution recommended by its own committees, sub-committees or members, or alternatively may act to refer the dispute to arbitration for resolution.
- b. A dispute may be referred to arbitration under the governing provisions of the Planning Participation Agreement.
- c. The availability of the dispute resolution avenues identified above does not eliminate a disputing Planning Management Committee member's(s') right under the Federal Power Act to refer either a procedural or substantive matter within the jurisdiction of FERC to FERC for resolution, for example by filing with FERC a complaint, a request for declaratory order or a change in rate. A disputing Planning Management Committee member first must pursue resolution under the provisions of the Planning Participation Agreement before referring a procedural or substantive matter within the jurisdiction of FERC to FERC for resolution.

All disputes, whether they arise under this Attachment K or between members of the Planning Management Committee, must be initiated no later than thirty (30) calendar days from the date on which the conduct that gives rise to the dispute occurs.

VI. Coordination at the Western Interconnection Level

PNM will coordinate its plan on a west-wide regional basis through WestConnect. WestConnect will coordinate its Regional Plan with TEPPC.

A. Procedures for Regional Planning Project Review

1. WECC Coordination of Reliability Planning.
 - a. WECC develops the Western Interconnection wide base cases for transmission planning analysis such as power flow, stability, and

dynamic voltage stability studies. The WECC approved base cases are used for study purposes by transmission planners, subregional transmission planning groups, and other entities that have signed non-disclosure agreements with WECC.

- b. WECC also maintains a database for reporting the status of all planned projects throughout the Western Interconnection.
 - c. WECC provides for coordination of planned projects through its Procedures for Regional Planning project review.
 - d. WECC's path rating process ensures that a new project will have no adverse effect on existing projects or facilities.
2. WECC-TEPPC Open Stakeholder Meetings. Western Interconnection wide economic planning studies are conducted by the WECC-TEPPC in an open stakeholder process that holds region-wide stakeholder meetings on a regular basis. The WECC-TEPPC Transmission Planning Protocol, including the TEPPC procedures for prioritizing and completing regional economic studies, is posted on the WECC website (see Hyperlinks List on PNM's OASIS at www.oasis.oati.com/pnm/index.html). PNM participates in region-wide planning through the WestConnect Planning Region, as appropriate, to ensure data and assumptions are coordinated.
3. Role of WECC-TEPPC: WECC-TEPPC provides two main functions in relation to the PNM planning process.
- a. Development and maintenance of the west-wide economic planning study database.
 - i. TEPPC uses publicly available data to compile a database that can be used by a number of economic congestion study tools.
 - ii. TEPPC's database is publicly available for use in running economic congestion studies. For an interested transmission customer or stakeholder to utilize WECC's Pro-Mod planning model, such transmission customer or stakeholder must comply with the WECC confidentiality requirements.
 - b. Performance of economic planning studies. TEPPC has an biennial study cycle, described in the WECC-TEPPC Transmission Planning Protocol (see Hyperlinks List on PNM's OASIS at www.oasis.oati.com/pnm/index.html), during which it will update databases, develop and approve a study plan that includes studying Requester's high priority economic study requests as determined by the open TEPPC stakeholder process, perform the approved studies

and document the results in a report.

c. Identification of Congested Paths for WestConnect Economic Review

Through TEPPC's economic study process, congested paths may be reviewed and identified as being candidates for economic transmission studies. Upon WECC Board approval of a designation for such a path, the WestConnect Regional Planning Process shall review the path for potential economic transmission solutions.

VII. Cost Allocation and New Projects

A. Local Transmission Projects

Local Transmission Projects are projects located within a Transmission Owners retail distribution service territory or footprint unless such projects are submitted and selected in the Regional Plan for purposes of cost allocation. A Transmission Owner is not precluded from proposing Local Transmission Projects for inclusion in the Regional Plan for purposes of cost allocation in the Regional Planning Process. A Local Transmission Project that is not submitted or not selected for inclusion in the Regional Plan is not eligible for cost allocation in the Regional Plan, and not subject to the provisions governing regional cost allocation set forth below.

For any transmission project where PNM is the sole owner or such project is to be built within or for the benefit of the existing PNM's system, such as local, small and/or reliability transmission projects, PNM will proceed with the project pursuant to its rights and obligations as a transmission provider for the local area. Any projects necessary to ensure the reliability or that provide economic benefits to the PNM system and which fall outside the requirements for inclusion in the Regional Plan for purposes of cost allocation are eligible to be considered Local Transmission Projects.

PNM may share ownership, and associated costs, of any new transmission project, based upon mutual agreement between the parties. Such a joint ownership arrangement may arise because of existing joint ownership of facilities in the area of the new facilities, overlapping service territories, or other relevant considerations.

PNM will utilize a case-by-case approach to allocate costs for new transmission projects. This approach will be based on the following principles:

1. Open Season Solicitation of Interest.

For any Local Transmission Project identified in a PNM reliability or economic planning study in which PNM is the project sponsor, PNM may elect to provide an "open season" solicitation of interest to secure additional project participants. Upon a determination by PNM to hold an open season solicitation of interest for a Local Transmission Project, PNM will:

- a. Announce and solicit interest in the project through informational meetings, its website and/or other means of dissemination as appropriate.
 - b. Hold meetings with interested parties and meetings with public utility staffs from potentially affected states.
 - c. Post information *via* PNM's OASIS website.
 - d. Develop the initial transmission project specifications, the initial cost estimates and potential transmission line routes; guide negotiations and assist interested parties to determine cost responsibility for initial studies; guide the project through the applicable line siting processes; develop final project specifications and costs; obtain commitments from participants for final project cost shares; and secure execution of construction and operating agreements.
2. PNM Coordination within a Solicitation of Interest Process.

PNM, whether as a project sponsor or a participant, will coordinate as necessary with any other participant or sponsor, as the case may be.

3. PNM Projects without a Solicitation of Interest.

PNM may elect to proceed with small and/or reliability Local Transmission Projects without an open season solicitation of interest, in which case PNM will proceed with the project pursuant to its rights and obligations as a Transmission Provider.

4. Allocation of Costs.

- a. Proportional Allocation.

For any Local Transmission Project entered into pursuant to an open season solicitation process, project costs and associated transmission rights will generally be allocated proportionally to project participants' respective ownership shares subject to a negotiated participation agreement. In the event the open season process results in a single participant, the full cost and transmission rights will be allocated to that participant. Nothing in this section precludes project participants from utilizing another cost allocation methodology, provided all project participants agree to the alternative.

- b. Economic Benefits or Congestion Relief.

For a Local Transmission Project wholly within the PNM local transmission system that is undertaken for economic reasons or congestion

relief at the request of a Requester, the project costs will be allocated to the Requester.

c. PNM Rate Recovery.

Notwithstanding the foregoing provisions, PNM will not assume cost responsibility for any Local Transmission Project if the cost of the project is not reasonably expected to be recoverable in its retail and/or wholesale rates.

B. Regional Transmission Projects.

For any project determined by the Planning Management Committee to be eligible for regional cost allocation, project costs will be allocated proportionally to those entities determined by the Planning Management Committee, as shown in the Regional Plan, to be beneficiaries enrolled in the WestConnect Planning Region, as identified in this Attachment K. A project that electrically interconnects with, or that is demonstrated to provide quantifiable benefits (as such benefits are defined in this Attachment K) to a transmission owner located within the WestConnect Planning Region, but not enrolled in the WestConnect Planning Region is not eligible for regional cost allocation. Similarly, a project that electrically interconnects with, or that is demonstrated to provide quantifiable benefits (as such benefits are defined in this Attachment K) to a transmission owner not enrolled in any planning region is not eligible for regional cost allocation.

The Planning Management Committee, with input from the Cost Allocation Subcommittee, is to determine whether a project is eligible for regional cost allocation, and assess the project's costs against its benefits in accordance with the following factors:

- Benefits and beneficiaries will be identified before cost allocation methods are applied. If an entity other than a transmission owner enrolled in the region (see III.A.2.c) is an identified beneficiary, the project is not eligible for regional cost allocation.
- Cost assignments shall be commensurate with estimated benefits.
- Those that receive no benefits shall not be involuntarily assigned costs.
- A benefit-to-cost threshold of not more than 1.25 shall be used as applicable, so that projects with significant benefits are not excluded.
- Costs shall be allocated solely within the region, unless an entity outside the region voluntarily assumes costs.
- Costs for upgrades on neighboring transmission systems or other planning regions that are (i) required to be mitigated by the WECC

Path Rating process, FERC tariff requirements, or NERC Reliability Standards, or (ii) negotiated among interconnected parties, will be included in the total project costs and used in the calculation of B/C ratios.

- Cost allocation method and data shall be transparent and with adequate documentation.
- Different cost allocation methods may be used for different types of projects.

Specifically, the Planning Management Committee will consider the following projects eligible for cost allocation consideration as further described below based on specified criteria:

- Reliability projects;
- Economic or congestion relief projects; or
- Public policy projects.

Only projects that fall within one or more of these three categories and satisfy the cost-to-benefit analyses and other requirements, as specified herein, are eligible for cost allocation in the WestConnect Planning Region. PNM encourages all interested stakeholders to consult the Business Practice Manual for additional details regarding the assessment for eligibility for regional cost allocation. Summary provisions are provided below:

1. Allocation of Costs for Reliability Projects

In order to allocate costs to an enrolled transmission owner for system reliability improvements that are necessary for their systems to meet the NERC Transmission Planning Standards, the WestConnect cost allocation procedure will allocate costs for system reliability improvements only when a system improvement is required to comply with the NERC Transmission Planning Standards during the planning horizon.

All components of a transmission owner's local transmission plan will be rolled up into the Regional Plan and will be considered local transmission projects that are not eligible for regional cost allocation. A system performance analysis will be performed on the collective plans to ensure the combined plans adhere to all relevant NERC Transmission Planning Standards, and stakeholders will be afforded an opportunity to propose projects that are more efficient or cost effective than components of multiple transmission owner local plans as outlined in Section III.E above.

Should a reliability issue be identified in the review of the included local transmission plan, the project necessary to address that reliability issue will be included in the Regional Plan and the cost will be shared by the utilities whose load contributed to the need for the project.

Should multiple utilities have separate reliability issues that are addressed more efficiently or cost effectively by a single regional project, that regional project will be approved for selection in the Regional Plan and the cost will be shared by those enrolled transmission owners in proportion to the cost of alternatives that could be pursued by the individual transmission owners to resolve the reliability issue. The ultimate responsibility for maintaining system reliability and compliance with NERC Transmission Planning Standards rests with each transmission owner.

The costs for regional reliability projects will be allocated according to the following equation:

$$(1 \text{ divided by } 2) \text{ times } 3 \text{ equals } 4$$

Where:

- 1 is the cost of local reliability upgrades necessary to avoid construction of the regional reliability project in the relevant enrolled transmission owner's retail distribution service territory or footprint
- 2 is the total cost of local reliability upgrades in the combination of enrolled transmission owners' retail distribution service territories or footprints necessary to avoid construction of the regional reliability project
- 3 is the total cost of the regional reliability project
- 4 is the total cost allocated to the relevant enrolled transmission owner's retail distribution service territory or footprint

The manner in which the Planning Management Committee applied this methodology to allocate the costs of each regional reliability project shall be described in the Regional Plan.

2. Allocation of Costs for Economic Projects

Cost allocation for economic projects associated with congestion relief that provide for more economic operation of the system will be based on the calculation of economic benefits that each enrolled transmission owner system will receive. Cost allocation for economic projects shall include scenario analyses to ensure that benefits will actually be received by beneficiaries with relative certainty. Projects for which benefits and beneficiaries are highly uncertain and vary beyond reasonable parameters based on assumptions about future conditions will not be selected for cost allocation.

In order for a project to be considered economically-justified and receive cost allocation associated with economic projects, the project must have a B/C ratio that is greater than 1.0 under each reasonable scenario evaluated

and have an average ratio of at least 1.25 under all reasonable scenarios evaluated. Costs will be allocated on the basis of the average of all scenarios evaluated. The B/C ratio shall be calculated by the Planning Management Committee. This B/C ratio shall be determined by calculating the aggregate load-weighted benefit-to-cost ratio for each transmission system in the WestConnect Planning Region. The benefits methodology laid out below ensures that the entities that benefit the most from the completion of an economic project are allocated costs commensurate with those project benefits.

The cost of any project that has an aggregate 1.25 B/C ratio or greater will be divided among the enrolled transmission owners that show a benefit based on the amount of benefits calculated to each respective transmission owner. For example, if a \$100 million dollar project is shown to have \$150 million in economic benefit, the entities for which the economic benefit is incurred will be determined. The cost of the project will then be allocated to those entities, based on the extent of each entity's economic benefits relative to the total project benefits. This will ensure that each entity that is allocated cost has a B/C ratio equal to the total project B/C ratio. For example:

- Project with \$150 million in economic benefit and \$100 million in cost
 - Company 1 has \$90 million in benefits; Company 2 has \$60 million in benefits
 - Company 1 allocation: $90/150 (100) = \$60$ million
 - Company 1 B/C ratio: $90/60 = 1.5$
 - Company 2 allocation: $60/150 (100) = \$40$ million
 - Company 2 B/C ratio: $60/40 = 1.5$

Other than through the reevaluation process described in Section III.E.7 of this Attachment K, the benefits and costs used in the evaluation shall only be calculated during the planning period and shall be compared on a net present value basis.

The WestConnect economic planning process shall consider production cost savings and reduction in reserve sharing requirements as economic benefits capable of contributing to the determination that a project is economically justified for cost allocation. Production cost savings are to be determined by the Planning Management Committee performing a product cost simulation to model the impact of the transmission project on production costs and congestion. Production cost savings will be calculated as the reduction in production costs between a production cost simulation with the project included compared to a simulation without the project. Reductions in reserve sharing requirements are to be determined by the Planning Management Committee in identifying a transmission project's impact on the reserve requirements of individual transmission

systems, and not on the basis of the project's collective impact on a reserve sharing group, as a whole. The production cost models are to appropriately consider the hurdle rates between transmission systems. The following production cost principles may be applied:

- The production cost savings from a project must be present in each year from the project in-service date and extending out at least 10 years.
- Cost savings must be expressed in present-value dollars and should consider the impact of various fuel cost forecasts.
- The product cost study must account for contracts and agreements related to the use of the transmission system (this refers to paths in systems that might be contractually limited but not reliability limited).
- The production cost study must account for contracts and agreements related to the access and use of generation (this refers to generators that might only use spot purchases for fuel rather than firm purchases, or generation that has been designated as network resources for some entities and thus cannot be accessed at will by non-owners).

Access by stakeholders to the Planning Management Committee's application of its regional cost allocation method for a specific economic transmission project is available in several ways: First, stakeholders that are members of the Planning Management Committee will have firsthand knowledge of the way in which the regional method was applied to a particular project because the Planning Management Committee is responsible for performing the application of the regional cost allocation method. Second, stakeholders that choose not to become members of the Planning Management Committee may access such information through the WestConnect regional stakeholder process. See Section III.B of this Attachment K. Third, the manner in which the Planning Management Committee applied this methodology to allocate the costs of each economic project shall be described in the Regional Plan.

In determining which entities will be allocated costs for economic projects, WestConnect will compare the economic value of benefits received by an entity with the cost of the project to ensure that each entity allocated cost receives a benefit/cost ratio equal to the aggregate load-weighted benefit-to-cost ratio. These costs allocated to each company will be calculated based on the following equation:

$$(1 \text{ divided by } 2) \text{ times } 3 \text{ equals } 4$$

Where:

- 1 is the total projected present value of economic benefits for the relevant enrolled transmission owner
- 2 is the total projected present value of economic benefits for

- the entire project
- 3 is the total cost of the economic project
- 4 is the total cost allocated to the relevant enrolled transmission owner

Any enrolled transmission owner with benefits less than or equal to one percent of total project benefits shall be excluded from cost allocation. Where a project satisfies the B/C ratio, and is determined to provide benefits less than or equal to one percent of total project benefits to an identified enrolled transmission owner, such benefits will be re-allocated to all other identified enrolled beneficiaries on a pro-rata basis, in relation to each entity's share of total project benefits.

3. Allocation of Costs for Public Policy Projects

Any transmission system additions that arise from Public Policy Requirements, shall be included in the system models used for the WestConnect transmission system studies. Further, any additional system needs that arise from proposed public policy shall be reported by each entity for its own service territory. Decisions on the inclusion of those needs shall be made during the consideration and approval of the system models. Transmission needs driven by Public Policy Requirements will be included in the evaluation of reliability and economic projects.

Except for projects proposed through a transmission owner's local planning process, arising out of a local need for transmission infrastructure to satisfy Public Policy Requirements that are not submitted as projects for cost allocation (which are addressed in Section II of this Attachment K), any projects arising out of a regional need for transmission infrastructure to satisfy the Public Policy Requirements shall be considered public policy projects eligible for evaluation in the Regional Planning Process.

Stakeholders may participate in identifying regional transmission needs driven by Public Policy Requirements. After seeking the input of stakeholders pursuant to the stakeholder participation provisions of Section III, the Planning Management Committee is to determine whether to move forward with the identification of a regional solution to a particular regional need driven by Public Policy Requirements. Stakeholders may participate in identifying a regional solution to a regional need driven by Public Policy Requirements pursuant to the stakeholder participation provisions of Section III, or through membership on the Planning Management Committee itself. After seeking the input of stakeholders, the Planning Management Committee is to determine whether to select a particular regional solution in the regional transmission plan for purposes of cost allocation. The identification of beneficiaries of these projects shall be the entities that will access the resources enabled by

the project in order to meet their Public Policy Requirements.

If an entity accesses resources that were enabled by a prior public policy project, that entity will need to either share in its relative share of the costs of that public policy project or acquire sufficient transmission service rights to move the resources to its load with the determination left up to the entity or entities that were originally allocated the cost for the public policy project.

The costs for public policy projects will be allocated according to the following equation:

$$(1 \text{ divided by } 2) \text{ times } 3 \text{ equals } 4$$

Where:

- 1 is the number of megawatts of public policy resources enabled by the public policy project for the entity in question
- 2 is the total number of megawatts of public policy resources enabled by the public policy project
- 3 is the total project cost
- 4 is the cost for the public policy project allocated to the entity in question

The process to interconnect individual generation resources is provided for under the generator interconnection section each utility's OATT and not under this process.

Requests for transmission service that originate in a member's system and terminate at the border shall be handled through that member's OATT. Regional transmission needs necessary to meet Public Policy Requirements will be addressed through the Public Policy Requirements section of the Regional Planning Process.

The manner in which WestConnect applied this methodology to each public policy project shall be described in the Regional Transmission Plan.

4. Combination of Benefits

In developing a more efficient or cost effective plan, it is possible for the

plan to jointly consider multiple types of benefits when approving projects for inclusion in the Regional Plan. The determination to consider multiple types of benefits for a particular project shall be made through the WestConnect stakeholder process, in which interested stakeholders are given an opportunity to provide input as set forth in Section III of this Attachment K. In determining whether a project would provide multiple benefits, the Planning Management Committee is to categorize the benefits as (a) necessary to meet NERC Transmission Planning Reliability Standards (reliability); (b) achieving production cost savings or a reduction in reserve sharing requirements (economic); or (c) necessary to meet transmission needs driven by Public Policy Requirements, as applicable, using the methods set forth in this Attachment K. The Planning Management Committee will identify all three categories of benefits in its regional cost allocation process. If a project cannot pass the cost allocation threshold for any one of the three benefit categories, alone (reliability, economic or public policy), the sum of benefits from each benefit category may be considered.

The costs for projects that rely upon multiple types of benefits to secure inclusion in the Regional Plan for purposes of cost allocation will be shared according to the amount of cost that is justified by each type of benefits.

5. Allocation of Ownership and Capacity Rights.

An Eligible Transmission Developer that is subject to the Commission's jurisdiction under Section 205 of the Federal Power Act may not recover project costs from identified beneficiaries enrolled in the WestConnect Planning Region without securing approval for project cost recovery from FERC through a separate proceeding brought by the Eligible Transmission Developer under Section 205 of the Federal Power Act. In no event will identified beneficiaries enrolled in the WestConnect Planning Region from whom project costs are sought to be recovered under Section 205 be denied either transmission transfer capability or ownership rights proportionate to their allocated costs, as determined by FERC in such proceeding. An Eligible Transmission Developer who is not subject to the Commission's jurisdiction under Section 205 of the Federal Power Act would have to seek cost recovery from identified beneficiaries enrolled in the WestConnect Planning Region either: (a) through bilateral agreements that are voluntarily entered into between such Eligible Transmission Developer and the applicable identified beneficiaries; or (b) by obtaining approval from FERC for project cost recovery pursuant to any other applicable section of the Federal Power Act.

If a project beneficiary receives transmission transfer capability on the project in exchange for transmission service payments, such project beneficiary may resell the transfer capability. Alternatively, a project beneficiary could seek to make a direct capital contribution to the project

construction cost (in lieu of making transmission service payments) in which case, the project beneficiary would instead receive an ownership percentage in proportion to their capital contribution (Ownership Proposal). This Ownership Proposal does not create a right of first refusal for transmission beneficiaries.

An ownership alternative will only be pursued if the Eligible Transmission Developer agrees. The Eligible Transmission Developer and the beneficiaries will enter into contract negotiations to address the many details regarding the capital funding mechanics and timing, as well as other details, such as defining (as between the Eligible Transmission Developer, whether a nonincumbent or incumbent transmission developer, and those receiving ownership interests) responsibility for operations and maintenance, administrative tasks, compliance with governing laws and regulations, etc. These negotiations will take place at arm's length, without any one party having undue leverage over the other.

A transmission project beneficiary should not be expected to pay for its benefits from the project twice: once through a capital contribution, and again through transmission service payments. The Ownership Proposal permits an ownership share in a project that is in the same proportion to a beneficiary's allocable costs, which costs will have been allocated roughly commensurate with the benefits to be gained from the project. This will allow the beneficiary to earn a return on its investment. In addition, it allows those beneficiaries that may not necessarily benefit from additional transfer capability on a new transmission project, whether due to lack of contiguity to the new facilities or otherwise, to realize the benefits through an ownership option.

Any transmission project participant that is identified as a beneficiary of the project might be permitted by the Eligible Transmission Developer to contribute capital (in lieu of transmission service payments) and receive a proportionate share of ownership rights in the transmission project. The Ownership Proposal affords an identified beneficiary who contributes toward the project costs the opportunity to obtain an ownership interest in lieu of an allocated share of the project costs through transmission service payments in exchange for transfer capability on the project; it does not, however, confer a right to invest capital in a project. The Ownership Proposal merely identifies that, to the extent it is agreed among the parties that capital may be contributed toward a transmission project's construction, a proportionate share of ownership rights will follow.

Nothing in this Attachment K with respect to Order No. 1000 cost allocation imposes any new service on beneficiaries. Similarly, nothing in this Attachment K with respect to Order No. 1000 cost allocation imposes on an Eligible Transmission Developer of a project an obligation to

provide transmission service to identified beneficiaries simply as a result of a project's having been selected in the Regional Plan for purposes of cost allocation; provided, however, if that Eligible Transmission Developer seeks authorization to provide transmission services to beneficiaries or others, and to charge rates or otherwise recover costs from beneficiaries or others associated with any transmission services it were to propose, it must do so by contract and/or under separate proceedings under the Federal Power Act. The purpose of this Section VII.B.5 is to (a) provide an option to a project developer to negotiate ownership rights in the project with identified beneficiaries, if both the developer and the identified beneficiaries mutually desire to do so, and (b) specify that, although Order No. 1000 cost allocation does not impose any new service on beneficiaries, identified beneficiaries have the opportunity to discuss with the project developer the potential for entering into transmission service agreements for transmission capacity rights in the project, and (c) ensure that Order No. 1000 cost allocation does not mean that a project developer may recover project costs from identified beneficiaries without providing transmission transfer capability or ownership rights, and without securing approval for project cost recovery by contract and/or under a separate proceeding under the Federal Power Act.

If an Eligible Transmission Developer is not subject to the Commission's jurisdiction under Section 205 of the Federal Power Act, the Eligible Transmission Developer would have to seek to recover project costs from identified beneficiaries enrolled in the WestConnect Planning Region either: (a) through bilateral agreements that are voluntarily entered into between such Eligible Transmission Developer and the applicable identified beneficiaries; or (b) by obtaining approval from FERC for project cost recovery pursuant to any other applicable section of the Federal Power Act.

6. Project Development Schedule.

The Planning Management Committee will not be responsible for choosing a developer for, or managing the development of, any project selected for inclusion in the Regional Plan. However, after having selected a project in the Regional Plan, the Planning Management Committee will monitor the status of project's development. If a transmission facility is selected for inclusion in the Regional Plan for purposes of cost allocation, the transmission developer of that transmission facility must submit a development schedule that indicates the required steps, such as the granting of state approvals, necessary to develop and construct the transmission facility such that it meets the regional transmission needs of the WestConnect Planning Region. As part of the ongoing monitoring of the status of the transmission project once it is selected, the transmission owners and providers in the WestConnect Planning Region will establish the dates by which the required steps to construct must be achieved that

are tied to when construction must begin to timely meet the need that the project is selected to address. If such required steps have not been achieved by those dates, then the transmission owners and providers in the WestConnect Planning Region may remove the transmission project from the selected category and proceed with reevaluating the Regional Plan to seek an alternative solution.

7. Economic Benefits or Congestion Relief.

For a transmission project wholly within the Transmission Provider's local transmission system that is undertaken for economic reasons or congestion relief at the request of a Requester, the project costs will be allocated to the Requester.

8. Transmission Provider Rate Recovery.

Notwithstanding the foregoing provisions, Transmission Provider will not assume cost responsibility for any transmission project if the cost of the project is not reasonably expected to be recoverable in its retail and/or wholesale transmission rates.

9. No Obligation to Construct.

The Regional Planning Process is intended to determine and recommend more efficient or cost-effective transmission solutions for the WestConnect Planning Region. After the Regional Plan is approved, due to the uncertainty in the Regional Planning Process and the need to address cost recovery issues, the Regional Planning Process shall not obligate any entity to construct, nor obligate any entity to commit to construct, any facilities, including any transmission facilities, regardless of whether such facilities are included in any plan. Nothing in this Attachment K, the Business Practice Manual or the Planning Participation Agreement, or any cost allocation under this Attachment K and the Business Practice Manual shall (1) determine any transmission service to be received by, or any transmission usage by, any entity; (2) obligate any entity to purchase or pay for, or obligate any entity to commit to purchase or pay for, any transmission service or usage; (3) obligate any entity to implement or effectuate, or commit to implement or effectuate, any cost allocation; (4) obligate any entity to pay, or commit to pay, costs of any project or proposed project in accordance with any cost allocation; or (5) entitle any entity to recover for any transmission service or usage or to recover from any entity any cost of any transmission facilities, regardless of whether such transmission facilities are included in any plan. Without limiting the generality of the foregoing, nothing in this Attachment K, the Business Practice Manual or the Planning Participation Agreement with respect to regional cost allocation shall preclude any WestConnect Planning Region member from satisfying its statutory requirements.

10. Binding Order No. 1000 Cost Allocation Methods

Order No. 1000 cost allocation methods as set forth in Section VII of this Attachment K are binding on identified beneficiaries enrolled in the WestConnect Planning Region, without prejudice to the following rights and obligations: (1) the right and obligation of the Planning Management Committee to reevaluate a transmission facility previously selected for inclusion in the regional plan for purposes of Order No. 1000 cost allocation under Section III.E.7 of this Attachment K; (2) the right and obligation of an Eligible Transmission Developer to make a filing under Section 205 or other applicable provision of the Federal Power Act in order to seek approval from the Commission to recover the costs of any transmission facility selected for inclusion in the regional plan for purposes of Order No. 1000 cost allocation; (3) the right and obligation of any interested person to intervene and be heard before the Commission in any Section 205 or other applicable provision of proceeding initiated by an Eligible Transmission Developer, including the right of any identified beneficiaries of the transmission facility to support or protest the filing and to present evidence on whether the proposed cost recovery is or is not just and reasonable; and (4) the right and obligation of the Commission to act under Section 205 or other applicable provision of the Federal Power Act to approve or deny any cost recovery sought by an Eligible Transmission Developer for a transmission facility selected in the regional plan for purposes of Order No. 1000 cost allocation.

11. Impacts of a Regional Project on Neighboring Planning Regions

The Planning Management Committee is to study the impact(s) of a regional transmission project on neighboring planning regions, including the resulting need, if any, for mitigation measures in such neighboring planning regions. If the Planning Management Committee finds that a regional transmission project in the WestConnect Planning Region causes impacts on a neighboring planning region that requires mitigation (a) by the WECC Path Rating Process, (b) under FERC OATT requirements, (c) under NERC Reliability Standards requirements, and/or (d) under any negotiated arrangement between the interconnected entities, the Planning Management Committee is to include the costs of any such mitigation measures into the regional transmission project's total project costs for purposes of determining the project's eligibility for regional cost allocation under the procedures identified in Section VII.B of this Attachment K, including application of the region's benefits-to-costs analysis.

The WestConnect Planning Region will not be responsible for compensating a neighboring planning region, transmission provider, transmission owner, Balancing Area Authority, or any other entity, for the costs of any required mitigation measures, or other consequences, on their systems associated with a regional transmission project in the

WestConnect Planning Region, whether identified by the Planning Management Committee or the neighboring system(s). The Planning Management Committee does not direct the construction of transmission facilities, does not operate transmission facilities or provide transmission services, and does not charge or collect revenues for the performance of any transmission or other services. Therefore, in agreeing to study the impacts of a regional transmission facility on neighboring planning regions, the Planning Management Committee is not agreeing to bear the costs of any mitigation measures it identifies. However, the Planning Management Committee will request of any developer of a regional transmission project selected in the Regional Plan for purposes of cost allocation that the developer design and build its project to mitigate the project's identified impacts on neighboring planning regions. If the project is identified as impacting a neighboring planning region that accords less favorable mitigation treatment to the WestConnect Planning Region than the WestConnect Planning Region accords to it, the Planning Management Committee will request that the project developer reciprocate by using the lesser of (i) the neighboring region's mitigation treatment applicable to the mitigation of impacts of its own regional projects on the WestConnect Planning Region, or (ii) the Planning Management Committee's mitigation treatment set forth above in sub-sections (a) through (d).

12. Exclusions.

The cost for transmission projects undertaken in connection with requests for interconnection or transmission service on the PNM transmission system, which are governed by existing cost allocation methods within PNM's Tariff, will continue to be so governed and will not be subject to the principles of this Section VII.VIII. **Interregional Coordination and Cost Allocation**

This Section VIII of Attachment K sets forth common provisions, which are to be adopted by or for each Planning Region and which facilitate the implementation of Order No. 1000 interregional provisions. WestConnect is to conduct the activities and processes set forth in this Section VIII of Attachment K in accordance with the provisions of this Section VIII and the other provisions of this Attachment K.

Nothing in this Section VIII will preclude any transmission owner or transmission provider from taking any action it deems necessary or appropriate with respect to any transmission facilities it needs to comply with any local, state, or federal requirements.

Any Interregional Cost Allocation regarding any ITP is solely for the purpose of developing information to be used in the regional planning process of each Relevant Planning Region, including the regional cost allocation process and methodologies of each such Relevant Planning Region.

References in this Section VIII to any transmission planning processes, including cost allocations, are references to transmission planning processes pursuant to Order No. 1000.

A. Definitions

The following capitalized terms were used in this Section VIII of Attachment K, are defined as follows:

Annual Interregional Coordination Meeting: shall have the meaning set forth in Section C below.

Annual Interregional Information: shall have the meaning set forth in Section B below.

Interregional Cost Allocation: means the assignment of ITP costs between or among Planning Regions as described in Section E.2 below.

Interregional Transmission Project (“ITP”): means a proposed new transmission project that would directly interconnect electrically to existing or planned transmission facilities in two or more Planning Regions and that is submitted into the regional transmission planning processes of all such Planning Regions in accordance with Section D.1.

Order No. 1000 Common Interregional Coordination and Cost Allocation Tariff Language: means this Section VIII, which relates to Order No. 1000 interregional provisions.

Planning Region: means each of the following Order No. 1000 transmission planning regions insofar as they are within the Western Interconnection: California Independent System Operator Corporation, ColumbiaGrid, Northern Tier Transmission Group, and WestConnect.

Relevant Planning Regions: means, with respect to an ITP, the Planning Regions that would directly interconnect electrically with such ITP, unless and until such time as a Relevant Planning Region determines that such ITP will not meet any of its regional transmission needs in accordance with Section 4.2, at which time it shall no longer be considered a Relevant Planning Region.

B. Annual Interregional Information Exchange

Annually, prior to the Annual Interregional Coordination Meeting, WestConnect is to make available by posting on its website or otherwise provide to each of the other Planning Regions the following information, to the extent such information is available in its regional transmission planning process, relating to regional transmission needs in

WestConnect's transmission planning region and potential solutions thereto:

1. study plan or underlying information that would typically be included in a study plan, such as:
 - a. identification of base cases;
 - b. planning study assumptions; and
 - c. study methodologies;
2. initial study reports (or system assessments); and
3. regional transmission plan

(collectively referred to as "Annual Interregional Information").

WestConnect is to post its Annual Interregional Information on its website according to its regional transmission planning process. Each other Planning Region may use in its regional transmission planning process WestConnect's Annual Interregional Information. WestConnect may use in its regional transmission planning process Annual Interregional Information provided by other Planning Regions.

WestConnect is not required to make available or otherwise provide to any other Planning Region (i) any information not developed by WestConnect in the ordinary course of its regional transmission planning process, (ii) any Annual Interregional Information to be provided by any other Planning Region with respect to such other Planning Region, or (iii) any information if WestConnect reasonably determines that making such information available or otherwise providing such information would constitute a violation of the Commission's Standards of Conduct or any other legal requirement. Annual Interregional Information made available or otherwise provided by WestConnect shall be subject to applicable confidentiality and CEII restrictions and other applicable laws, under WestConnect's regional transmission planning process. Any Annual Interregional Information made available or otherwise provided by WestConnect shall be "AS IS" and any reliance by the receiving Planning Region on such Annual Interregional Information is at its own risk, without warranty and without any liability of WestConnect, including any liability for (a) any errors or omissions in such Annual Interregional Information, or (b) any delay or failure to provide such Annual Interregional Information.

C. Annual Interregional Coordination Meeting

WestConnect is to participate in an Annual Interregional Coordination Meeting with the other Planning Regions. WestConnect is to host the Annual Interregional Coordination Meeting in turn with the other Planning Regions, and is to seek to convene such meeting in February, but not later than March 31st. The Annual Interregional Coordination

Meeting is to be open to stakeholders. WestConnect is to provide notice of the meeting to its stakeholders in accordance with its regional transmission planning process.

At the Annual Interregional Coordination Meeting, topics discussed may include the following:

1. each Planning Region's most recent Annual Interregional Information (to the extent it is not confidential or protected by CEII or other legal restrictions);
2. identification and preliminary discussion of interregional solutions, including conceptual solutions, that may meet regional transmission needs in each of two or more Planning Regions more cost effectively or efficiently; and
3. updates of the status of ITPs being evaluated or previously included in WestConnect's regional transmission plan.

D. ITP Joint Evaluation Process

1. Submission Requirements

A proponent of an ITP may seek to have its ITP jointly evaluated by the Relevant Planning Regions pursuant to Section D.2 by submitting the ITP into the regional transmission planning process of each Relevant Planning Region in accordance with such Relevant Planning Region's regional transmission planning process and no later than March 31st of any even-numbered calendar year. Such proponent of an ITP seeking to connect to a transmission facility owned by multiple transmission owners in more than one Planning Region must submit the ITP to each such Planning Region in accordance with such Planning Region's regional transmission planning process. In addition to satisfying each Relevant Planning Region's information requirements, the proponent of an ITP must include with its submittal to each Relevant Planning Region a list of all Planning Regions to which the ITP is being submitted.

2. Joint Evaluation of an ITP

For each ITP that meets the requirements of Section D.1, WestConnect (if it is a Relevant Planning Region) is to participate in a joint evaluation by the Relevant Planning Regions that is to commence in the calendar year of the ITP's submittal in accordance with Section D.1 or the immediately following calendar year. With respect to any such ITP, WestConnect (if it is a Relevant Planning Region) is to confer with the other Relevant Planning Region(s) regarding the following:

- a. ITP data and projected ITP costs; and
- b. the study assumptions and methodologies it is to use in evaluating the ITP pursuant to its regional transmission planning process.

For each ITP that meets the requirements of Section D.1, WestConnect (if it is a Relevant Planning Region):

- c. is to seek to resolve any differences it has with the other Relevant Planning Regions relating to the ITP or to information specific to other Relevant Planning Regions insofar as such differences may affect WestConnect's evaluation of the ITP;
- d. is to provide stakeholders an opportunity to participate in WestConnect's activities under this Section D.2 in accordance with its regional transmission planning process;
- e. is to notify the other Relevant Planning Regions if WestConnect determines that the ITP will not meet any of its regional transmission needs; thereafter WestConnect has no obligation under this Section D.2 to participate in the joint evaluation of the ITP; and
- f. is to determine under its regional transmission planning process if such ITP is a more cost effective or efficient solution to one or more of WestConnect's regional transmission needs.

E. Interregional Cost Allocation Process

1. Submission Requirements

For any ITP that has been properly submitted in each Relevant Planning Region's regional transmission planning process in accordance with Section D.1, a proponent of such ITP may also request Interregional Cost Allocation by requesting such cost allocation from WestConnect and each other Relevant Planning Region in accordance with its regional transmission planning process. The proponent of an ITP must include with its submittal to each Relevant Planning Region a list of all Planning Regions in which Interregional Cost Allocation is being requested.

2. Interregional Cost Allocation Process

For each ITP that meets the requirements of Section E.1, WestConnect (if it is a Relevant Planning Region) is to confer with or notify, as appropriate, any other Relevant Planning Region(s) regarding the following:

- a. assumptions and inputs to be used by each Relevant Planning Region for purposes of determining benefits in accordance with its regional cost allocation methodology, as applied to ITPs;
- b. WestConnect's regional benefits stated in dollars resulting from the ITP, if any; and
- c. assignment of projected costs of the ITP (subject to potential reassignment of projected costs pursuant to Section F.2 below) to each Relevant Planning Region using the methodology described in this section 5.2.

For each ITP that meets the requirements of Section E.1, WestConnect (if it is a Relevant Planning Region):

- d. is to seek to resolve with the other Relevant Planning Regions any differences relating to ITP data or to information specific to other Relevant Planning Regions insofar as such differences may affect WestConnect's analysis;
- e. is to provide stakeholders an opportunity to participate in WestConnect's activities under this Section E.2 in accordance with its regional transmission planning process;
- f. is to determine its regional benefits, stated in dollars, resulting from an ITP; in making such determination of its regional benefits in WestConnect, WestConnect is to use its regional cost allocation methodology, as applied to ITPs;
- g. is to calculate its assigned *pro rata* share of the projected costs of the ITP, stated in a specific dollar amount, equal to its share of the total benefits identified by the Relevant Planning Regions multiplied by the projected costs of the ITP;
- h. is to share with the other Relevant Planning Regions information regarding what its regional cost allocation would be if it were to select the ITP in its regional transmission plan for purposes of Interregional Cost Allocation; WestConnect may use such information to identify its total share of the projected costs of the ITP to be assigned to WestConnect in order to determine whether the ITP is a more cost effective or efficient solution to a transmission need in WestConnect;
- i. is to determine whether to select the ITP in its regional transmission plan for purposes of Interregional Cost Allocation, based on its regional transmission planning process; and

- j. is to endeavor to perform its Interregional Cost Allocation activities pursuant to this Section E.2 in the same general time frame as its joint evaluation activities pursuant to Section D.2.

F. Application of Regional Cost Allocation Methodology to Selected ITP

1. Selection by All Relevant Planning Regions

If WestConnect (if it is a Relevant Planning Region) and all of the other Relevant Planning Regions select an ITP in their respective regional transmission plans for purposes of Interregional Cost Allocation, WestConnect is to apply its regional cost allocation methodology to the projected costs of the ITP assigned to it under Sections E.2.d. or E.2.e. above in accordance with its regional cost allocation methodology, as applied to ITPs.

2. Selection by at Least Two but Fewer than All Relevant Regions

If the WestConnect (if it is a Relevant Planning Region) and at least one, but fewer than all, of the other Relevant Planning Regions select the ITP in their respective regional transmission plans for purposes of Interregional Cost Allocation, WestConnect is to evaluate (or reevaluate, as the case may be) pursuant to Sections E.2.d., E.2.e., and E.2.f. above whether, without the participation of the non-selecting Relevant Planning Region(s), the ITP is selected (or remains selected, as the case may be) in its regional transmission plan for purposes for Interregional Cost Allocation. Such reevaluation(s) are to be repeated as many times as necessary until the number of selecting Relevant Planning Regions does not change with such reevaluation.

If following such evaluation (or reevaluation), the number of selecting Relevant Planning Regions does not change and the ITP remains selected for purposes of Interregional Cost Allocation in the respective regional transmission plans of WestConnect and at least one other Relevant Planning Region, WestConnect is to apply its regional cost allocation methodology to the projected costs of the ITP assigned to it under Sections E.2.d. or E.2.e. above in accordance with its regional cost allocation methodology, as applied to ITPs.

Attachment K-1
WestConnect Regional Transmission Planning Process Chart

Document Content(s)

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