

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY Commission**

Transmission Planning Processes under)
Order 890)

Docket No. AD09-8-000

Comments of the Public Power Council

The Public Power Council (PPC) provides these comments pursuant to the Commission's *Notice of Request for Comments*, dated October 8, 2009, in this docket (Notice). PPC is a non-profit trade association that represents the common interests of the over 100 consumer-owned electric utilities in the Pacific Northwest that are power and transmission customers of the Bonneville Power Administration. Many of PPC's members purchase transmission and ancillary services from public utilities. Other of PPC members own and operate interconnected transmission facilities. All have interests in the use and expansion of the Western Interconnection's interconnected transmission system and an interest in the recovery of costs of those facilities.

Communications

PPC requests that service in this proceeding be made upon, and communications directed to, the following persons:

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Comments

A. Regional and Sub-Regional Transmission Planning Processes

In Order 890 the Commission directed the jurisdictional utilities to develop transmission-planning processes that permitted participation by customers and provided for coordination of transmission plans. In September of this year, Commission staff continued its drive for development of more efficient planning by holding a series of regional conferences. Subsequent to those conferences, the Commission requested comments regarding its questions on two broad topics: progress being made to integrate customers into transmission planning; and cost allocation of large inter-system and regional transmission expansion projects.

Although Commission staff recognizes that voluntary agreements are in place in many regions for sub-regional and even regional coordination, Commission staff expresses concern that current voluntary planning activities will not “result in a regular process for jointly identifying and evaluation alternatives to solutions identified in transmission plans developed through [those processes].”¹ The Notice details four policy concerns:

- Current transmission planning will not support compliance with state Renewable Portfolio Standards;
- Merchant transmission projects are not integrated into public utilities’ transmission planning processes and such integration may cause the merchant developer to lose its opportunity to construct facilities;

¹ *Notice of Request for Comments*, FERC Docket No. AD09-8-000 (Oct. 8, 2009), slip op. (Notice), p. 3.

- Merchant power developers may be disproportionately affected by public utilities' planning processes;
- Demand response and energy efficiency are not treated consistently in different public utilities' planning processes.

Commission staff asks that commenters address whether additional reforms are necessary to “ensure that the rates, terms and conditions of transmission service are just and reasonable or to otherwise eliminate remaining opportunities for undue discrimination in the provision of transmission service”²

Overall, PPC believes that the reforms instituted by the Commission in Order 890 are sufficient to address concerns regarding fairness and discrimination. The process can be streamlined and improved, but utilities have responded to the Commission's order and have entered into the agreements that will permit them to succeed in fulfilling the Commission's mandate. In particular, PPC does not believe that a rulemaking is warranted at this point. The reforms the Commission instituted are new and transmission planning is underway to add significant amounts of new transmission facilities. The fact that these agreements are voluntary has encouraged more consumer-owned utilities to participate in the Northwest. A rulemaking that changes the planning process significantly, or that mandates participation and the nature of the relationship among participants, could delay transmission planning or damage existing, collaborative, contractual relationships that are just now beginning to bear fruit. To the extent that particular groups of utilities need to be corrected, that is best accomplished on a case-by-case basis.

² Notice at p. 3.

Transmission planning can be aided by appropriate federal action to streamline the permitting process when proposed lines would cross state boundaries and federal lands. We are hopeful that the new Memorandum of Understanding among the nine federal agencies, including the Department of Energy, will be a step towards achieving that end. Much of the total time needed to plan and construct transmission facilities involves permitting and siting and shortening this aspect of the process would be a significant benefit. PPC does not believe, however, that there is a panacea that would make participation in the transmission planning itself easier or less labor-intensive. Transmission planning is essentially and necessarily an engineering exercise to solve a reliability and load service problem. Aspects of it are economic in nature but the core of the process remains technical.³ Establishing arbitrary deadlines for completion of analysis, for example, would be counterproductive in terms of both reliability and economic efficiency.

PPC also notes that the Western Interconnection has engaged in significant regional and sub-regional planning efforts through, among others, WECC, ColumbiaGrid, Northern Tier Transmission Group and WestConnect. Each of these organizations has planning underway for a very significant amount of new intra- and interstate transmission lines.⁴ PPC urges the Commission to consider that sub-regional

³ The technical nature of the process may be lamentable for some, but it is incumbent on participants in the process to inform themselves and hire experts to assist them, rather than insist that the process be simplified for their benefit.

⁴ ColumbiaGrid, for example, (www.columbiagrid.org) has begun an extensive planning effort within its footprint and has completed its system assessment and biennial plan. The Northern Tier Transmission Group (www.nttg.biz) is similarly working on its biennial plan and its economic and transmission congestion studies.

transmission planning should be the default level of coordinated transmission planning and that broader, regional transmission planning should only be needed for proposed transmission facilities that cross several states. Sub-regional processes are more focused on the needs of the area's transmission grid and participants are more knowledgeable about its characteristics. Coordination of planning at this level should be more efficient and more accessible to participants with an interest in the outcome of the process.

In regard to Commission staff's question regarding whether transmission plans are identifying and evaluating solutions to multiple systems' needs so that facilities can be "right-sized" to make best use of corridors and minimize impacts,⁵ PPC believes that progress is being made in that direction. Ensuring that a new transmission line will meet both near-term and reasonably forecasted longer-term needs is, of course, important to ensure that the line is both economic and is in the right place at the right time.

The economics of new transmission facilities are a key consideration but often, the variables to be considered depend on the circumstances the line is intended to address. The Commission should not issue requirements that are so prescriptive as to unduly restrict the ability of utilities to fairly model all aspects of alternative proposals. Economic studies should be undertaken by sub-regional planning entities so that the markets in those areas and the needs of loads are fairly modeled in the studies.

Whether planning assumptions have adequately represented renewable generation that is compliant with a particular state's Renewable Portfolio Standard

⁵ Notice at p. 3.

(RPS) is a matter of state policy and is a state concern. Given the lack of action by Congress on this topic, compliance with state RPS standards is not a valid rationale for regulation under the Federal Power Act. Even if it were, the various and often conflicting state RPS requirements are not readily susceptible to a national planning standard, absent action by Congress. Whether a utility is impeded or aided in meeting a state-mandated generation acquisition requirement is beyond the scope of the Commission's jurisdiction.

With regard to renewable, intermittent generation, Northwest utilities are making significant efforts to interconnect and integrate new generation. The Bonneville Power Administration (BPA) is building or plans to build nearly \$800 million worth of new 500 kV transmission, the need for which has been driven, or advanced in time, by new wind generation in Washington and Oregon. Northwest utilities have undertaken significant efforts to accommodate the operation and balancing needs of intermittent generation. BPA will provide over 800 MW of dec reserves and almost 600 MW of inc reserves⁶ to wind generation in FY 2010 and 2011. Northwest utilities instituted the ACE Diversity Initiative⁷ and are beginning within-hour transmission scheduling in order to accommodate new wind generation coming on to the system.

B. Cost Allocation for New Multi-System and Multi-State Transmission Facilities

Staff's second focus in the Notice is the allocation of the costs of new inter-system transmission facilities and upgrades to existing inter-system facilities.

⁶ Dec reserves and inc reserves are the machine capacity set aside in the Transmission Provider's generation to decrease and increase output, respectively, to follow wind generation fluctuations within the delivery hour.

⁷ See http://nttg.biz/site/index.php?option=com_content&task=view&id=14&Itemid=26

Commission staff identifies cost allocation as the “single largest impediment to any transmission development”⁸ Commission staff asks whether the Commission should issue new policies to allocate the costs of new facilities that cross multiple transmission systems.

The Commission considered this question in Order 890 and concluded that cost allocation methodologies should be developed by utilities and flexibility should be allowed to incorporate the needs of the different regions.

The cost allocation principle discussed herein is intended to apply to projects that do not fit under the existing structure, such as regional projects involving several transmission owners or economic projects that are identified through the study process described above, rather than through individual requests for service. We will not impose a particular allocation method for such projects, but rather will permit transmission providers and stakeholders to determine their own specific criteria[,] which best fit their own experience and regional needs.

* * * *

Our decisions regarding transmission cost allocation reflect the premise that “[a]llocation of costs is not a matter for the slide-rule. It involves judgment on a myriad of facts. It has no claim to an exact science.” We therefore allow regional flexibility in cost allocation and, when considering a dispute over cost allocation, exercise our judgment by weighing several factors.⁹

PPC believes that the stated premise is still valid and militates strongly against a uniform rule or methodology.

⁸ *Notice of Request for Comments*, FERC Docket No. AD09-8-000 (Oct. 8, 2009) at p. 5 (quoting the Electricity Advisory Committee (U.S. DOE), *Keeping the Lights On in a New World*, p. 50 (Jan. 2009)).

⁹ *Preventing Undue Discrimination and Preference in Transmission Service*, Order No. 890, ¶ 558-559 (footnote omitted citing *Colorado Interstate Gas Co. v. FPC*, 324 U.S. 581, 589 (1945)), 72 Fed. Reg. 12,266 (Mar. 15, 2007), FERC Stats. & Regs. ¶ 31,241, *order on reh’g*, Order No. 890-A, 73 Fed. Reg. 2984 (Jan. 16, 2008), FERC Stats. & Regs. ¶ 31, 261 (2007), *order on reh’g*, Order No. 890-B, 73 Fed. Reg. 39,092 (Jul. 8, 2008), 123 FERC ¶ 61,299 (2008).

Northwest transmission planning organizations in the have already begun to develop their own cost allocation methodologies and agreements and PPC believes that those processes should not be interrupted. Northern Tier Transmission Group (NTTG), for example, has engaged staff from state utility commissions and its member utilities to develop cost allocation recommendations for transmission projects in the NTTG biennial transmission plan. ColumbiaGrid has recently begun scoping on an Open Season process for projects that their member utilities might plan to construct. BPA has already completed one successful open season for construction on its network and is embarked on another. We expect these processes to produce transmission projects within the next few years that are needed for load service and generation interconnection and delays in their construction would be detrimental to the Northwest.

Overall, however, cost allocation must be grounded in fundamental concepts of fairness and cost causation. Cost allocation should strictly follow cost causation. Any reliability benefits that are asserted must be quantified and proportionate with the cost allocated to the beneficiary, and loads should be protected from unrecovered costs. Stranded asset risks, like capital costs, should be allocated to those that cause the costs to be incurred and those that derive an economic benefit from the new facilities. The risks of under-recovery for facilities needed for markets or resource development should rest with those entities whose profits are enabled by the new facilities.

Generators should be allocated costs when they cause construction of new facilities. Generators are often the clearest economic beneficiaries of new transmission facilities. They are seeking to reach markets for their power and the loads that purchase

that power will change over time. The costs of the delivery facilities should be incorporated into the cost of power so that the loads that benefit from the power absorb the costs and those that do not are protected from them.

PPC agrees with Commission's conclusions in Order 890 that cost allocation is most durable and less likely to result in litigation when the parties enter into agreements voluntarily.¹⁰ While we believe that the Commission can provide generic guidance, it is unlikely to assist parties reach agreement if it attempts to prescribe outcomes for what must be fact-specific questions. This is particularly the case in areas, like the Northwest, where effective transmission planning requires the participation of consumer-owned transmission providers.

C. Conclusion

As PPC noted in regard to the Commission's questions regarding transmission planning, the Commission should give utilities an opportunity to implement the plans and processes they currently have underway. The Commission can deal individually with utilities that are delaying their planning and are not participating in regional planning, but their correction does not require a rulemaking broadly affecting transmission planning. The same is true for cost allocation. It is unlikely that prescriptive guidance at this juncture will assist all the parties to reach effective agreements. To the extent that the Commission provides further guidance to utilities, beyond what the Commission provided in Order 890, PPC believes that guidance should

¹⁰ Order 890 at ¶ 560-561.

be based on cost causation and protection of electric ratepayers from risks appropriately borne by merchant generators.

Respectfully submitted,

/s/

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