

139 FERC ¶ 61,189
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Jon Wellinghoff, Chairman;
Philip D. Moeller, John R. Norris,
and Cheryl A. LaFleur.

NorthWestern Corporation

Docket No. ER11-2932-000

ORDER ACCEPTING COMPLIANCE FILING, AS MODIFIED

(Issued June 8, 2012)

1. On February 22, 2011, NorthWestern Corporation (NorthWestern)¹ submitted a revised Attachment C (Calculation of Available Transfer Capability) and a revised Attachment K (Transmission Planning) to its open access transmission tariff (OATT) to comply with the Commission's directives.² In this order, we accept NorthWestern's compliance filing, as modified, effective April 10, 2008, subject to a further compliance filing, as discussed below.

I. Background

2. In Order No. 890,³ the Commission reformed the *pro forma* OATT to clarify and expand the obligations of transmission providers to ensure that transmission service is provided on a non-discriminatory basis. The Commission, among other things, amended

¹ NorthWestern owns and operates transmission facilities in Montana and South Dakota that are neither physically connected nor in the same North American Electric Reliability Council (NERC) region. NorthWestern maintains separate OATTs for its services in Montana and South Dakota. This proceeding addresses NorthWestern's South Dakota OATT services only.

² See *NorthWestern Corp.*, 128 FERC ¶ 61,040 (2009) (July 2009 Order) *reh'g denied*, 134 FERC ¶ 61,031 (2011) (January 2011 Order).

³ *Preventing Undue Discrimination and Preference in Transmission Service*, Order No. 890, FERC Stats. & Regs. ¶ 31,241, *order on reh'g*, Order No. 890-A, FERC Stats. & Regs. ¶ 31,261 (2007), *order on reh'g*, Order No. 890-B, 123 FERC ¶ 61,299 (2008), *order on reh'g*, Order No. 890-C, 126 FERC ¶ 61,228 (2009), *order on clarification*, Order No. 890-D, 129 FERC ¶ 61,126 (2009).

the *pro forma* OATT to require greater consistency and transparency in the calculation of available transfer capability and standardization of charges for generator and energy imbalance services. In addition, one of the Commission's primary reforms was designed to address the lack of specificity regarding how customers and other stakeholders should be treated in the transmission planning process. To remedy the potential for undue discrimination in planning activities, the Commission directed all transmission providers to develop a transmission planning process that satisfies nine principles and to clearly describe that process in a new attachment (Attachment K) to their OATTs. The Commission emphasized that tariff rules, as supplemented with web-posted business practices when appropriate, must be specific and clear to facilitate compliance by transmission providers and place customers on notice of their rights and obligations.⁴

3. In Order No. 890-A, the Commission clarified that, as part of its Attachment K planning process, each transmission provider is required to identify how it will treat resources on a comparable basis and, therefore, should identify how it will determine comparability for purposes of transmission planning.⁵

4. On April 10, 2008, as amended on August 29, 2008 in Docket No. OA07-110-001,⁶ NorthWestern submitted its compliance filing, as required by Order No. 890.⁷

5. In the July 2009 Order, the Commission found that NorthWestern's Attachment C failed to comply with the requirements of Order No. 890, while NorthWestern's Attachment K partially complied with the requirements of Order No. 890.⁸ Subsequently, NorthWestern filed a request for rehearing of the July 2009 Order, which the Commission denied in the January 2011 Order.

⁴ See Order No. 890, FERC Stats. & Regs. ¶ 31,241 at PP 1649-1655.

⁵ Order No. 890-A, FERC Stats. & Regs. ¶ 31,261 at P 216.

⁶ NorthWestern submitted an amendment to its April 10, 2008 compliance filing to provide a substitute version of its Attachment K.

⁷ NorthWestern requested and was granted an extension of time to submit its Order No. 890 compliance filing. See *NorthWestern Corp. (South Dakota)*, Notice of Extension of Time, Docket No. OA07-110-000 (January 10, 2008).

⁸ NorthWestern made its compliance filing in the Commission's eTariff system. While NorthWestern appropriately used Filing Type Code 80-Compliance, it failed to link the filing to the previous filing made in OA07-110 *et al.* Failure to link the filings resulted in the issuance of a new Docket No. for the instant compliance filing.

6. On February 22, 2011, NorthWestern submitted a revised Attachment C and a revised Attachment K to comply with the July 2009 Order. These tariff revisions are the subjects of the instant proceeding.

II. Notice of Filing and Responsive Pleadings

7. Notice of NorthWestern's Filing was published in the *Federal Register*, 76 Fed. Reg. 12,098 (2011), with interventions and protests due on or before March 15, 2011. None was filed.

III. Discussion

A. Attachment C: Methodology to Assess Available Transfer Capability

1. July 2009 Order

8. In the July 2009 Order, the Commission found that NorthWestern's proposals to incorporate the Mid-Continent Area Power Pool (MAPP) available transfer capability procedures into the NorthWestern OATT by reference and to provide in its Attachment C the URL for the MAPP procedures for calculating available transfer capability to be insufficient to meet the requirements of Order No. 890. The Commission directed NorthWestern to revise its Attachment C to clearly identify which methodology it employs to calculate available transfer capability, describe in detail the specific mathematical algorithms used to calculate firm and non-firm available transfer capability for its scheduling, operating, and planning horizons, provide a detailed explanation of the available transfer capability components, and post the mathematical algorithms on its website, with the link noted in its Attachment C.⁹

2. NorthWestern's Filing

9. NorthWestern states that its Attachment C is derived substantially from the Western Area Power Administration's¹⁰ (WAPA) OATT for its Upper Great Plains Region. NorthWestern also states that it revised its Attachment C to specifically identify the methodology to be used to calculate available transfer capability, describe the mathematical algorithms used to calculate firm and non-firm available transfer capability, provide an explanation of the available transfer capability components, and provide a link to the mathematical algorithms as posted on its website.

⁹ July 2009 Order, 128 FERC ¶ 61,040 at P 12.

¹⁰ WAPA is a Federal Power Marketing Administration created in 1977 by section 302(a)(1)(E) and (F) of the Department of Energy Organization Act, 42 U.S.C. § 7152, to perform the power marketing and transmission functions previously performed by the Bureau of Reclamation for the Secretary of Interior.

3. Commission Determination

10. We find that NorthWestern's revised Attachment C complies with the requirements of Order No. 890 and the July 2009 Order. NorthWestern's revised Attachment C explains that NorthWestern's transmission facilities are part of an integrated transmission system administered by the WAPA Upper Great Plains Region (UGPR), and as a result, UGPR calculates NorthWestern's available transfer capability utilizing the MAPP procedures. In addition, NorthWestern has revised its Attachment C to specify the methodology by which its available transfer capability will be calculated, including process flow diagrams regarding the calculation process, and has provided URLs to be used to access the mathematical algorithms used in the calculation process. As a result, we find that NorthWestern's Attachment C, as revised, complies with the Commission's directives in the July 2009 Order and now satisfies Order No. 890's methodology to assess available transfer capability.

B. Attachment K: Transmission Planning Process

11. As discussed below, we find that NorthWestern's Attachment K transmission planning process, with certain modifications, complies with the Commission's directives in the July 2009 Order and Order No. 890. Accordingly, we accept NorthWestern's Attachment K as modified, effective August 29, 2008, subject to a further compliance filing to be submitted within 60 days of the date of this order, as discussed below.

1. Coordination

a. July 2009 Order

12. In the July 2009 Order, the Commission found that NorthWestern's proposed Attachment K failed to comply with the coordination principle stated in Order No. 890.¹¹ The Commission found that NorthWestern did not clearly set out in its Attachment K the details of how its local planning process operates so that interested stakeholders may know when and how they may provide meaningful input and participate in NorthWestern's local transmission plan.¹² The Commission also found that NorthWestern did not clearly identify the specific planning cycle and planning horizon it will use to develop its local transmission plan. Additionally, the Commission found that NorthWestern's Attachment K appeared to limit the interested parties with whom NorthWestern will coordinate and that such a listing of select stakeholders, without a qualification that such list is partial or that other interested stakeholders may also participate, excludes other interested stakeholders from participating in the NorthWestern transmission planning process. The Commission also found NorthWestern's proposal to

¹¹ July 2009 Order, 128 FERC ¶ 61,040 at PP 19-21.

¹² *Id.* P 20.

rely solely on e-mail notifications as the mechanism for notifying interested stakeholders of its annual meetings to be insufficient because interested parties who are not designated contacts on pre-determined email lists may not receive timely notice of stakeholder meetings.¹³ The Commission therefore directed NorthWestern to revise its Attachment K to set out the details of its local plan so that interested stakeholders may know when and how they can participate, to identify the relevant planning cycle and planning horizon, and to remove any potential limitation on the interested stakeholders who may participate in the NorthWestern transmission planning process.

b. NorthWestern's Filing

13. In addition to revising sections of its Attachment K addressing its local planning process, NorthWestern has added a new section 14.0 addressing the planning process used by WAPA's UGPR. NorthWestern states that it relies on WAPA's open planning, study, information exchange, and local economic planning processes to help meet the requirements under its Attachment K. With regard to the July 2009 Order's directives concerning coordination, NorthWestern has modified section 5.1.3 of its Attachment K to include a link (URL) to a page on its website where notices and agendas of transmission planning meetings will be posted, in addition to providing for meeting notice via e-mail. In addition, NorthWestern has added a URL to section 6.10 that directs parties to a page on its website where the transmission planning criteria and standards NorthWestern follows in the transmission planning process are posted. NorthWestern has also revised section 13.4 of its Attachment K to explain that the annual stakeholder meeting will be scheduled in quarter 1 of each year prior to WAPA's stakeholder meeting to allow the NorthWestern stakeholders to provide input into the WAPA and MAPP processes. Revised section 13.4 also provides that if there are studies that result from the quarter 1 meeting, a follow-up meeting will be held in quarter 3 to allow review of the studies and preparation for these studies to be included in the WAPA local transmission planning and other regional plans. NorthWestern has also revised section 13.4 to provide that the stakeholder meetings will be open to all interested stakeholders, including but not limited to NorthWestern's transmission service customers, generation interconnection customers, neighboring transmission owners, neighboring transmission providers, MAPP staff and members, affected state authorities, and regional planning groups.

c. Commission Determination

14. We find that NorthWestern's revised Attachment K complies with the Commission's directives in the July 2009 Order and now satisfies Order No. 890's coordination principle.

¹³ See *id.* P 21.

2. Openness

a. July 2009 Order

15. In the July 2009 Order, the Commission found that NorthWestern's proposed Attachment K partially complied with the openness principle stated in Order No. 890. Specifically, the Commission directed NorthWestern to revise its Attachment K so that the interested parties who may participate in the NorthWestern transmission planning process are not limited to transmission service customers, generation interconnection customers, neighboring transmission owners, neighboring transmission providers, MAPP staff and members, affected state authorities, and regional planning groups, as NorthWestern had proposed.

16. NorthWestern had also included the following in section 13.5.1 (now section 13.5.2) of its Attachment K:

NorthWestern will make available to stakeholders (subject to [Critical Energy Infrastructure Information] CEII, cyber security, and Standards of Conduct requirements) the basic criteria, assumptions, and data that underlie its transmission system plans. For this purpose, NorthWestern will make the following documents available in a way that maintains confidentiality and complies with CEII and cyber security requirements:

- i. NorthWestern's FERC Form 714
- ii. NorthWestern's FERC Form 715

17. While NorthWestern stated that it would comply with CEII and cyber security requirements, the Commission found that NorthWestern had not developed any mechanisms, such as confidentiality agreements and password-protected access to information, in order to manage confidentiality and CEII concerns. Accordingly, the Commission directed NorthWestern to describe the mechanisms that it will use to manage confidentially and CEII concerns.¹⁴

b. NorthWestern's Filing

18. As noted above, NorthWestern has added "all interested stakeholders, including but not limited to" to the list of specific stakeholders provided in section 13.4.

c. Commission Determination

19. We find that NorthWestern's revised Attachment K partially complies with the Commission's directives in the July 2009 Order and Order No. 890's openness principle.

¹⁴ July 2009 Order, 128 FERC ¶ 61,040 at P 24.

NorthWestern has added language to section 13.4 so that all interested parties who may participate in the NorthWestern transmission planning process are not limited to specific types of stakeholders. However, NorthWestern has not described the mechanisms that it will use to manage confidentially and CEII concerns such as, for example, the use of confidentiality agreements and password-protected access to information. Therefore, we direct NorthWestern to file, within 60 days of issuance of this order, a compliance filing revising its Attachment K to describe the mechanisms that it will use to manage confidentially and CEII concerns.

3. Transparency

a. July 2009 Order

20. In the July 2009 Order, the Commission found that NorthWestern failed to comply with the transparency principle. Specifically, the Commission found to be insufficient NorthWestern's proposal to make its Form Nos. 714 and 715 data available as a means to making the basic criteria, assumptions, and data that underlie its transmission system plans. The Commission directed NorthWestern to revise its Attachment K to describe how it will disclose to interested stakeholders the basic methodology, criteria, and processes used to develop transmission plans sufficient for them to be able to replicate a transmission plan.¹⁵

b. NorthWestern's Filing

21. NorthWestern has modified its Attachment K at section 13.5.1 by adding the following language: "NorthWestern will make available the basic criteria that underlie its transmission system plans by posting the NorthWestern Transmission Planning Criteria for facilities covered by this Attachment K on the NorthWestern South Dakota Transmission web page at http://www.northwesternenergy.com/display.aspx?Page=Electric_Transmission&Item=16."

22. In addition, new section 13.5.4.1 indicates that the data for regional models is collected annually, that NorthWestern will notify its stakeholders of the regional schedule through its corporate website, and that NorthWestern will set its schedule to precede the regional schedule by one month or more. Section 13.5.5.1 also provides a URL to NorthWestern's website page where the schedule will be posted.

¹⁵ *Id.* P 28.

c. Commission Determination

23. We find that NorthWestern's revised Attachment K complies with the Commission's directives in the July 2009 Order and now satisfies Order No. 890's transparency principle.

4. Information Exchange

a. July 2009 Order

24. In the July 2009 Order, the Commission found that NorthWestern's proposed Attachment K partially complied with the information exchange principle. Specifically, the Commission found that NorthWestern did not clearly identify what regional base case models will be used and did not definitively identify the planning horizon to which NorthWestern refers. The Commission also found that NorthWestern's Attachment K did not clearly specify the timelines and milestones involved in developing its local transmission plan or how it will develop guidelines and a schedule for the submittal of customer information. Accordingly, the Commission directed NorthWestern to revise its Attachment K to clearly identify what it means by "for the horizon of the regional base case models," and to specify the timelines and milestones required to develop its local transmission plan.¹⁶

b. NorthWestern's Filing

25. NorthWestern proposes to add a new section 14 to its Attachment K that incorporates the WAPA UGPR planning process to help meet the requirements for its local transmission plan for information exchange. Section 14.3 delineates the type of data that all customers must submit for the planning horizon. For instance, customers are required to provide information on existing and forecasted loads, and planned demand resources and the impact those resources will have on demand and peak demand.

26. Further, section 13.4 of NorthWestern's Attachment K provides that the annual stakeholder meeting will be scheduled in quarter 1 of each year prior to WAPA's stakeholder meeting to allow the NorthWestern stakeholders to provide input into the WAPA and MAPP processes. Additionally, existing section 13.6.1 of NorthWestern's Attachment K provides that NorthWestern participates in the annual development of the MAPP regional base case power flow and stability models, which provide the basis for studies of transmission service requests, generation interconnection requests, local planning studies and regional planning studies. Section 13.6.1.1 identifies the horizon of the regional base case models as typically ten years.

¹⁶ July 2009 Order, 128 FERC ¶ 61,040 at P 33.

27. On compliance, NorthWestern has now revised its Attachment K at section 13.7 to clarify the time horizon for economic planning studies developed through MAPP's coordinated regional transmission planning process. New section 13.7.1 indicates that NorthWestern will accept economic study request from its stakeholders through November 1 of each year and that those requests will be forwarded to WAPA or the MAPP Transmission Planning Subcommittee for inclusion in their economic study processes for the following year. Section 13.7.2 provides that when the MAPP Transmission Planning Subcommittee has set its schedule for economic studies, NorthWestern will inform stakeholders through its website about when they can become involved in the economic study process. In addition, under section 13.7.3, NorthWestern will combine requests when appropriate and conduct one economic study per year if any requests are not selected for study by WAPA or the MAPP Transmission Planning Subcommittee.

c. Commission Determination

28. We find that NorthWestern's Attachment K, as revised, complies with the Commission's directives in the July 2009 Order and now satisfies Order No. 890's information exchange principle.

5. Comparability

a. July 2009 Order

29. In the July 2009 Order, the Commission found that NorthWestern's proposed Attachment K partially complied with the comparability principle stated in Order No. 890. The Commission directed NorthWestern to revise its Attachment K (including any portion of the MAPP Planning Template that NorthWestern relies on for transmission planning on the NorthWestern system) to state that sponsors of transmission, generation, and demand resources can provide information for use in developing base-line assumptions and models and propose alternative solutions to any needs identified on the NorthWestern system as part of the transmission planning process. The Commission further directed NorthWestern to state how it will evaluate and select from among competing solutions such that all types of resources are considered on a comparable basis.¹⁷

¹⁷ July 2009 Order, 128 FERC ¶ 61,040 at PP 37-39. The Commission stated that tariff language could, for example, state that solutions will be evaluated against each other based on a comparison of their relative economics and effectiveness of performance. Although the particular standard a transmission provider uses to perform this evaluation can vary, it should be clear from the tariff language how one type of investment would be considered against another and how the transmission provider would choose one resource over another or a competing proposal.

30. The Commission also found that with regard to economic planning studies requested by stakeholders, NorthWestern did not address how it will ensure comparable treatment of resources in its economic planning process. The Commission directed NorthWestern to revise its Attachment K to indicate clearly that a stakeholder is able to submit a request for NorthWestern to study potential upgrades or other investments necessary to integrate any resource, whether transmission, generation, or demand resources, identified by the stakeholder.

b. NorthWestern's Filing

31. NorthWestern has added new section 13.6.1.3 to its Attachment K, which provides as follows: "Sponsors of transmission, generation, and demand resources can provide information for use in developing base-line assumptions and models. Any stakeholder can provide alternate solutions to any needs identified on the NorthWestern transmission system as part of the planning process." New section 13.6.2 addresses comparability between resources. Specifically, section 13.6.2.2 provides as follows:

The Transmission Provider projects and similarly situated customer-identified projects (e.g., transmission solutions and solutions utilizing Demand Resource load adjustment) will be treated on a comparable basis and given comparable consideration in the transmission planning process. Comparability will be achieved by allowing customer-defined projects to sponsor participation throughout the transmission planning process and by considering customer-defined projects (transmission solutions and solutions utilizing Demand Resources load modeled as a load adjustment) in the Local Transmission Plan development. The Transmission Provider retains discretion as to which solutions to pursue and is not required to include all customer-identified projects in its plan.

c. Commission Determination

32. We find that NorthWestern partially complies with the directives in the July 2009 Order related to the comparability principle as outlined in Order No. 890 and Order No. 890-A. Specifically, Attachment K now provides that sponsors of transmission, generation, and demand resources can provide information for use in developing base-line assumptions and models and that any stakeholder can provide alternate solutions to any needs identified on the NorthWestern transmission system as part of the planning process.

33. However, NorthWestern's Attachment K fails to make clear how it will evaluate and select from among competing solutions such that all types of resources are considered on a comparable basis, as required in the July 2009 Order. As the Commission explained in the July 2009 Order, in Order No. 890, the Commission expressed concern that transmission providers historically have planned their transmission systems to address their own interests without regard to, or ahead of, the

interests of their customers.¹⁸ Through the comparability principle, the Commission required that the interests of transmission providers and their similarly-situated customers be treated on a comparable basis during the planning process. NorthWestern has not stated in its OATT how it will evaluate and select from competing solutions such that all types of resources are considered on a comparable basis.¹⁹ Therefore, we direct NorthWestern to file, within 60 days of issuance of this order, a compliance filing revising its Attachment K to state how it will evaluate and select from among competing solutions such that all types of resources are considered on a comparable basis.

6. Dispute Resolution

a. July 2009 Order

34. In the July 2009 Order, the Commission found that NorthWestern's proposed Attachment K did not comply with the dispute resolution principle stated in Order No. 890. The Commission noted that while NorthWestern stated that WAPA's dispute resolution procedures would apply to any disputes regarding local planning on the NorthWestern transmission system, NorthWestern did not describe the WAPA dispute resolution procedures in its proposed Attachment K or how the WAPA procedures may apply to resolve disputes that may arise from the local planning process, including both procedural and substantive planning issues. Therefore, the Commission directed NorthWestern to include a dispute resolution process as required by Order No. 890.²⁰

b. NorthWestern's Filing

35. NorthWestern has modified its Attachment K to include a dispute resolution process that is incorporated as section 13.9 in its Attachment K. NorthWestern's dispute resolution process provides for negotiation and mediation to solve disputes between parties. Additionally, NorthWestern's dispute resolution process provides that parties will retain any rights they may have under Federal Power Act section 206 to file complaints with the Commission. We note that NorthWestern's proposed section 13.9.4 contains a typographical error. Specifically, NorthWestern makes a reference to section 2.8.1 that is a non-existent section in NorthWestern's Attachment K.

¹⁸ July 2009 Order, 128 FERC ¶ 61,040 at P 34.

¹⁹ Tariff language could, for example, state that solutions will be evaluated against each other based on a comparison of their relative economics and effectiveness of performance. Although the particular standard a transmission provider uses to perform this evaluation can vary, it should be clear from the tariff language how one type of investment would be considered against another and how the transmission provider would choose one resource over another or a competing proposal.

²⁰ July 2009 Order, 128 FERC ¶ 61,040 at P 42.

c. Commission Determination

36. NorthWestern has set forth a dispute resolution process in section 13.9 to its Attachment K. We find that NorthWestern's revised Attachment K complies with the Commission's directives in the July 2009 Order except for a reference that appears to be in error. We note that a reference to section 2.8.1 in section 13.9.4 appears to be erroneous as section 2.8.1 does not appear in NorthWestern's Attachment K. Therefore, in a compliance filing to be made within 60 days of issuance of this order, we direct NorthWestern to correct the reference to section 2.8.1 or explain why the reference is not incorrect.

7. Economic Planning Studies

a. July 2009 Order

37. In the July 2009 Order, the Commission found that NorthWestern's Attachment K did not comply with the economic planning studies principle. The Commission found that NorthWestern had not developed a process for evaluating network additions or upgrades that may alleviate significant or recurring congestion or integrate new resources or load on its transmission system. The Commission further found that NorthWestern had not described the process by which economic planning studies may be requested by any stakeholder, how they will be prioritized, how they will be clustered, or how many high priority studies annually will be included in its overall OATT cost of service. The Commission stated that to the extent that NorthWestern plans to use the WAPA local planning process to address economic studies, NorthWestern is required to describe that process in its Attachment K in sufficient detail to meet the aforementioned requirements of Order No. 890 and provide direct URL links to that process.²¹

b. NorthWestern's Filing

38. NorthWestern has modified its Attachment K to include new sections 13.7.1 through 13.7.3 to describe the process that it will follow for the conduct of economic planning studies and how it will coordinate with WAPA and MAPP. Specifically, section 13.7.1 provides that NorthWestern will accept economic study requests from its stakeholders through November 1 of each year and that requests received will be forwarded to WAPA or the MAPP Transmission Planning Subcommittee (TPSC) for inclusion in their economic study processes for the following year. Section 13.7.1 also provides that a stakeholder has the option of submitting a request directly to WAPA or the MAPP TPSC and section 13.7.1 provides URL links to the pages on WAPA's and NorthWestern's websites with the forms for submitting such economic study requests. Section 13.7.2 provides that when the MAPP TPSC has set its schedule for the economic studies, NorthWestern will inform its stakeholders through its website about when they

²¹ July 2009 Order, 128 FERC ¶ 61,040 at P 55.

can become involved in the economic study process. With regards to how economic planning studies will be clustered, section 13.7.3 provides the following language: “If any requests are not selected by WAPA or the MAPP TPSC for study, NorthWestern will combine requests when appropriate and conduct one economic study per year. A stakeholder has the option of performing its own economic study.”

c. Commission Determination

39. We find that NorthWestern’s revised Attachment K complies with the July 2009 Order and now satisfies Order No. 890’s economic planning studies principle.

8. Cost Allocation

a. July 2009 Order

40. In the July 2009 Order, the Commission found that NorthWestern’s Attachment K partially complied with the cost allocation principle stated in Order No. 890. The Commission stated that while the cost of upgrades associated with reliability needs or requests for service will be allocated in accordance with existing mechanisms, NorthWestern had not stated how the cost of upgrades identified in an economic planning study will be allocated. The Commission directed NorthWestern to modify its Attachment K to identify the types of new facilities that are not covered under existing cost allocation rules and include a cost allocation methodology for costs of such facilities. Additionally, the Commission directed NorthWestern to remove its references to section 32.5 of its OATT (Penalties for Failure to Meet Study Deadlines) because it is extraneous and does not pertain to cost allocation or explain why it should not be removed.²²

b. NorthWestern’s Filing

41. Section 13.8 of NorthWestern’s Attachment K provides that Network Upgrades through the joint planning process with WAPA will be allocated under traditional cost allocation procedures. NorthWestern has added a new section 13.8.1, which provides as follows:

Economic system additions that are within NorthWestern System that do not meet the definition of Regionally Beneficial Projects (RBP) as defined in section 12.1.3 of this Attachment K will be allocated on the basis that cost causers should bear costs and the beneficiaries should pay in an amount that is reflective of the direct demonstrable benefits received. Those economic additions that do meet the definition of an RBP will be allocated per the provisions of Section 12 of this Attachment K.

²² July 2009 Order, 128 FERC ¶ 61,040 at P 59.

42. A Regionally Beneficial Project is defined under section 12.13 as a transmission network upgrade that is: (a) proposed in accordance with the MAPP Planning Process; (b) found to be eligible for inclusion in the MAPP Regional Plan; (c) determined not to be a New Transmission Access Project; and (d) found to have regional benefits. Regionally Beneficial Projects may include projects that expand the scope of a project that would otherwise qualify as a Baseline Reliability Project.

43. In addition, NorthWestern has deleted references to section 32.5 in its Attachment K.

c. Commission Determination

44. We find that NorthWestern's Attachment K partially complies with the Commission's directives in the July 2009 Order. NorthWestern has modified its Attachment K to identify the types of new facilities that are not covered under existing cost allocation rules and has deleted references to section 32.5, as required by the July 2009 Order. However, NorthWestern has not included a cost allocation methodology for new facilities that are not covered under existing cost allocation rules. In Order No. 890, the Commission did not prescribe any specific cost allocation methodology but stressed that each region should address cost allocation issues up front, at least in principle, rather than have them re-litigated each time a project is proposed.²³ In Order No. 890-A, the Commission also made clear that the details of proposed cost allocation methodologies must be clearly defined, as participants seeking to support new transmission investment need some degree of certainty regarding cost allocation to pursue that investment. We find that the statement in section 13.8.1 that costs of new facilities that are not covered under existing cost allocation rules "will be allocated on the basis that cost causers should bear costs and the beneficiaries should pay in an amount that is reflective of the direct demonstrable benefits received" does not provide the clarity participants seeking to support new transmission investment need for some degree of certainty regarding cost allocation. While the Commission did not impose a particular allocation method in Order No. 890, we stated that transmission providers and stakeholders were permitted to determine their own specific criteria which best fit their own experience and regional needs.²⁴ NorthWestern's Attachment K does not reflect a determination of these specific criteria. Therefore, we direct NorthWestern to file, within 60 days of the date of this order, a further compliance filing that addresses the cost allocation principle, as set forth in Order No. 890.

²³ Order No. 890, FERC Stats. & Regs. ¶ 31,241 at PP 557-561.

²⁴ *Id.* P 558.

9. Recovery of Planning Costs

a. July 2009 Order

45. In the July 2009 Order, the Commission found that NorthWestern did not address the recovery of planning costs and therefore directed NorthWestern to revise its Attachment K to address the recovery of its planning costs, as required by Order No. 890.²⁵

b. NorthWestern's Filing

46. NorthWestern has included section 13.10, Recovery of Planning Costs, in its Attachment K to address how it plans to recover its planning costs. Section 13.10 of NorthWestern's Attachment K provides the following language:

Unless Transmission Provider allocates planning-related costs to an individual stakeholder, or as part of a generation interconnection or transmission service request, all costs of the Transmission Provider related to the Local Transmission Plan process or as part of sub-regional or regional planning process shall be included in the Transmission Provider's transmission rate base. Transmission provider will capture the planning costs for the OATT using traditional test period requirements in the next FERC tariff filing.

c. Commission Determination

47. We find that NorthWestern's revised Attachment K complies with the Commission's directives in the July 2009 Order and now satisfies Order No. 890's recovery of planning costs principle.

The Commission orders:

(A) NorthWestern's compliance filing, as modified, is hereby accepted, subject to a further compliance filing, as discussed in the body of this order.

(B) NorthWestern is hereby directed to submit a compliance filing, within 60 days of the date of this order, as discussed in the body of this order.

²⁵ July 2009 Order, 128 FERC ¶ 61,040 at P 61.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.