



**Federal Energy Regulatory Commission**  
**June 17, 2010**  
**Open Commission Meeting**  
**Discussion Item E-9**

"Good morning Chairman Wellinghoff and Commissioners. I would like to begin by noting that many staff from our two offices as well as the Office of Energy Market Regulation and Office of Electric Reliability helped develop this draft Notice of Proposed Rulemaking. I would like to thank them for all their hard work in completing this document.

This draft Notice of Proposed Rulemaking on Transmission Planning and Cost Allocation by Transmission Owning and Operating Public Utilities proposes to reform the electric transmission planning and cost allocation requirements of public utility transmission providers. The Commission has addressed transmission planning and cost allocation in a rulemaking most recently in Order No. 890. Following the Order No. 890 compliance filings, Commission staff held three regional technical conferences to further consider these issues in September 2009, in Philadelphia, Atlanta and Phoenix. As a follow-up to these conferences, in October 2009, the Commission issued a Notice of Request for Comments in which it posed a number of questions about the need to enhance transmission planning processes and to improve costs allocation for new transmission facilities. In response to this Request, the Commission received 107 initial and 45 reply comments. These conferences and comments provide much of the basis for this proposed rule.

This Notice of Proposed Rulemaking proposes a number of reforms for public utility transmission providers to correct deficiencies in transmission planning and cost allocation processes.

**For Transmission Planning, the Proposed Rule would:**

- Require each public utility transmission provider to participate in a regional transmission planning process that produces a transmission plan for the region;
- Require regional transmission planning processes to consider transmission needed to meet public policy requirements established by state or federal laws or regulations;
- Remove from Commission-approved tariffs or agreements provisions relating to development of transmission facilities that provide an undue advantage to an incumbent transmission provider over a nonincumbent transmission developer, while preserving state authority; and
- Require public utility transmission providers in a transmission planning region to develop a transmission planning agreement with each neighboring region.

**For Transmission Cost Allocation, the Proposed Rule would:**

- Establish principles for allocating the costs of new transmission facilities so that the allocation of those costs is at least roughly commensurate with the distribution of benefits;
- Require each public utility transmission provider to have a cost allocation method for new transmission facilities in its regional transmission plan that satisfies proposed cost

allocation principles; and

- o Require public utility transmission providers to have a cost allocation method for new transmission facilities that result from the planning agreements implemented by neighboring regions that satisfies proposed cost allocation principles.

All public utility transmission providers would be required to make compliance filings with the Commission showing how they comply with the proposed requirements. If the public utility transmission providers and others in a planning region cannot agree on a cost allocation method for new transmission facilities that satisfies the proposed principles, the Commission would use the record in the relevant compliance filings as a basis for developing the cost allocation method.

The Commission proposes that transmission providers that are not public utilities would be required to adopt the requirements of this proposed rule as a condition of maintaining the status of their safe harbor tariff or otherwise satisfying the reciprocity requirement of Order No. 888.

This completes my presentation. John and I would be happy to answer any questions."