

UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION

Priority Rights to New ) Docket No. AD11-11-000  
Participant-Funded Transmission )  
Panel 2: Generator Lead Lines

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STATEMENT OF  
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Generator lead lines connect generating facilities with the integrated transmission grid. Generator lead lines are generally radial in nature and are not designed to serve load. Power flows on them in only one direction, from the generating facilities to the grid. Under the OATT, generator lead lines would almost always be classified as “Interconnection Facilities” -- built for the sole use of the interconnecting customer. The interconnection customer pays the full cost for generator lead lines, and the OATT specifically defines these facilities as “sole use facilities.” The OATT expressly states that such interconnection facilities do not include distribution upgrades, stand-alone network upgrades, or network upgrades.

Under the OATT, there are two types of interconnection facilities; those operated by the customer, “Interconnection Customer Interconnection Facilities,” and those

operated by the transmission provider, “Transmission Provider Interconnection Facilities.” While neither is considered a “transmission facility” for purposes of transmission requests under the OATT, the two are treated very differently when third parties seek access to them. This disparate treatment is unjustified by the facts and circumstances that led to their particular designation as either “customer” or “transmission provider” interconnection facilities.

Section 9.9.2 of the LGIA provides that with mutual agreement regarding compensation for the capital costs incurred in building Transmission Provider Interconnection Facilities, as well as ongoing operation and maintenance costs, interconnection customer #1 and the transmission provider can grant third-party access over those facilities to interconnection customer #2. Typically, compensation to interconnection customer #1 is based upon a *pro rata* sharing of the costs of the facilities. This allocation occurs in the context of bilateral negotiations and does not affect the transmission rates posted by the transmission provider. Nonetheless, it is important to note that the Commission retains jurisdiction to oversee such negotiations and to respond to complaints if either interconnection customer #1 or #2 is dissatisfied with the result. It is also worth noting that capacity on the Transmission Provider’s Interconnection Facilities is not required to be posted on the transmission provider’s OASIS because the facilities are interconnection facilities and are not considered “transmission facilities.”

Section 9.9.2 of the LGIA does not contain a comparable provision for Interconnection Customer Interconnection Facilities. The OATT is silent regarding access to Interconnection Customer Interconnection Facilities. That incongruity has led to inequitable rulings by FERC, including a number of recent rulings requiring that the

capacity associated with Interconnection Customer Interconnection Facilities be posted on an OASIS and made available under an OATT. The ruling is especially curious when no such comparable requirement is made of the interconnection facilities serving the same type of generating facility, but operated by the transmission provider.

FERC's recent rulings require that the OATT govern third-party requests and priority rights for the portion of facilities classified as Interconnection Customer Interconnection Facilities, while access and rates to virtually identical facilities operated by the transmission provider are negotiated on a case-by-case basis. As to the customer operated facilities, FERC is essentially requiring a merchant developer to create a stand-alone transmission system over generator lead lines. The merchant developer would be required to develop rates and file a rate case at FERC supporting any charges made to others for use of these "sole use" facilities. At the same time, the developer is hampered in its ability to provide ancillary services that are required to be offered under the OATT because the line is radial and does not operate as part of an integrated transmission system. Simply put, the OATT is not well suited to providing access over stand-alone, "sole use" facilities designed to connect generation to the transmission system.

FERC should eliminate this bifurcation and amend the OATT to treat all interconnection facilities comparably. This could easily be accomplished by expanding Section 9.9.2 of the LGIA to cover all interconnection facilities -- those operated by the customer, "Interconnection Customer Interconnection Facilities," and those operated by the transmission provider, "Transmission Provider Interconnection Facilities." Such an outcome would continue FERC's policy of making interconnection facilities available to third parties who pay for a *pro rata* share of the costs involved in building and

maintaining those facilities, while eliminating unnecessary burdens on merchant developers who are bringing projects to market.

Appendix A

Section 9.9.2 of the LGIA under the OATT reads:

**“Third Party Users.** If required by Applicable Laws and Regulations or if the Parties mutually agree, such agreement not to be unreasonably withheld, to allow one or more third parties to use Transmission Provider's Interconnection Facilities, or any part thereof, Interconnection Customer will be entitled to compensation for the capital expenses it incurred in connection with the Interconnection Facilities based upon the pro rata use of the Interconnection Facilities by Transmission Provider, all third party users, and Interconnection Customer, in accordance with Applicable Laws and Regulations or upon some other mutually-agreed upon methodology. In addition, cost responsibility for ongoing costs, including operation and maintenance costs associated with the Interconnection Facilities, will be allocated between Interconnection Customer and any third party users based upon the pro rata use of the Interconnection Facilities by Transmission Provider, all third party users, and Interconnection Customer, in accordance with Applicable Laws and Regulations or upon some other mutually agreed upon methodology. If the issue of such compensation or allocation cannot be resolved through such negotiations, it shall be submitted to FERC for resolution.”