

143 FERC ¶ 61,291  
UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

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

WestConnect	Docket Nos. ER13-1295-000
Arizona Public Service Company	ER13-1296-000 ER13-1296-001
Tucson Electric Power Company	ER13-1300-000
Public Service Company of New Mexico	ER13-1318-000
Public Service Company of Colorado	ER13-1327-000
El Paso Electric Company	ER13-1389-000

ORDER CONDITIONALLY ACCEPTING PARTICIPATION AGREEMENT  
AND REGIONAL TARIFFS

(Issued June 28, 2013)

1. On April 16, 2013, WestConnect submitted an Amended and Restated Point-to-Point Regional Transmission Service Participation Agreement (Participation Agreement)<sup>1</sup> under section 205 of the Federal Power Act (FPA).<sup>2</sup> On April 16, 22, 24, and May 1, 2013, the Participants individually submitted WestConnect Point-to-Point Regional Transmission Service Tariffs (Regional

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<sup>1</sup> The public utilities that will participate in the Participation Agreement are Arizona Public Service Company (APS), El Paso Electric Company (El Paso), Public Service Company of New Mexico (PNM), Public Service Company of Colorado (PSCo), and Tucson Electric Power Company (Tucson Electric) (collectively, Participants).

<sup>2</sup> 16 U.S.C. § 824d (2006).

Tariffs) to adopt the terms of the Participation Agreement.<sup>3</sup> As discussed below, we accept the Participation Agreement and conditionally accept the Regional Tariffs, effective July 1, 2013, as requested.

## **I. Background**

2. WestConnect states that it is a voluntary association governed by a memorandum of understanding among its members, which include both Commission jurisdictional investor-owned utilities and non-Commission jurisdictional consumer-owned utilities. WestConnect explains that most of its members own and operate transmission systems that interconnect with the transmission systems of one or more of the other WestConnect members, and that these systems form an interconnected grid from western Nebraska to southern California, and from Wyoming to the Mexican border.<sup>4</sup>

3. According to WestConnect, its members engage in voluntary, collaborative efforts to develop regional market enhancements and, as part of that effort, its members conducted a four-year Regional Transmission Pricing Experiment (Pricing Experiment) to determine how to offer an alternative to pancaked transmission rates across its members' transmission systems. The Pricing Experiment offered potential customers the option of scheduling a single transaction for hourly, non-firm point-to-point transmission service over multiple transmission providers' system at a single rate and with a single e-Tag.<sup>5</sup>

4. WestConnect notes that, prior to submitting the Pricing Experiment for Commission approval, WestConnect filed a petition for declaratory order (Petition) seeking guidance on the proposed structure and implementation of the Pricing Experiment. On September 18, 2008, the Commission granted WestConnect's Petition for Declaratory Order and provided guidance on the proposed structure and implementation of the Pricing Experiment, finding that participation by non-jurisdictional transmission providers would not by itself subject their rates, revenue requirements or costs to review under Section 205 or 206<sup>6</sup> of the Federal Power Act.<sup>7</sup>

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<sup>3</sup> Participants submitted their individual filings on the following dates: APS and Tucson Electric filed on April 16, 2013; PNM filed on April 22, 2013; PSCo filed on April 24, 2013; and El Paso filed on May 1, 2013.

<sup>4</sup> WestConnect April 16, 2013 Filing at 1-2.

<sup>5</sup> *Id.*

<sup>6</sup> 16 U.S.C. § 824e (2006).

5. The Commission accepted the original participation agreement implementing the Pricing Experiment and conditionally accepted related regional transmission tariffs on February 10, 2009.<sup>8</sup> In that order, the Commission found that the Pricing Experiment would “allow customers to access service provided by multiple transmission providers at a single rate, encouraging greater, more efficient, use of the transmission grid, and has the potential to reduce costs to customers.” The Commission also found that the *pro rata* revenue allocation methodology, with the revenue distribution capped at the ceiling rate for hourly non-firm service, is reasonable. The Commission noted that the methodology, as well as the ability of transmission customers to take standard hourly non-firm transmission service under the Participants’ Open Access Transmission Tariffs (OATTs), as an alternative, provided adequate protections for customers taking service under the regional tariffs.<sup>9</sup> Subsequently, WestConnect proposed a two-year extension of the Pricing Experiment to further evaluate the benefits of the optional transmission service. The second participation agreement and the related regional tariffs were accepted in a June 30, 2011 Commission order,<sup>10</sup> wherein the Commission accepted the second participation agreement and extended the term of the original agreement for two more years. In the 2011 WestConnect Order the Commission stated, “because the [Pricing] Experiment has already produced cost savings for transmission customers, and because the [Pricing] Experiment is voluntary for all customers, we find it reasonable to continue the Experiment for an additional two years.”<sup>11</sup> Therein the Commission also accepted an increase in

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<sup>7</sup> *WestConnect*, 124 FERC ¶ 61,240 (2008).

<sup>8</sup> *See WestConnect*, 126 FERC ¶ 61,105 (2009) (2009 WestConnect Order) (where the Commission conditionally accepted the regional transmission tariffs subject to the condition that Participants submit an analysis showing that use of the Dow Jones Palo Verde Electricity Price Index to monetize transmission losses under the regional tariffs meets the requirements contained in *Price Discovery in Natural Gas and Electric Markets*, 109 FERC ¶ 61,184 (2004) (November 19, 2004 Order)). In *WestConnect*, Docket No. ER09-409-001 (Mar. 26, 2009) (delegated letter order), the Commission accepted Participants’ compliance filing proposing to use the Intercontinental Exchange Financial Palo Verde Peak and Off-Peak Daily Indices to monetize losses.

<sup>9</sup> 2009 WestConnect Order, 126 FERC ¶ 61,105 at P 15.

<sup>10</sup> *See WestConnect*, 135 FERC ¶ 61,271 (2011) (2011 WestConnect Order).

<sup>11</sup> *Id.* P 8.

the administrative fee (from \$0.09/MWh and \$0.08/MWh to \$0.95/MWh)<sup>12</sup> as just and reasonable, noting that even with the fee increase, transmission customers will continue to receive costs savings because they avoid paying pancaked rates under the Participants' OATTs.<sup>13</sup>

6. On April 16, 2013, in Docket No. ER13-1295-000, WestConnect filed the instant Participation Agreement, and the Participants separately filed Regional Tariffs in the other above-captioned dockets so that they could each offer their customers coordinated transmission service at a single rate on a permanent basis.<sup>14</sup>

## **II. Participation Agreement and Regional Tariffs**

7. WestConnect contends that the purpose of the Participation Agreement is to offer transmission customers the option of purchasing hourly non-firm point-to-point Regional Transmission Service at a single transmission rate (Regional Rate) as an alternative to purchasing pancaked point-to-point transmission service under the individual Participant's OATTs.<sup>15</sup> WestConnect states that customers participating in the Pricing Experiment recognized numerous benefits including a more efficient utilization of the integrated transmission grid, and savings of 42 percent by paying a single rate for Regional Transmission Service, rather than paying a pancaked rate for sequential service across multiple transmission providers' systems between July 2011 and February 2013.<sup>16</sup> Therefore, to memorialize the benefits of the Pricing Experiment, on April 16, 2013, WestConnect submitted a Participation Agreement and the Regional Tariff in the instant proceeding.<sup>17</sup> Subsequently, the Participants filed Regional Tariffs to adopt the terms of the Participation Agreement for their own transactions.<sup>18</sup>

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<sup>12</sup> WestConnect proposal provided that if the total MWh of transactions during the July 1, 2001 through June 30, 2012 is less than 120,000 MWh, WestConnect will increase the administrative fee to \$1.2/MWh from July 1, 2012 through June 30, 2013. *Id.* P 9 and n.12.

<sup>13</sup> *Id.* P 9.

<sup>14</sup> Each of these filings was docketed as a separate proceeding, as shown in the caption to this order.

<sup>15</sup> WestConnect April 16, 2013 Filing at 2-3.

<sup>16</sup> *Id.* at 5.

<sup>17</sup> *Id.* at 1-2.

<sup>18</sup> PNM submitted both the Participation Agreement and the Regional Tariff in eTariff, *see* Docket No. ER13-1318-000.

According to WestConnect, as was done under the Pricing Experiment, the Participants will offer transmission customers the option of taking coordinated hourly non-firm point-to-point regional transmission service over available transfer capability on their respective transmission systems at a single regional transmission rate.<sup>19</sup>

8. WestConnect states that the Regional Rate structure in the Participation Agreement is the same as the structures in the first and second iterations under the Pricing Experiment. WestConnect specifies that the Regional Rate for a scheduled transaction is equal to the highest of the hourly non-firm rates posted on the respective Open Access Same-Time Information System (OASIS) of the Participants who provide the Regional Transmission Service along the requested path at the time requested by the Transmission Customer.<sup>20</sup> WestConnect explains that, in addition to the regional transmission rate, transmission customers will be billed for ancillary services, including scheduling, system control and dispatch, and will be billed separately for reactive supply and voltage control.<sup>21</sup> According to WestConnect, transmission customers will also be billed for losses.<sup>22</sup> WestConnect states that the ancillary services charges and losses provisions remain unchanged from the structure included in the Pricing Experiment.<sup>23</sup>

9. WestConnect further states that, consistent with the Pricing Experiment, customers will be billed an administrative charge in connection with taking regional transmission service. WestConnect states that WestConnect and the Participants rely on a third party vendor, Open Access Technology International, Inc. (OATI), to provide the billing agent services for the regional transactions. WestConnect states that the administrative charge will increase \$0.06 from the currently effective administrative charge (\$1.20/MWh) and there will be a \$12,000 yearly minimum cost of service. WestConnect notes that the Regional Tariff further provides that the administrative charge shall not be changed prior to

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<sup>19</sup> WestConnect April 16, 2013 Filing at 1-3.

<sup>20</sup> *Id.* at 3.

<sup>21</sup> *Id.*; *see also* Regional Tariff at Article 7.1 (b) and Article 7.1 (c).

<sup>22</sup> WestConnect April 16, 2013 Filing at 3-4; Regional Tariff at Article 7.1 (e) (“Losses Charge. A losses charge (in \$) equal to the product of (i) the total megawatts for such Regional Transaction (in MWs) multiplied by (ii) the sum of the loss rates (in %) as each component is specified in the OATT for each [Participant] that participated in the Regional Transaction”).

<sup>23</sup> WestConnect April 16, 2013 Filing at 4.

July 1, 2018.<sup>24</sup> WestConnect further states that to the extent that there are insufficient regional transactions to meet the \$12,000 cost of service floor, Participants will be responsible for the difference.<sup>25</sup> WestConnect states that the Administrative Charge is necessary for OATI to continue to provide the Billing Agent and OASIS software support required for Regional Transmission Service. WestConnect claims that the OATI software enables transmission customers to reserve Regional Transmission Service only when taking the service would result in savings for the transmission customer in comparison to taking service at pancaked rates under the OATTs of the relevant Participants. WestConnect further states that, because Regional Transmission Service is a voluntary alternative service with no captive customers, only customers who see a benefit to taking such service will incur a share of the OATI administrative costs.<sup>26</sup>

10. In addition, WestConnect states that the Participation Agreement and Regional Tariffs include clarifying changes associated with offering coordinated transmission service at a single rate on a permanent basis instead of on an experimental basis.<sup>27</sup> WestConnect and the Participants request a July 1, 2013 effective date for the Participant Agreement and the respective Regional Tariffs.

### **III. Notice of Filings**

11. Notice of WestConnect's tariff filing in Docket No. ER13-1295-000 was published in the *Federal Register*, 78 Fed. Reg. 24,192 (2013) with interventions and protests due on or before May 7, 2013. Timely motions to intervene were filed by Imperial Irrigation District (Imperial Irrigation) and Powerex Corp. A late-filed joint motion to intervene was filed by the City of Santa Clara and M-S-R Public Power Agency. Notice of APS's tariff filings in Docket Nos. ER13-1296-000 and ER13-1296-001 were published in the *Federal Register*, 78 Fed. Reg. 24,192 & 25,072 (2013) with interventions and protests due on or before May 7, 2013. None was filed. Notice of Tucson Electric's tariff filing in Docket No. ER13-1300-000 was published in the *Federal Register*, 78 Fed. Reg. 25,072

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<sup>24</sup> *Id.*; Regional Tariff at Article 7.1(f).

<sup>25</sup> WestConnect April 16, 2013 Filing at 4-5. According to WestConnect, although OATI only recovered \$6,245 during the 2010-2012 timeframe, Participants are hopeful that there will be greater utilization of the service as the economy improves and other participants join and customers learn the benefits of the Regional Transmission Service.

<sup>26</sup> *Id.* at 5.

<sup>27</sup> *Id.* at 6.

(2013) with interventions and protests due on or before May 7, 2013. None was filed. Notice of PNM's tariff filing in Docket No. ER13-1318-000 was published in the *Federal Register*, 78 Fed. Reg. 25,261 (2013) with interventions and protests due on or before May 14, 2013. A timely motion to intervene was filed by Imperial Irrigation. Notice of PSCo's tariff filing in Docket No. ER13-1327-000 was published in the *Federal Register*, 78 Fed. Reg. 26,023 (2013) with interventions and protests due on or before May 15, 2013. A timely motion to intervene was filed by Imperial Irrigation. Notice of El Paso's tariff filing in Docket No. ER13-1389-000 was published in the *Federal Register*, 78 Fed. Reg. 28,212 (2013) with interventions and protests due on or before May 22, 2013. None was filed.

#### **IV. Discussion**

##### **A. Procedural Matters**

12. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2012), the timely, unopposed motions to intervene serve to make the entities that filed them parties to the proceedings in which the motions were filed.

13. Pursuant to Rule 214(d) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214(d) (2012), the Commission will grant City of Santa Clara and M-S-R Public Power Agency's late-filed motion to intervene in Docket No. ER13-1295-000 given their interest in the proceeding, the early stage of the proceeding, and the absence of undue prejudice or delay.

##### **B. Commission Determination**

14. We will conditionally accept the Participation Agreement and the Regional Tariffs subject to modification as discussed further below.<sup>28</sup> The Commission has previously accepted, as just and reasonable, similar provisions in the participation agreement and the regional transmission tariffs submitted as part of the Pricing Experiment and found that they may encourage greater, more efficient use of the transmission grid and allow transmission customers to lower their transmission costs.<sup>29</sup> Just as in the Pricing Experiment, the proposal we are approving here is based on voluntary participation and any customer that does not wish to take

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<sup>28</sup> We conditionally accept the version of the Regional Tariff submitted by APS in Docket No. ER13-1296-001, and hereby reject as moot the Regional Tariff submitted by APS in Docket ER13-1296-000.

<sup>29</sup> 2009 WestConnect Order, 126 FERC ¶ 61,105 at P 14.

service under this tariff provision may continue to take service under the standard OATT provisions.<sup>30</sup> The primary differences between the provisions previously accepted by the Commission and those proposed in the instant filing are addressed below.

15. The primary difference between the previously accepted regional tariffs and those filed in the instant proceedings relate to the proposed increase in the administrative fee charged to customers. We find that, as described by WestConnect, OATI provides valuable services to transmission customers, including, among other things, the ability to compare the cost of pancaked service to the cost of regional service. We find that the increased administrative fee is just and reasonable in light of the benefits and the fact that the charge is designed to cover the cost of the billing agents' services and because service under the Regional Tariffs is voluntary. We also find the additional proposed modifications to the terms of the Pricing Experiment, including ministerial and administrative changes, to be just and reasonable.

16. We note that not all the Participants submitted the Participation Agreement along with the Regional Tariff.<sup>31</sup> We also note that PNM filed the Participation Agreement and the Regional Tariff as a single, combined tariff record as a PDF. We find that consistent with Article 4.4 of the Participation Agreement, within 30-days of the date of this order, all Participants must submit the Participation Agreement as either a separate rate schedule under the appropriate Tariff Identifier (for example, Rate Schedules); or submit a certificate of concurrence with WestConnect's Participation Agreement and include a tariff record to incorporate WestConnect's rate schedule by reference. Order No. 714 directs that when multiple utilities are parties to the same tariff (in this case rate schedule), the joint tariff may be filed by a single designated utility (here, it is WestConnect) and any non-designated utilities (such as Participants) must submit a certificate of concurrence and a single tariff page containing the name of the tariff and the utility designated to file the joint tariff on behalf of the other utilities.<sup>32</sup> We also direct PNM, within 30 days of the date of issuance of this order, to submit the

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<sup>30</sup> 2011 WestConnect Order, 135 FERC ¶ 61,271 at P 9.

<sup>31</sup> Article 4.4 of the Participation Agreement – Filing of Agreement – states: “Each of the Jurisdictional [Regional Transmission Providers] shall use commercially reasonable efforts to concurrently file, as soon as practicable, this Agreement and the Regional Tariff with the Commission....”

<sup>32</sup> *Electronic Tariff Filings*, Order No. 714, FERC Stats. & Regs. ¶ 31,276 (2008).

Regional Tariff in RTF format, and separately file either the Participation Agreement or a certificate of concurrence, as discussed above.<sup>33</sup>

The Commission orders:

(A) The Participation Agreement and Regional Tariffs submitted for filing in the above-captioned proceedings are hereby conditionally accepted, as discussed in the body of this order.

(B) The Participants are hereby directed to submit, within 30 days of the date of issuance of this order, a compliance filing, as discussed in the body of this order.

By the Commission.

( S E A L )

Nathaniel J. Davis, Sr.,  
Deputy Secretary.

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<sup>33</sup> We note that PNM's currently effective regional tariff was submitted as an RTF.