

135 FERC ¶ 61,271  
UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

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

WestConnect	Docket Nos.	ER11-3346-000
Arizona Public Service Company		ER11-3430-000
		ER11-3430-001
Tucson Electric Power Company		ER11-3361-000
Public Service Company of New Mexico		ER11-3462-000
Public Service Company of Colorado		ER11-3389-000
El Paso Electric Company		ER11-3395-000

ORDER ACCEPTING REGIONAL TRANSMISSION SERVICE AGREEMENT AND  
TARIFFS

(Issued June 30, 2011)

1. On April 13, 2011, WestConnect submitted a Second WestConnect Point-To-Point Regional Transmission Service Experiment Participation Agreement (Second Participation Agreement) proposing to extend the term of the original Participation Agreement for two years.<sup>1</sup> Subsequently, the Participants individually submitted revised Second WestConnect Point-To-Point Regional Transmission Service Experiment Tariffs (Regional Tariffs) to adopt the changes made by the Second Participation Agreement. As discussed below, we will accept the Second Participation Agreement and Regional Tariffs, effective July 1, 2011.

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<sup>1</sup> The public utilities that will participate in the Second Participation Agreement are Arizona Public Service Company, El Paso Electric Company, Public Service Company of Colorado, Public Service Company of New Mexico, and Tucson Electric Power Company (collectively, Participants). Nevada Power Company is the only party that decided not to continue its participation in the Second Participation Agreement. The Second Participation Agreement also proposes to increase the administrative fee associated with regional transmission service and several conforming and ministerial changes.

## I. Background

2. On December 12, 2008, WestConnect and the Participants submitted their original Participation Agreement and Regional Tariffs to the Commission in Docket No. ER09-409-000. In that filing, WestConnect and the Participants proposed to establish a two-year pricing experiment in which transmission customers could purchase hourly non-firm regional transmission service over two or more transmission systems at a single rate (Experiment). The primary purpose of the Experiment was to learn how an alternative to pancaked transmission service might affect the Participants' available transfer capability (ATC) and transmission revenues. WestConnect and the Participants explained that transmission customers who purchased this regional transmission service would be charged (1) a ceiling rate equal to the highest of the Participant's hourly non-firm transmission service rate used for each transaction, (2) the cost of ancillary services, (3) the losses associated with each transaction, and (4) an administrative fee of \$0.09/MWh for each transaction during the first year of the Experiment, and \$0.08/MWh during the second year.<sup>2</sup>

3. On February 10, 2009, the Commission accepted WestConnect's original Participation Agreement and the Participants' Regional Tariffs.<sup>3</sup> However, the Commission directed the Participants to demonstrate that the index they proposed to use to monetize transmission losses under the Regional Tariffs was appropriate and consistent with Commission policy,<sup>4</sup> and required the Participants to correct certain reference errors in the Regional Tariffs. On February 25, 2009, the Participants submitted their compliance filing to support the use of the Intercontinental Exchange Financial Palo Verde Peak and Off-Peak Daily Indices (collectively, ICE Index) to monetize losses and demonstrated how the ICE Index complied with Commission policy. The Commission accepted the filing and the use of the ICE Index.<sup>5</sup>

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<sup>2</sup> The administrative fee covers the costs associated with the regional transmission service, such as developing necessary software and compensating a third-party billing agent serving as the manager for the transmission service provided.

<sup>3</sup> *WestConnect*, 126 FERC ¶ 61,105 (2009).

<sup>4</sup> *Order Regarding Future Monitoring of Voluntary Price Formation, Use of Price Indices in Jurisdictional Tariffs and Closing Certain Tariff Dockets*, 109 FERC ¶ 61,184 (2004).

<sup>5</sup> *WestConnect*, Docket No. ER09-409-001 (Mar. 26, 2009) (delegated letter order).

## II. WestConnect and Participants' Filings

4. WestConnect proposes to extend the Participation Agreement for an additional two years beyond its original termination date.<sup>6</sup> WestConnect explains that two more years of experience are needed because the volume of transactions processed to date have not produced sufficient data to demonstrate a significant effect on the utilization of ATC or on transmission revenue, two of the main goals of the Experiment.<sup>7</sup> On the other hand, WestConnect notes that the Experiment has generated significant savings by transmission customers.<sup>8</sup>

5. WestConnect explains that the rates charged by the Participants will remain the same under the Second Participation Agreement and the Regional Tariffs, with one exception. WestConnect proposes to increase the administrative fee, which is collected by a third-party for providing billing agent services for the Experiment.<sup>9</sup> Specifically, WestConnect proposes to increase the rate from \$0.09/MWh and \$0.08/MWh (the rate that has applied during the first and second years of the Experiment) to \$0.95/MWh for the next two years. However, if the total MWh of transactions during the next year (i.e., July 1, 2011 through June 30, 2012) are less than 120,000 MWh, WestConnect proposes to charge \$1.2/MWh for the following year (i.e., July 1, 2012 through June 30, 2013). WestConnect explains that the increase is appropriate because it allocates administrative costs only to the transmission customers who benefit from the services provided, and because contracting for the regional transmission service is voluntary. In addition, WestConnect contends that after the increase, transmission customers will continue to receive significant savings because they avoid paying pancaked rates under the Participants' Open Access Transmission Tariffs (OATT). For example, WestConnect explains that during the first year of the Experiment, at the previous rate of \$0.09/MWh, revenues of \$2,513 were collected by the billing agent for the 27,925 MW of transmitted capacity. In contrast, at the newly proposed rate of \$0.95/MWh, the billing agent would collect \$26,529 for the same 27,925 MW of capacity. WestConnect estimates that the increase will reduce customer savings by approximately 18 percent. However, WestConnect contends that, given that the billing agent did not fully recover the costs of

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<sup>6</sup> The Participation Agreement will terminate on June 30, 2011 by its own terms.

<sup>7</sup> WestConnect Filing at 5.

<sup>8</sup> According to WestConnect, the Experiment generated \$117,710 in customer savings from July 1, 2009 to June 30, 2010 and \$192,700 from July 1, 2010 to February 28, 2011. *Id.* at 11-13.

<sup>9</sup> WestConnect states that Open Access Technology International, Inc. (OATI) is the billing agent for the Experiment.

administering the transactions during the first two years of the Experiment, this increase is reasonable.<sup>10</sup>

6. In addition, WestConnect proposes to make several conforming and ministerial changes to the Second Participation Agreement and requests the Commission to accept the Second Participation Agreement effective July 1, 2011.<sup>11</sup> In addition, each Participant individually submitted a revised Second WestConnect Point-to-Point Regional Service Tariff to adopt all of the changes proposed by WestConnect in the Second Participation Agreement discussed above. Accordingly, the Participants request the Commission to accept the Regional Tariffs, effective July 1, 2011.

### **III. Notice of Filing and Responsive Pleadings**

7. Notices of the filings were published in the *Federal Register*, 76 Fed. Reg. 22,389, 76 Fed. Reg. 22,688, 76 Fed. Reg. 23,320, 76 Fed. Reg. 25,574, 76 Fed. Reg. 24,467, 76 Fed. Reg. 27,041, and 76 Fed. Reg. 27,043 (2011), with interventions and protests due 21 days after each filing was submitted. No interventions or protests were submitted.

### **IV. Discussion and Commission Determinations**

8. We will accept WestConnect's Second Participation Agreement and the Participants' Regional Tariffs. As WestConnect explains, the transactions processed to date have not produced data to support a determination of how ATC and transmission provider revenue are affected by the Experiment. Thus, we agree with WestConnect and the Participants that two more years of data collection will help the Participants to study fully the effects of the Experiment. Accepting the Second Participation Agreement and Regional Tariffs will continue to promote access to coordinated transmission service at a single rate, encourage greater and more efficient use of the electric transmission system, and reduce costs to customers. In addition, because the Experiment already has produced

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<sup>10</sup> *Id.* WestConnect does not state how much revenue was undercollected by the billing agent, OATI. However, WestConnect explains that the OATI is willing to continue providing the service at the proposed rate, because the rate will offer reasonable assurance that it will at least recover OATI's transaction costs, and the prospect of recovering the cost of self-funding the initial development of the Experiment and eventually profiting from the service.

<sup>11</sup> WestConnect and the Participants also state that they will continue to use the ICE Index to monetize losses and describe how the ICE Index meets Commission policy established in *Order Regarding Future Monitoring of Voluntary Price Formation, Use of Price Indices in Jurisdictional Tariffs and Closing Certain Tariff Dockets*, 109 FERC ¶ 61,184 (2004).

cost savings for transmission customers, and because the Experiment is voluntary for all customers, we find it reasonable to continue the Experiment for an additional two years.

9. WestConnect proposes to increase the administrative fee, which is collected to cover the costs of providing billing agent services for the Experiment, from \$0.09/MWh and \$0.08/MWh to \$0.95/MWh.<sup>12</sup> We will accept the fee increase as just and reasonable. According to WestConnect, without the administrative fee increase the Experiment will not be able to continue because the billing agent, OATI, will not recover its costs and therefore would not continue to provide service for the Experiment. In addition, as WestConnect explains, even with this fee increase transmission customers will continue to receive cost savings because they avoid paying pancaked rates under the Participants' OATTs. We also note the regional transmission service Experiment will not affect transmission service separately offered under each Participant's respective OATT. For these reasons, and because contracting for regional transmission service is voluntary, we find that the proposed increase is just and reasonable. Likewise, we find WestConnect's conforming and ministerial changes to the Second Participation Agreement are just and reasonable.<sup>13</sup>

The Commission orders:

WestConnect's Second Participation Agreement and the Participants' Regional Tariffs are hereby accepted, as explained in the body of this order.

By the Commission.

( S E A L )

Kimberly D. Bose,  
Secretary.

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<sup>12</sup> If the total MWh of transactions during July 1, 2011 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.

<sup>13</sup> WestConnect and the Participants' proposal to continue to use the ICE Index is consistent with the requirements of *Order Regarding Future Monitoring of Voluntary Price Formation, Use of Price Indices in Jurisdictional Tariffs and Closing Certain Tariff Dockets*, 109 FERC ¶ 61,184, *id.*