

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Pat Wood, III, Chairman;
William L. Massey, and Nora Mead Brownell.

Arizona Public Service Company
v.
Idaho Power Company

Docket Nos. EL99-44-006
EL99-44-007

ORDER DENYING REHEARING AND CONDITIONALLY
ACCEPTING COMPLIANCE FILING

(Issued October 22, 2003)

1. In Opinion No. 460,¹ the Commission affirmed an initial decision that found that it was reasonable for Idaho Power Company (Idaho Power) to deny a request by Arizona Public Service Company (Arizona Public Service) for firm, long-term, point-to-point transmission service over Idaho Power's Brownlee East transmission path. Arizona Public Service seeks rehearing of Opinion No. 460 on grounds that because the Commission determined that transmission capacity needed for internal reserves should be excluded from Idaho Power's capacity benefit margin (CBM) reservation, the Commission must find that Idaho Power has available capacity to meet Arizona Public Service's request for transmission service. Arizona Public Service concludes that the Commission should order Idaho Power to provide that service. In this order, the Commission denies Arizona Public Service's request for rehearing of Opinion No. 460. The Commission also conditionally accepts Idaho Power Company's amended Open Access Transmission Tariff (OATT) Attachment C, made in response to Opinion No. 460. This order benefits customers because it provides guidance on the calculation of available transmission capability (ATC) and supports open access transmission by making additional information available to customers.

¹ Arizona Public Service Company v. Idaho Power Company, 100 FERC ¶ 61,253 (2002).

Background

2. On March 3, 1999, Arizona Public Service filed a complaint against Idaho Power asserting that Idaho Power had denied an Arizona Public Service request for long-term, firm, point-to-point transmission service over Idaho Power's Brownlee East transmission path based on an improper calculation of available transmission capability (ATC). Arizona Public Service had requested 300 MW of firm transmission service over Idaho Power's Brownlee East Path for an eight year term beginning October 1, 1998. The requested service included 100 MW of south-to-north service over the Brownlee East Path. Idaho Power claimed it had no ATC over the Brownlee East Path, but informed Arizona Public Service that it was willing to consider upgrades and various remedial action schemes (RAS). However, Idaho Power later informed Arizona Public Service that even with these capacity additions, it would be unable to meet Arizona Public Service's transmission request, based on its calculations of its TRM requirement and the other components included in its ATC calculations. Idaho Power informed Arizona Public Service that in light of these requirements, it would be required to build additional transmission facilities (in addition to the capacity expansions the parties had previously discussed) in order to meet Arizona Public Service's request.

3. The Commission, in an order dated June 17, 1999,² summarily denied the complaint in part and set three issues for hearing:

(1) whether the amount of Idaho Power's claimed Transmission Reliability Margin (TRM) requirement is reasonable; (2) whether it is appropriate for Idaho Power to set aside any transmission capacity for Capacity Benefit Margin (CBM) in this case; and (3) if so, what amount of transmission capacity is reasonable for Idaho Power to set aside for CBM.

4. In the initial decision, dated April 26, 2000,³ the administrative law judge analyzed each of the three issues set for hearing. With respect to the CBM issue (the only issue raised in Arizona Public Service's request for rehearing) the judge found "no reason to preclude Idaho Power from reserving an appropriate amount of CBM in this case."⁴ He, however, ordered Idaho Power to amend its OATT Attachment C to incorporate the precise ATC calculation methodology reflected in the document entitled "Determination of Available Transfer Capability within the Western Interconnection" and required that

²Arizona Public Service Company v. Idaho Power Company, 87 FERC & 61,303 (1999)(June 17 Order), order on reh'g, 89 FERC & 61,061 (1999)(October 18 Order).

³Arizona Public Service Company v. Idaho Power Company, 91 FERC & 63,004 (2000).

⁴91 FERC ¶63,004 at 65,068.

the amendment incorporate a specific and self-contained narrative explanation of Idaho Power's CBM practices, including detailed methodological information.⁵ The judge concluded that:

. . . . it is appropriate for Idaho Power to rely exclusively on Pacific Northwest generating resources for reliability purposes during its summer peak load period, and that neither [Arizona Public Service's] proposed 200 MW Firm capacity/energy sale on the east side of Idaho Power's system nor [Arizona Public Service's] Brownlee East Path transmission capacity reassignment scheme is an appropriate or adequate alternative. I reject [Arizona Public Service's] claim that Idaho Power changed its historical practice to concentrate its CBM allocation exclusively across the Brownlee East Path in order to frustrate the [Arizona Public Service] service request. I nevertheless find that factoring internal generating reserves into Idaho Power's CBM reservation is patently inconsistent with the parameters and purpose of CBM, and that Idaho Power must exclude internal reserves from its CBM reservation.⁶

5. Idaho Power excepted to the administrative law judge's ruling that Idaho Power may not include internal reserves from designated resources in calculating its CBM reservation.

6. In Opinion No. 460, the Commission addressed this exception, saying:

We find Idaho Power's arguments unpersuasive and will affirm the initial decision on this issue. The WSCC ATC methodology specifically adopts the NERC definition for CBM which expressly confirms that CBM is intended to ensure access to generation to satisfy reliability requirements from interconnected systems. We do not believe that the language cited by Idaho Power supports a different conclusion. Moreover, the internal generation reserve resource which Idaho Power wants to include in its CBM should have been designated as a network resource because it is on Idaho Power's system. Idaho Power owns this generation and relies upon it to serve as a reserve for Idaho' Power's network load. We therefore conclude that it is inappropriate for Idaho Power to reserve as CBM, transmission capacity for internal operating reserves.

⁵ Id.

⁶91 FERC at 65,074.

Request for Rehearing

7. Arizona Public Service requests that the Commission grant rehearing of Opinion No. 460 to expressly require Idaho Power to provide 150 MW of transmission service to Arizona Public Service. Arizona Public Service argues that as a result of Opinion No. 460's finding that the transmission capacity needed for internal reserves should be excluded from Idaho Power's CBM reservation, two results must follow. The first, Arizona Public Service argues, is that Idaho Power's ATC is increased by 150 MW. The second, Arizona Public Service argues, is that the increase creates available capacity for transmission service to be allocated to Arizona Public Service. Arizona Public Service claims that the Commission erred in not ordering Idaho Power to provide Arizona Public Service the full 150 MW of transmission service. Arizona Public Service claims that at the very least, the Commission should order Idaho Power to provide Arizona Public Service 35 MW of long-term, firm service because this is the minimum amount of capacity available after deducting incorrect internal reserves from the Idaho July Peak Load Analysis found in the record and meeting Idaho Power's alleged capacity needs for native load purposes.

8. Idaho Power filed a response to Arizona Public Service's request for rehearing.

Compliance Filing in Docket No. EL99-44-007

9. On October 10, 2002, Idaho Power filed an amended OATT Attachment C that it claims complies with the requirements of Order No. 460, in which the Commission directed Idaho Power "to amend its OATT Attachment C to incorporate its precise ATC calculation methodology including a specific and self-contained narrative explanation of its CBM practices, including detailed methodological information."⁷

10. Notice of Idaho Power's filing was published in the Federal Register, 66 Fed. Reg. 38,321 (2002), with comments protests and interventions due on or before November 12, 2002.

11. Arizona Public Service filed a timely protest to Idaho Power's compliance filing. Arizona Public Service argues that the Commission should reject Idaho Power's compliance filing because it does not adequately respond to the Commission's order. Arizona Public Service claims that Idaho Power has not described adequately its methodology for TRM and CBM reservations. Specifically, Arizona Public Service claims that it is not clear from Idaho Power's compliance filing which of four paths Idaho Power proposes to reserve capacity for operating reserves, or if the total amount of operating reserves is reserved over each of the four transmission paths, or is somehow allocated among the paths. Arizona Public Service also argues that Idaho Power's TRM methodology could be used to generate an unnecessarily large amount of reserve

⁷ 100 FERC ¶ 61,253 at P 26.

transmission capacity because no concrete example of the application of the proposed methodology has been provided.

12. Idaho Power filed a response to Arizona Public Service's protest.

Discussion

Procedural Matters

13. Rule 713 (d) of the Commission's Rules of Practice and Procedure provides that the Commission will not permit answers to requests for rehearing. 18 C.F.R. § 385.713(d) (2003). We will accordingly reject Idaho Power's answer to Arizona Public Service's request for rehearing. Rule 213 of the Commission's Rules of Practice and Procedure generally prohibits the filing of an answer to a protest. Here, we are not persuaded to allow Idaho Power's answer, and will accordingly reject it.

Rehearing

14. Arizona Public Service's request for rehearing is denied. Arizona Public Service argues that the Commission's finding that the transmission capacity needed for internal reserves should be excluded from Idaho Power's CBM reservation, necessarily leads to two results: (1) that Idaho Power's ATC is increased by 150 MW; and (2) the increase creates available capacity for transmission service to be allocated to Arizona Public Service. While Opinion No. 460 found that Idaho Power erroneously reserved transmission capacity for internal operating reserves as CBM, Opinion No. 460 also stated that transmission capacity for those internal reserves should have instead been reserved as transmission for network resources. This ministerial adjustment would not be expected to change the amount of available transmission capacity. It would merely change where it appears in the ATC calculation. Thus, the result of Opinion No. 460's discussion of CBM is not additional transmission capacity available to Arizona Public Service. The Commission therefore correctly affirmed the Initial Decision's finding that it was reasonable for Idaho Power to deny Arizona Public Service's request for long-term, firm, point-to-point transmission service over Idaho Power's Brownlee East transmission path.

15. Transmission grid expansions that would allow Idaho Power to accommodate Arizona Public Service's transmission request, without sacrificing reliable service to Idaho Power's own native load, appear to be the appropriate solution to this dispute. Accordingly, we encourage the parties to begin forthwith the process of negotiating such needed expansions including any appropriate cost sharing, ownership, and operating issues.

Compliance Filing in Docket No. EL99-44-007

16. In its protest to the compliance filing, Arizona Public Service argues that Idaho Power must commit to a fixed allocation of CBM and TRM over each of the identified points of interconnection. We disagree. We find that the flexibility built into Idaho Power's proposed tariff language can be a substantial benefit to potential customers rather than a hindrance as Arizona Public Service argues. Idaho Power's willingness to accommodate additional transmission reservations over individual points of interconnection, on a first come first served basis, by shifting portions of its CBM and TRM reservations among the remaining points is appropriate. However, we have a concern with the current implementation of the proposal.

17. We believe that a flexible approach to ATC calculation such as this one must be coupled with a transparent and verifiable OASIS update process so that potential transmission customers are fully aware of the actual ATC situation over the identified interconnection points. As proposed, the compliance filing does not contain the specificity required in Opinion No. 460. Currently it is unclear what amount of capacity is available over individual interconnection points due to Idaho Power's ability to shift CBM/TRM reservations among interconnection points. Idaho Power's revised Attachment C should provide that the OASIS will clearly show the amount of transmission capacity over the interconnection points that can be reallocated to accommodate firm transmission requests.⁸

18. Arizona Public Service also argues that Idaho Power has impermissibly determined its TRM by adding operating reserves to the highest of the other TRM components, instead of determining all of its TRM components in a "combined manner" to eliminate any double counting.⁹

19. We reject Arizona Public Service's arguments in this regard. We find that Idaho Power is, in fact, determining its TRM reservation in a "combined manner" by adding its operating reserves to the highest of the other TRM components. The evidence indicates that operating reserves to address Idaho Power's single largest contingency are, in this case, appropriately supported by its own reservation of transmission capacity separate from that reserved to address loopflow. Certainly, loopflow is just as likely to be a problem when Idaho Power's single largest contingency, the outage of its Jim Bridger entitlement, is in effect as when it is not.

⁸ At some point when enough firm transmission service requests are accepted, no more reallocations of CBM and TRM reservations will be possible and the allocations that exist at that point will become stable until transmission capacity becomes available again.

⁹ APS protest at 3-4.

20. As discussed above, we are requiring Idaho Power to further amend Attachment C to provide a transparent and verifiable OASIS update process so that potential transmission customers are fully aware of the actual ATC situation over the identified interconnection points. This change will provide transmission customers with the specificity they require to make use of Idaho Power's OATT. With the greater specificity ordered, and because it is unlikely that a single example could adequately represent all possible scenarios, we will not require Idaho Power to provide a concrete example in Attachment C of the application of the proposed TRM methodology. If despite the inclusion in its OATT of its detailed ATC calculation methodology required by this order, future disputes arise as to the specifics of a particular Idaho Power TRM calculation, those disputes will have to be decided on the merits of the facts that exist in those cases, just as this proceeding was.

21. Finally, although Arizona Public Service did not protest this particular provision, Idaho Power has provided no explanation for the following limitation found on proposed Original Sheet No. 135D, which addresses non-firm transmission capacity made available out of the CBM reservation:

Use of the CBM as non-firm Point-to-Point transmission service must be limited to transactions that do not terminate within the Transmission Provider's control area.

22. We see no justification for this limitation on non-firm use of the CBM capacity. Accordingly, we direct Idaho Power to remove it from the revised Attachment C.

The Commission orders:

(A) Idaho Power's answer to the request for rehearing and answer to the protest are hereby rejected.

(B) Arizona Public Service's request for rehearing is hereby denied as discussed in the body of this order.

(C) Idaho Power's compliance filing is hereby conditionally accepted, and Idaho Power is directed to make a revised compliance filing as discussed in the body of this order, within 30 days of the issuance of this order.

By the Commission.

(S E A L)

Magalie R. Salas,
Secretary.