

128 FERC 61,063
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Jon Wellinghoff, Chairman;
Sudeen G. Kelly, Marc Spitzer,
and Philip D. Moeller.

El Paso Electric Company	Docket Nos.	OA08-30-001
Arizona Public Service Company		OA08-33-001
Public Service Company of New Mexico		OA08-34-001
Sierra Pacific Resources Operating Companies		OA08-38-002
Tucson Electric Power Company		OA08-47-001
UNS Electric, Inc.		OA08-48-001

ORDER ON COMPLIANCE FILINGS

(Issued July 16, 2009)

1. On October 15, 2008, Arizona Public Service Company (Arizona), El Paso Electric Company (El Paso), Public Service Company of New Mexico (New Mexico), Tucson Electric Power Company and UNS Electric, Inc. (collectively, Tucson), and Nevada Power Company and Sierra Pacific Power Company (collectively, Nevada Companies)¹ each submitted revisions to their transmission planning processes to comply with the Commission’s July 17, 2008 Order on Compliance.² El Paso, in its submission,

¹ In this combined order, we will refer to these entities collectively as “Transmission Providers.”

² *El Paso Electric Co., et al.*, 124 FERC ¶ 61,051 (2008) (July 17 Order).

also filed revisions to comply with the requirements of Order No. 676-C.³ In this order, the Commission accepts the respective Transmission Providers' revised transmission planning processes, subject to further compliance, and accepts El Paso's Order No. 676-C revisions, as discussed below.

I. Background

2. In Order No. 890,⁴ the Commission reformed the *pro forma* Open Access Transmission Tariff (OATT) to clarify and expand the obligations of transmission providers to ensure that transmission service is provided on a non-discriminatory basis. One of the Commission's primary reforms was designed to address the lack of specificity regarding how customers and other stakeholders should be treated in the transmission planning process. To remedy the potential for undue discrimination in planning activities, the Commission directed all transmission providers to develop a transmission planning process that satisfies nine principles (discussed below) and to clearly describe that process in a new attachment to their OATT (Attachment K).⁵

3. The nine planning principles each Transmission Provider was directed by Order No. 890 to address in its Attachment K planning process are (1) coordination; (2) openness; (3) transparency; (4) information exchange; (5) comparability;⁶ (6) dispute resolution; (7) regional participation; (8) economic planning studies; and (9) cost allocation for new projects. The Commission also directed the Transmission Providers to address the recovery of planning-related costs. The Commission explained that it

³ *Standards for Business Practices and Communication Protocols for Public Utilities*, Order No. 676-C, 73 Fed. Reg. 43,848 (July 29, 2008), FERC Stats. & Regs. ¶ 31,274 (2008).

⁴ *Preventing Undue Discrimination and Preference in Transmission Service*, Order No. 890, FERC Stats. & Regs. ¶ 31,241, *order on reh'g*, Order No. 890-A, FERC Stats. & Regs. ¶ 31,261 (2007), *order on reh'g*, Order No. 890-B, 123 FERC ¶ 61,299 (2008), *order on reh'g*, Order No. 890-C, 126 FERC ¶ 61,228 (2009).

⁵ Arizona labeled its Attachment K transmission planning process as Attachment E. We will refer to Arizona's Attachment E filing as an Attachment K filing for purposes of this combined order. *See* Order No. 890, FERC Stats. & Regs. ¶ 31,241 at n.246.

⁶ In Order No. 890-A, the Commission clarified that the comparability principle requires each transmission provider to identify, as part of its Attachment K planning process, how it will treat resources on a comparable basis and therefore, how it will determine comparability for purposes of transmission planning. *See* Order No. 890-A, FERC Stats. & Regs. ¶ 31,261 at P 216.

adopted a principles-based reform to allow for flexibility in implementation of and to build on transmission planning efforts and processes already underway in many regions of the country. The Commission also explained, however, that although Order No. 890 allows for flexibility, each Transmission Provider has an obligation to address each of the nine principles in its transmission planning process, and that all of these principles must be fully addressed in the tariff language filed with the Commission. The Commission emphasized that tariff rules, as supplemented with web-posted business practices when appropriate,⁷ must be specific and clear to facilitate compliance by Transmission Providers and place customers on notice of their rights and obligations.

4. On December 7, 2007, pursuant to Order No. 890, the Transmission Providers submitted their proposed transmission planning processes (original Attachment Ks), and the Commission subsequently addressed these filings in its July 17 Order. The Commission addressed the original Attachment Ks together because each Transmission Provider is a member of WestConnect,⁸ coordinates its transmission planning with other transmission providers and stakeholders in the Desert Southwest area through active participation in SWAT⁹ and/or SSPG,¹⁰ is a member of the Western Electricity

⁷ Order No. 890, FERC Stats. & Regs. ¶ 31,241 at P 1649-55.

⁸ WestConnect is an unincorporated association composed of utility companies providing transmission of electricity in the southwestern United States. The WestConnect footprint encompasses the states of Arizona, Colorado, New Mexico, Nevada and parts of California, Texas, South Dakota and Wyoming. Three major sub-regional technical planning work groups operate within the WestConnect footprint; these are (1) the Southwest Area Transmission Planning Group (SWAT), (2) the Sierra Sub-Regional Planning Group (SSPG), and (3) the Colorado Coordinated Planning Group (CCPG). Since the Transmission Providers discussed in this order do not participate in CCPG, we will not describe CCPG in this order.

⁹ SWAT is comprised of both footprint-wide (which includes Arizona, New Mexico, parts of California, Nevada, and Texas) and smaller geographically-based work groups that address transmission planning issues within their respective geographic areas.

¹⁰ At the time the Transmission Providers filed their original Attachment K filings, SSPG was in the early stages of forming. Accordingly, the Transmission Providers within the Sierra Nevada and northern California areas, namely the Nevada Companies, participated in SWAT. Now, SSPG has officially been formed, and the Nevada Companies will participate in SSPG. For purposes of this order we will refer to SWAT and SSPG as the “sub-regional planning groups.”

Coordinating Council (WECC),¹¹ and participates in WECC's Transmission Expansion Planning Policy Committee (TEPPC).¹²

5. In the July 17 Order, the Commission found that the Transmission Providers' Attachment K transmission planning processes complied with the coordination, openness, transparency, information exchange, and dispute resolution principles adopted in Order No. 890. However, the Commission required further modifications to the provisions concerning comparability, regional participation, economic planning studies, cost allocation, and recovery of planning costs. In addition, the Commission encouraged, but did not require the Transmission Providers to include a mediation step in their dispute resolution process. Accordingly, the Commission accepted the Transmission Providers' transmission planning processes to be effective December 7, 2007, subject to satisfactory compliance with the nine planning principles of Order No. 890.

II. Compliance Filing

6. The Transmission Providers state that they have revised their transmission planning processes. As discussed more fully below, they state that they have addressed the requirements of the July 17 Order by including (i) revisions to their tariffs allowing transmission, generation, and demand response solutions to be considered in the planning process; (ii) a detailed explanation of how stakeholder inputs are integrated into the sub-regional and regional plans, including transmission planning process milestones, and direct links to the controlling documents related to regional participation; (iii) modifications detailing the minimum number of local priority economic planning studies that will be performed as well as additional economic study request requirements; (iv) greater specificity regarding the cost allocation methodology; (v) a mechanism for the

¹¹ WECC is responsible for, among other things, coordinating and promoting electric system reliability and providing a forum for coordinating the operating and planning activities of its members. Membership in WECC is voluntary and open to any organization having an interest in the reliability of interconnected system operation or coordinated planning.

¹² WECC organized TEPPC to provide West-wide study and data services, and to provide coordination and transmission planning leadership across the Western Interconnection. TEPPC performs analyses and studies that focus on plans with West-wide implications and includes a high-level assessment of congestion and congestion costs; however, TEPPC does not perform detailed project-specific studies. *See* Transmission Planning Protocol of the WECC's TEPPC at [http://www.wecc.biz/documents/library/FERC/TEPPC-Planning-Protocol_V1-3\(Clean\).pdf](http://www.wecc.biz/documents/library/FERC/TEPPC-Planning-Protocol_V1-3(Clean).pdf).

recovery of planning costs; and (vi) an additional mediation step in the Transmission Providers' dispute resolution processes.

7. As noted above, El Paso also filed revisions to comply with the requirements of Order No. 676-C. These revisions are addressed in section V of this order.

III. Notice of Filing and Responsive Pleadings

8. Notices of the Transmission Providers' filings were published in the *Federal Register*, 73 Fed. Reg. 63,465 (2008), with interventions and protests due on or before October 27, 2008 and November 5, 2008. No protests or adverse comments were filed.

IV. Discussion

9. We find that the Transmission Providers' Attachment K transmission planning processes comply with the Commission's July 17 Order regarding the regional participation, economic planning studies, cost allocation, recovery of planning costs, and dispute resolution principles. As discussed below, the Transmission Providers have not fully complied with the comparability principle. Accordingly, we direct the Transmission Providers to file a compliance filing within 60 days of the date of this order addressing the Commission's concerns, as discussed in this order.

10. Although the Commission accepts the Transmission Providers' compliance filings, subject to further compliance filings to address certain discrete issues, the Commission remains interested in the development of transmission planning processes and will continue to examine the adequacy of the processes accepted to date. We reiterate the encouragement made in prior orders for further refinements and improvements to the planning processes as Transmission Providers, their customers, and other stakeholders gain more experience through actual implementation of the processes. As part of the Commission's ongoing evaluation of the implementation of the planning processes, the Commission intends to convene regional technical conferences later this year to determine if further refinements to these processes are necessary. The focus of the 2009 regional technical conferences will be to determine the progress and benefits realized by each Transmission Provider's transmission planning process, obtain customer and other stakeholder input, and discuss any areas that may need improvement. The conferences will examine whether existing transmission planning processes adequately consider needs and solutions on a regional or interconnection-wide basis to ensure adequate and reliable supplies at just and reasonable rates. The Commission will also explore whether existing processes are sufficient to meet emerging challenges to the transmission system, such as the development of interregional transmission facilities, the integration of large amounts of location-constrained generation, and the interconnection of distributed energy resources.

A. Comparability

11. In the July 17 Order, the Commission found that while the Transmission Providers generally addressed comparability, the Transmission Providers did not have an opportunity to demonstrate that they comply with the requirements of Order No. 890-A.¹³ Therefore, the Commission directed the Transmission Providers to, among other things, identify as part of their respective transmission planning processes how they will treat resources on a comparable basis, and identify how they will determine comparability for purposes of transmission planning.¹⁴ The Commission indicated that the “tariff language should provide for participation throughout the transmission planning process by sponsors of transmission solutions, generation solutions, and solutions utilizing demand resources.”¹⁵

1. Compliance Filings

12. The Transmission Providers clarify that participation in their planning processes is open to all affected parties, including, but not limited to, all transmission and interconnection customers, sponsors of transmission solutions, generation solutions, and solutions utilizing demand response resources, state authorities, and other stakeholders.¹⁶ Additionally, in developing base-line assumptions and models for the planning cycle, the Transmission Providers indicate how throughout the planning process stakeholders or any project sponsors have the opportunity to provide their input regarding base-line assumptions.¹⁷

13. In addition, the Transmission Providers indicate that any customer or other stakeholder, including sponsors of transmission solutions, generation solutions, and

¹³ July 17 Order, 124 FERC ¶ 61,051 at P 20.

¹⁴ *See* Order No. 890-A, FERC Stats. & Regs. ¶ 31,261 at P 216; *see also* Order No. 890, FERC Stats. & Regs. ¶ 31,241 at P 479, 487, 494, and 549.

¹⁵ July 17 Order, 124 FERC ¶ 61,051 at n.28.

¹⁶ Arizona, Nevada Companies, New Mexico, and Tucson Attachment K, section II.A; El Paso Attachment K, section I.A. Specifically, the Transmission Providers added the phrase “including sponsors of transmission solutions, generation solutions and solutions utilizing demand response resources” to their previous language throughout their Attachment Ks.

¹⁷ Arizona, Nevada Companies and Tucson Attachment K, section II.A.3.c; New Mexico Attachment K, section II.A.4.c; El Paso Attachment K, section I.A.3.d.

solutions utilizing demand response resources may propose solutions to the transmission plan.¹⁸ The Transmission Providers also state that stakeholders can comment and provide advice during all stages, including early stages, of the transmission planning process.¹⁹ Moreover, the Transmission Providers state that “[m]eetings will be conducted to (i) allow the Transmission Providers to maximize their understanding of their customers’ forecasted needs for their transmission systems; (ii) offer customers, sponsors of transmission solutions, generation solutions and solutions utilizing demand resources, and other stakeholders an opportunity to be informed about, and offer input and advice into, their transmission systems and planning processes, as well as to propose alternatives for any upgrades identified by the Transmission Providers; (iii) review study results; and (iv) review transmission plans.”²⁰ The Transmission Providers also modify the assessment of needs provisions of their transmission planning processes to provide that “where feasible, [the Transmission Provider will] identify alternatives such as demand response resources that could meet or mitigate the need for transmission additions or upgrades.”²¹

14. Furthermore, as discussed more fully below in the section on economic planning studies, the Transmission Providers commit to perform a certain number of economic planning studies per year.²² Transmission Providers state that such studies may, among other things, analyze possible remedies for the elimination of congestion, in whole or in part, including transmission solutions, generation solutions, and solutions utilizing demand response resources. In addition, regarding economic planning studies, the Transmission Providers state that “[the Transmission Provider] will perform, or cause to be performed, economic planning studies at the request of any transmission customer or stakeholder.”²³

¹⁸ Arizona, Nevada Companies and Tucson Attachment K, section II.A.4.a; New Mexico Attachment K, section II.A.5.a; El Paso Attachment K, section I.A.5.a.

¹⁹ Arizona, Nevada Companies, New Mexico, and Tucson Attachment K, section II.B.1; El Paso Attachment K, section I.C.1.

²⁰ Arizona, Nevada Companies, New Mexico, and Tucson Attachment K, section II.B.2.c; El Paso Attachment K, section I.C.2.

²¹ Arizona, Nevada Companies and Tucson Attachment K, section II.A.3; New Mexico Attachment K, section II.A.4; El Paso Attachment K, section I.A.1.

²² Arizona, Nevada Companies and Tucson Attachment K, section II.A.2.b; New Mexico Attachment K, section II.A.3.b; El Paso Attachment K, section I.4.b.

²³ *Id.*

2. Commission Determination

15. We find that the Transmission Providers have partially complied with the Commission's directives in the July 17 Order. Transmission Providers satisfactorily indicate when and where in the planning process sponsors of transmission, generation and demand resources have an opportunity to provide input into the base-line assumptions used to develop the transmission plans. The Transmission Providers also indicate where and when in the planning process sponsors of transmission, generation and demand resources may propose alternative solutions. However, we find that the Transmission Providers do not explain how they will analyze and select the preferred solution from competing alternatives so as to make it clear that transmission, generation, and demand resources are considered on a comparable basis.²⁴ Therefore, we direct the Transmission Providers to revise their Attachment Ks, in a compliance filing due within 60 days of the date of this order, to identify how they will evaluate and select from competing solutions such that all types of resources are considered on a comparable basis.²⁵

B. Regional Participation

16. In their original Attachment K filings, the Transmission Providers presented a general description of the roles SWAT and WestConnect play in developing WestConnect's ten-year sub-regional transmission plan, the role TEPPC plays in collecting the planning data and conducting sub-regional/regional economic planning studies, and the Transmission Providers' participation and coordination with the sub-regional planning groups, WestConnect, and TEPPC.

17. The Commission found that although the Transmission Providers generally satisfied the regional participation principle, the Transmission Providers did not provide sufficient detail to allow customers and other interested stakeholders to fully understand how data and inputs that stakeholders provide to the local transmission plan will be integrated into the sub-regional plan being developed by SWAT and WestConnect and

²⁴ See, e.g., *California Indep. Sys. Operator Corp.*, 123 FERC ¶ 61,283, at P 106 (2008); *E. Kentucky Power Coop.*, 125 FERC ¶ 61,077, at P 33-34 (2008).

²⁵ Tariff language could, for example, state that solutions will be evaluated against each other based on a comparison of their relative economics and effectiveness of performance. Although the particular standard a transmission provider uses to perform this evaluation can vary, it should be clear from the tariff language how one type of investment would be considered against another and how the transmission provider would choose one resource over another or a competing proposal.

then incorporated into the TEPPC studies. The Commission stated that (i) the proposed Attachment Ks did not provide the timelines and milestones between the time that the Transmission Providers submit their individual local plans to SWAT and/or WestConnect, and the time that a final sub-regional plan will be developed,²⁶ and (ii) the Transmission Providers did not identify the timing of any specific opportunities customers and stakeholders will have to provide input into the elements of the sub-regional and regional plans.²⁷ The Commission also directed the Transmission Providers to include a direct link (URL) to the appropriate documents on the SWAT, WestConnect, and WECC websites where the processes to coordinate information and planning efforts are discussed, or provide additional detail on those processes in their Attachment Ks.²⁸

1. Compliance Filings

18. In their proposed filings, the Transmission Providers included a direct link to their Open Access Same Time Information System (OASIS) or website where a list of additional hyperlinks is posted (Hyperlink List). The Transmission Providers state that the Hyperlink List creates an organized method of finding documents associated with the Transmission Providers' transmission planning processes, such as the appropriate documents on the SWAT/SSPG, WestConnect, and WECC websites where the processes to coordinate information and planning efforts are discussed.²⁹

19. In addition, the Transmission Providers included a detailed quarterly schedule of sub-regional and local transmission planning meetings, which establishes the framework of the sub-regional planning groups and WestConnect transmission planning meetings and lays out general milestones for the transmission planning process.³⁰

²⁶ This applies to all of the Transmission Providers except for the Nevada Companies, which included a detailed quarterly schedule of sub-regional and local transmission planning meetings. *See* July 17 Order, 124 FERC ¶ 61,051 at n.42.

²⁷ July 17 Order, 124 FERC ¶ 61,051 at P 27.

²⁸ *Id.* P 28.

²⁹ Tucson states that its Hyperlink List can be found at http://www.oatioasis.com/TEPC/TEPCdocs/TEP_Attachment_K_-_List_of_Hyperlinks.pdf. However, that URL directs users to a webpage that states that the Hyperlink List is "Coming Soon."

³⁰ Arizona, New Mexico, and Tucson Attachment K, section III.D; El Paso Attachment K, section II.D; Nevada Companies Attachment K, section III.E.

20. For example, during the first quarter, the WestConnect Steering Committee³¹ will approve the WestConnect ten-year transmission plan and study report, and propose adjustments to the planning process and/or budget for the current year as necessary. WestConnect, SSPG, and SWAT will subsequently approve their study plans for the new year. During the second quarter, the sub-regional planning groups will present their preliminary study plan, and the individual Transmission Providers will openly review their transmission planning processes and current study plans with their customers and other stakeholders. The Transmission Providers also state that they will review information on loads, resources (including demand resources), and other needs received by March 31. During the third quarter, the sub-regional planning groups will hold their Annual Joint SWAT-CCPG-SSPG meeting, where each sub-regional planning group will present its current study plan results. The Transmission Providers state that they will invite customer and stakeholder review, comment, advice, and transmission study requests for the sub-regional planning groups' transmission planning process. Finally, during the fourth quarter, the sub-regional planning groups will hold a meeting to present, for approval, the draft report with any modifications that were included at the joint annual meeting. Moreover, the Transmission Providers provide in their Attachment Ks that any study request submitted before October 31 will be reviewed with stakeholders at the fourth quarter meeting.³²

21. The Transmission Providers also clarify that they will invite stakeholders to submit transmission study requests for inclusion in their respective study plans. In addition, WestConnect will hold an annual Planning Workshop, where it will present its current-year study, supported by a final report or a status summary report. WestConnect will also present each WestConnect Transmission Providers' draft ten-year transmission plan and the proposed study plans from SWAT, CCPG, and SSPG. After discussions about future study needs with input from study groups, TEPPC, other sub-regional planning groups, and stakeholders, WestConnect will draft the WestConnect ten-year transmission plan and the transmission planning report.

³¹ The Steering Committee leads and coordinates the efforts of the WestConnect parties and is in charge of approving WestConnect's final ten-year transmission plan.

³² New Mexico states that study requests should be submitted by September 30. El Paso states that the process is coordinated with the TEPPC process, and the submission date, which will be posted on its OASIS, will be at least one month prior to the beginning of the study request window required for the TEPPC study process. El Paso Attachment K, section I.A.6.

22. The Transmission Providers state that stakeholders can comment and provide input during all stages, including early stages, of their transmission planning process.³³ Specifically, during stakeholder meetings the Transmission Providers will offer stakeholders an opportunity to provide input into the planning processes.³⁴ Stakeholders may also submit input, comments, or advice to the Transmission Providers at any time via email.³⁵

2. Commission Determination

23. We find that the Transmission Providers' respective filings comply with the Commission's concerns in the July 17 Order regarding the regional participation principle. The Transmission Providers have included a quarterly schedule similar to the one Nevada Companies previously submitted, which the Commission accepted in the July 17 Order.³⁶ The timeline identifies the local and sub-regional planning meetings conducted each quarter and delineates the specific objectives of the meetings. The schedule allows customers to understand how the data and inputs that stakeholders provide to the local transmission plan will be integrated into the sub-regional plan being developed by the sub-regional planning groups and WestConnect. Specifically, the Transmission Providers clarify that, during the fourth quarter at the WestConnect Transmission Planning Workshop, (i) each Transmission Provider will present its draft ten-year transmission plan, (ii) SWAT, CCPG, and SSPG will present their proposed study plans, and (iii) after input from stakeholders, WestConnect will draft the WestConnect ten-year transmission plan and the transmission planning report. WestConnect will then seek approval of its ten-year transmission plan from the WestConnect Steering Committee. Moreover, TEPPC's Transmission Planning Protocol³⁷ allows customers to understand how the data and inputs that stakeholders provided to the local transmission plan will be incorporated into the TEPPC studies.

³³ Arizona, Nevada Companies, New Mexico, and Tucson Attachment K, section II.B.1; El Paso Attachment K, section I.C.1.

³⁴ Arizona, Nevada Companies, New Mexico, and Tucson Attachment K, section II.B.2.c; El Paso Attachment K, section I.C.3.

³⁵ Arizona, New Mexico, and Tucson Attachment K, section II.B.2.h; El Paso Attachment K, section I.C.1.

³⁶ July 17 Order, 124 FERC ¶ 61,051 at P 27 and n.42.

³⁷ The TEPPC Transmission Planning Protocol governs the transmission planning process used by TEPPC to support transmission providers in meeting the transmission planning obligations of Attachment K.

24. Additionally, the Transmission Providers have provided a direct link, via their Hyperlink List, to the processes the sub-regional planning groups, WestConnect, and WECC's TEPPC use to coordinate information and planning efforts. These modifications satisfy the directives of the July 17 Order and meet the requirements of the regional participation principle. However, we note that because these lists contain the links for the necessary documents that supplement the Transmission Providers' transmission planning processes, Transmission Providers must keep these lists up-to-date. We note that the URL to Tucson's Hyperlink List provided in Tucson's Attachment K is not up to date. Accordingly, we direct Tucson to either update its Hyperlink List (referenced in its Attachment K) or provide an updated Hyperlink List, such as the one found on Tucson's OASIS.³⁸

C. Economic Planning

25. In the July 17 Order, the Commission found that the Transmission Providers generally complied with the economic planning principle. However, the Commission directed each Transmission Provider to (1) indicate the minimum number of local priority economic planning studies per year that it will perform; (2) provide an explanation of how it will address additional study requests above the number that it states that it will perform; and (3) explain how it intends to batch or cluster transmission study requests.³⁹ In addition, the Commission found it was unclear whether SWAT and WestConnect play a role in conducting economic studies, or if they participate in the process at all. The Commission also found that the Transmission Providers did not provide sufficient information in their Attachment Ks regarding the process TEPPC uses to prioritize and complete regional economic studies. Accordingly, the Commission directed the Transmission Providers to provide more detail on the TEPPC processes or provide direct links (i.e., URLs) to the appropriate documents on the WECC website where the processes to prioritize and complete regional economic studies are discussed.⁴⁰

1. Compliance Filings

26. To address the Commission's concerns regarding economic planning studies, the Transmission Providers state that they will have no obligation to conduct and pay for

³⁸ Tucson provides an updated Hyperlink List in its OASIS website at http://www.oatioasis.com/TEPC/TEPCdocs/TEP_Attachment_K_URLs_List_10-14-08.pdf.

³⁹ El Paso addressed these three points in their previous filing, and therefore was not directed to address them in compliance. July 17 Order, 124 FERC ¶ 61,051 at P 40.

⁴⁰ July 17 Order, 124 FERC ¶ 61,051 at P 41.

more than three priority local economic planning studies per calendar year, and they propose to evaluate requested studies in the order they were received, unless studied together as a cluster.⁴¹ The Transmission Providers note that any additional studies determined to be priority local requests will be paid for by the transmission customer, and if requested, the Transmission Providers will provide assistance in having a third party perform the economic planning study.⁴²

27. Regarding clustering or batching of transmission study requests, the Transmission Providers have modified their Attachment Ks to state that they will cluster certain priority local economic planning studies “on reasonable grounds, including, without limitation, upon [the Transmission Providers’] determination that the proposed cluster studies are sufficiently similar, from an electrical perspective, to be feasibly and meaningfully studied as a group.”⁴³ The Transmission Providers will provide notice to each customer proposed to be included in the study, and the customers will have the opportunity to opt-out of the cluster within ten days of being notified. Customers may also propose that certain requests may be studied in a cluster. The Transmission Providers state that, prior to submitting a request to cluster, the customer seeking the cluster study shall contact all other customers whose request(s) it proposes to cluster and obtain written consent from such customers for their inclusion in the cluster study. The Transmission Providers state that they reserve the right to reject the proposed cluster on any reasonable grounds, such as, but not limited to, a Transmission Provider’s determination that the proposed cluster cannot be feasibly studied together, or that the proposed cluster impairs administration or timely processing of the economic study process. The Transmission Providers state, in the event that a request to cluster is rejected, notice will be provided within twenty days of receipt of all written consents.⁴⁴

28. Regarding the roles that the sub-regional planning groups and WestConnect will play in the Transmission Providers’ economic study processes, the Transmission Providers state that WestConnect will, on an as-needed basis, provide advice to TEPPC regarding prioritizing regional economic planning study requests and potential clustering

⁴¹ New Mexico and Tucson’s proposed tariff language does not include “and pay for.” *See* New Mexico Attachment K, section II.A.5.b.iv(a) and Tucson Attachment K, section II.A.4.b.v.

⁴² Arizona, Nevada Companies and Tucson Attachment K, section II.A.4.b(v); New Mexico Attachment K, section II.A.5.b(iv); El Paso, section I.5.f.

⁴³ Arizona, Nevada Companies and Tucson Attachment K, section II.A.4.e; New Mexico Attachment K, section II.A.5.e; El Paso Attachment K, section I.5.i.

⁴⁴ *Id.*

of requested regional economic planning studies, if those studies involve facilities in the WestConnect footprint.⁴⁵ However, the Transmission Providers clarify that SWAT and WestConnect will not conduct economic planning studies.⁴⁶ In addition, regarding the Commission's directive to provide more detail on the TEPPC processes or a direct link to that process, each Transmission Provider has included a link in its OASIS to the documents containing TEPPC's processes for prioritizing and completing regional economic studies.

2. Commission Determination

29. We find that the Transmission Providers have complied with the Commission's directives in the July 17 Order. El Paso, Nevada Companies, and Arizona have modified their Attachment Ks to state that they will conduct and pay for three local priority economic planning studies per year, at the Transmission Providers' expense, and that any additional local priority studies will be paid for by the requestor. New Mexico and Tucson state that they "will have no obligation to facilitate more than three priority local economic planning studies per calendar year," at New Mexico or Tucson's expense. While this language is slightly ambiguous, we interpret it to mean that New Mexico and Tucson will indeed fund three economic planning studies if three such studies are requested.⁴⁷ The Transmission Providers also note that, if requested, they will provide assistance in having a third party perform studies beyond the three they commit to perform each year. We interpret this commitment for transmission providers to "provide assistance in having a third party perform studies beyond the three they commit to perform each year" to mean they will provide the third-party any information and assistance necessary for the third-party to complete the studies.

30. In addition, the Transmission Providers state that they will cluster priority local economic planning studies, either at their own determination or if requested by a customer. The Transmission Providers state that they will cluster the studies "on

⁴⁵ Arizona, New Mexico, and Tucson Attachment K, section III.C.4; Nevada Companies Attachment K, section III.D.4; El Paso Attachment K, section II.C.4.

⁴⁶ Arizona, Nevada Companies, New Mexico, and Tucson Attachment K, section III.B.1; El Paso Attachment K, section II.B.1. According to New Mexico, SWAT will also provide guidance, as needed, for coordinating economic planning studies with TEPPC or the local transmission provider. The Nevada Companies do not clearly state whether SSPG will have a role in conducting economic planning studies, provide advice to TEPPC, or neither.

⁴⁷ New Mexico Attachment K, section II.A.5.b.iv(a) and Tucson Attachment K, section II.A.4.b.v.

reasonable grounds, including, without limitation, upon [their] determination that the proposed cluster studies are sufficiently similar, from an electrical perspective, to be feasibly and meaningfully studied as a group.”⁴⁸ Furthermore, the Transmission Providers clarify that SWAT will not have a role in conducting economic planning studies, while WestConnect will provide advice to TEPPC on those studies, on an as needed basis.⁴⁹ Finally, the Transmission Providers have included a direct link, via their Hyperlink List, to the process TEPPC uses for prioritizing and completing regional economic studies, as directed in the July 17 Order.

31. By indicating the minimum number of local priority economic planning studies per year that it will perform, explaining how they will address additional study requests beyond that number, explaining how they will batch or cluster transmission study requests, and clarifying the roles of different entities in the planning processes, Transmission Providers satisfactorily address the Commission’s directives in the July 17 Order.

D. Cost Allocation

32. In their original Attachment K filings, the Transmission Providers, with the exception of El Paso, stated that for development, construction, ownership and operation of bulk power facilities, they will abide by the WestConnect Memorandum of Understanding, which states “to the maximum extent practical, [the Transmission Providers agree] to use open season solicitation, multiparty transmission ownership, and the potential co-existence of both physical and financial transmission rights for transmission projects planned under the WestConnect processes.”

33. El Paso proposed a cost allocation methodology that provides that for any project where an open season solicitation process has been used and there is more than one participant resulting from the solicitation of interest, project costs and associated transmission rights would be allocated proportionally to project participants. Additionally, El Paso proposed that for projects without a solicitation of interest, El Paso may proceed at its own expense. Furthermore, El Paso provided that for projects wholly

⁴⁸ Arizona, Nevada Companies and Tucson Attachment K, section II.A.4.e; New Mexico Attachment K, section II.A.5.e; El Paso Attachment K, section I.5.i.

⁴⁹ We note that the Commission did not require the Transmission Providers who participate in SSPG to clarify the role that SSPG plays in conducting economic planning studies because SSPG had not been established. Since the sub-regional planning groups have similar planning processes, we will assume that SSPG, like SWAT, will not have a role in conducting economic planning studies.

on the El Paso system that are undertaken for economic reasons or congestion relief in response to a request, the project costs will be allocated to that requestor.

34. In the July 17 Order, the Commission found that with the exception of El Paso,⁵⁰ the Transmission Providers did not provide adequate detail in their proposed cost allocation methodology to afford participants seeking to support new transmission investments a sufficient degree of certainty regarding cost allocation to pursue that investment.⁵¹ The Commission directed the Transmission Providers, with the exception of El Paso, to submit a further compliance filing that addresses the cost allocation principle, as set forth in Order No. 890.

1. Compliance Filings

35. The Transmission Providers state that their proposed cost allocation methodology is based on the Commission's approval of El Paso's cost allocation approach. Under this cost allocation methodology, the Transmission Providers will use a case-by-case approach for reliability and/or economic projects that may involve an open season solicitation of interest for additional project participants in the event the Transmission Provider is the project sponsor.⁵² The Transmission Providers propose that in the case of a project with more than one participant resulting from a solicitation of interest, the project costs and associated transmission rights would be allocated proportionally to the project participants.⁵³ In addition, the Transmission Providers propose that for small projects or reliability projects without a solicitation of interest, they may elect to proceed at their own expense.⁵⁴ Moreover, the Transmission Providers propose that the costs for any project entirely on a Transmission Provider's system undertaken for economic or congestion reasons will be allocated to the requestor of the project.⁵⁵

⁵⁰ The Commission accepted El Paso's cost allocation methodology. *See* July 17 Order, 124 FERC ¶ 61,051 at P 46-47.

⁵¹ Order No. 890-A, FERC Stats. & Regs. ¶ 31,261 at P 251.

⁵² Arizona and Tucson Attachment K, section VII.A; New Mexico Attachment K, section VII; Nevada Companies Attachment K, section VII.B.

⁵³ Arizona and Tucson Attachment K, section VII.A.4.a; New Mexico Attachment K, section VII.4.a; Nevada Companies Attachment K, section VII.B.4.a.

⁵⁴ Arizona and Tucson Attachment K, section VII.A.3; New Mexico Attachment K, section VII.3; Nevada Companies Attachment K, section VII.B.3.

⁵⁵ Arizona and Tucson Attachment K, section VII.A.4.b; New Mexico Attachment K, section VII.4.b; Nevada Companies Attachment K, section VII.B.4.b.

2. Commission Determination

36. We find that the Transmission Providers comply with the requirements in the July 17 Order regarding cost allocation. The Transmission Providers have proposed a cost allocation methodology similar to El Paso's, which was accepted in the July 17 Order. In the case of a project with more than one participant resulting from a solicitation of interest, the project costs and associated transmission rights will be allocated proportionally to the project participants. For projects without an open season, the Transmission Providers state that a Transmission Provider may elect to proceed at its own expense. Furthermore, the Transmission Providers will allocate the cost of economic and congestion relief projects, for which the transmission provider is not the sponsor, to the requestor(s) of the project. We expect that when there is more than one requestor for the economic or congestion relief project, Transmission Providers will similarly allocate the costs of these projects proportionately if there is more than one party requesting the project and no other agreement among those requesters has been provided to the Transmission Provider. In addition, the proposed cost allocation methodology is generally accepted and utilized throughout the WestConnect footprint. Consistent with the Commission's acceptance of El Paso's cost allocation methodology, we will accept the Transmission Providers' proposed methodologies here.⁵⁶

E. Recovery of Planning Costs

37. In the July 17 Order, the Commission noted that the Transmission Providers did not address the recovery of costs associated with participating in the transmission planning process. Therefore, the Commission directed the Transmission Providers to explain how they intend to recover Attachment K transmission planning activity costs.⁵⁷

1. Compliance Filings

38. In the instant filings, the Transmission Providers propose that unless the Transmission Provider allocates planning-related costs to an individual stakeholder as permitted under the Tariff, all costs incurred by the Transmission Provider related to its transmission planning process or the sub-regional or regional planning process shall be included in the Transmission Provider's transmission rates.⁵⁸

⁵⁶ July 17 Order, 124 FERC ¶ 61,051 at P 46-47.

⁵⁷ *Id.* P 48.

⁵⁸ Arizona, Nevada Companies, New Mexico and Tucson Attachment K, section V; El Paso Attachment K, section IV.

2. Commission Determination

39. We find that the Transmission Providers' filings comply with the directive in the July 17 Order concerning the recovery of planning costs principle adopted in Order No. 890.

F. Dispute Resolution

40. In their original Attachment K filings, most of the Transmission Providers referred to the dispute resolution provisions embodied in their existing respective OATTs to satisfy the dispute resolution principle. In the July 17 Order, the Commission found that the Transmission Providers' dispute resolution provision complied with the requirements of Order No. 890. The Commission noted however that the dispute resolution provisions did not include a mediation step and encouraged the Transmission Providers, with the exception of El Paso, to consider including this step in their dispute resolution process.⁵⁹

1. Compliance Filings

41. The Transmission Providers, with the exception of Tucson (and El Paso, which already included such a step), have now modified their dispute resolution provision to include a second step, mediation, to disputes not within the scope of the WECC dispute resolutions procedures. Specifically, non-WECC disputes will be addressed according to the dispute resolution provisions under these Transmission Providers' respective OATTs, with the added provision that if the dispute is not resolved by direct negotiation between the parties, they may be referred to mediation, either before or after arbitration. In addition, the Transmission Providers modified their provisions to state that disputes within the scope of the WECC will be handled according to the WECC dispute resolution procedures, as contained in the *WECC Business and Governance Guidelines and Policies*.⁶⁰

2. Commission Determination

42. We note that although the Transmission Providers were not required to make further changes to improve their dispute resolution procedures, the Transmission Providers voluntarily chose to do so. The Transmission Providers filed a dispute resolution provision, which adds a mediation step for disputes that are not within the scope of the WECC dispute resolution procedures, and refers those that are within the

⁵⁹ El Paso's dispute resolution provision already included a mediation step within a three-step dispute resolution process.

⁶⁰ Arizona, Nevada Companies, and New Mexico, and Attachment K, section VI.

scope of the WECC to be addressed according to the WECC procedures. This approach is identical to the one previously filed by El Paso. We find that adding a mediation step will allow parties affected by disputes to gain the benefits of a three-step dispute resolution process, thus improving the Transmission Providers' dispute resolution procedures. Accordingly, the additional revisions regarding dispute resolution are accepted.⁶¹

V. Order No. 676-C

43. El Paso also filed revisions to comply with the requirements of Order No. 676-C.⁶² El Paso's revisions incorporate by reference certain Wholesale Electric Quadrant (WEQ) standards promulgated by the North American Energy Standards Board, with the exception of WEQ-001.⁶³ In addition, El Paso requests waiver of the Transmission Loading Relief – Eastern Interconnection standard (WEQ-008), because El Paso's transmission system is located in the footprint of WECC, and therefore, WEQ-008 is not applicable to El Paso's transmission system.

44. El Paso's Order No. 676-C related revisions are in satisfactory compliance with Order No. 676-C, and are accepted for filing, as designated, effective October 1, 2008, consistent with the effective date established in Order No. 676-C for these standards. Additionally, consistent with prior Commission orders,⁶⁴ waiver of the WEQ-008 standard is appropriate here, and is therefore granted.

⁶¹ We note that Tucson did not propose to include a mediation step in its dispute resolution procedures. If Tucson desires to include this step, it should do so in the compliance filing required in this order.

⁶² Order No. 676-C provides that revisions to comply with Order No. 676-C may be filed with an unrelated filing. Order No. 676-C, FERC Stats. & Regs. ¶ 31,274 at P 82.

⁶³ Pursuant to Order No. 676-C, WEQ-001 standards were to be implemented by January 31, 2009. El Paso submitted the remaining Order No. 676-C compliant revisions, WEQ-001, on January 30, 2009, in Docket No. ER09-651-000.

⁶⁴ See *Sierra Pacific Res. Oper. Companies*, Docket No. ER08-1552-000, at P 5 (Nov. 13, 2008) (unpublished letter order); and *UNS Elec. Inc.*, Docket No. ER09-604-000, (Mar. 26, 2009) (unpublished letter order).

The Commission orders:

(A) The Transmission Providers' revised compliance filings are hereby accepted effective December 7, 2007, subject to further compliance filings, as directed in the body of this order.

(B) The Transmission Providers are hereby directed to submit respective compliance filings, within 60 days of the date of this order, as discussed in the body of this order.

(C) El Paso's request for waiver of the WEQ-008 standard pursuant to Order No. 676-C is granted.

By the Commission.

(S E A L)

Kimberly D. Bose,
Secretary.