

FERC Order 1000 Stakeholder Meeting

October 24, 2011

Denver, CO

WestConnect Overview

Bob Smith
Arizona Public Service, and
WestConnect Steering Committee Chair

Session Agenda

Agenda Items	Time
<p data-bbox="112 551 1122 596">Opening Remarks and Session Introduction</p> <ul data-bbox="112 668 1537 1075" style="list-style-type: none"><li data-bbox="112 668 1224 714">• Bob Smith, APS and Chair of Steering Committee<li data-bbox="112 739 1031 785">• Chris Thomas, FERC Staff – Order 1000<li data-bbox="112 811 1363 856">• Susan Henderson, Xcel Energy - Transmission Planning<li data-bbox="112 882 1537 928">• Ron Belval, TEP and Chair of Planning Management Committee<li data-bbox="112 953 1205 999">• Charlie Reinhold, Project Manager WestConnect<li data-bbox="112 1025 813 1071">• Ethan Sanders, ICF Facilitator	1 hour

Session Agenda

Agenda Items	Time
<p data-bbox="112 551 1213 596">Generating Ideas for the FERC 1000 Action Plan</p> <ol data-bbox="112 665 1518 1229" style="list-style-type: none"><li data-bbox="112 665 1518 768">1. What do we need to accomplish in order to be fully compliant with FERC 1000 by the deadline?<li data-bbox="112 793 1290 839">2. How will we accomplish it (i.e., what are the steps?)<li data-bbox="112 865 1383 911">3. Who are all of the stakeholders we will need to engage?<li data-bbox="112 936 1518 1039">4. Are there any stakeholders who are not represented in today's meeting?<li data-bbox="112 1065 1460 1229">5. What are some challenges (e.g., stakeholder involvement, meeting timelines, etc.) we may face as we follow the steps outlined today?	3 hours

Session Agenda

Agenda Items	Time
Session Closing <ul style="list-style-type: none">• Next Steps• Milestones• Future meeting• Closing comments by Bob Smith, APS	1 hour

WestConnect

- Executed Restated MOU Among Transmission Owners (TOs) in the Western Grid – Effective January, 2007
- Purposes:
 - *Continue investigation of feasibility of cost-effective wholesale market enhancements*
 - *Work cooperatively with other Western Grid Organizations and market participants*
 - *Address seams issues in appropriate forums*

WestConnect MOU Membership

Arizona Public Service

El Paso Electric

Imperial Irrigation District

NV Energy

Public Service Colorado

Public Service New Mexico

Sacramento Municipal Utility District

Salt River Project

Southwest Transmission Cooperative

**Transmission Agency of Northern
California**

Tri-State G & T Association

Tucson Electric Power

Western Area Power Administration

- Rocky Mountain Region

- Desert Southwest Region

- Sierra Nevada Region

- CRSP Management Office

TOTALS Jan. 2010

46,000 MW of Load

33,000 Miles of Transmission Line

7.0 Million Retail Customers Served

WestConnect Steering Committee Members

APS	Bob Smith – Chair
EPE	Dennis Malone
IID	Steve Keene
NV Energy	Vince Goicoechea
Xcel/PSCO	Joe Taylor
PNM	Greg Miller
SMUD	Vicken Kasarjian
SRP	John Underhill
SWTC	Jim Burson
TANC	Brian Griess
TSGT	Doug Reese
TEP	Bill Darmitzel
WAPA	Mike McElhany

WestConnect Planning

- Executed WestConnect Project Agreement for Subregional Transmission Planning – Effective May 23, 2007
- Purposes:
 - *Oversee subregional planning process carried out in CCPG, SSPG and SWAT*
 - *Develop Annual WestConnect Transmission Plan Report*
 - *Processes are Order 890 Compliant*

WestConnect Planning Participants

Arizona Public Service

Basin Electric Power Cooperative

Black Hills - Colorado

El Paso Electric

Imperial Irrigation District

NV Energy

**Platte River Power Authority
(Effective January, 2012)**

Public Service Colorado

Public Service New Mexico

Sacramento Municipal Utility District

Salt River Project

Southwest Transmission Cooperative

Transmission Agency of Northern
California

Tri-State G & T Association

Tucson Electric Power

Western Area Power Administration

- *Rocky Mountain Region*
- *Desert Southwest Region*
- *Sierra Nevada Region*
- *CRSP Management Office*

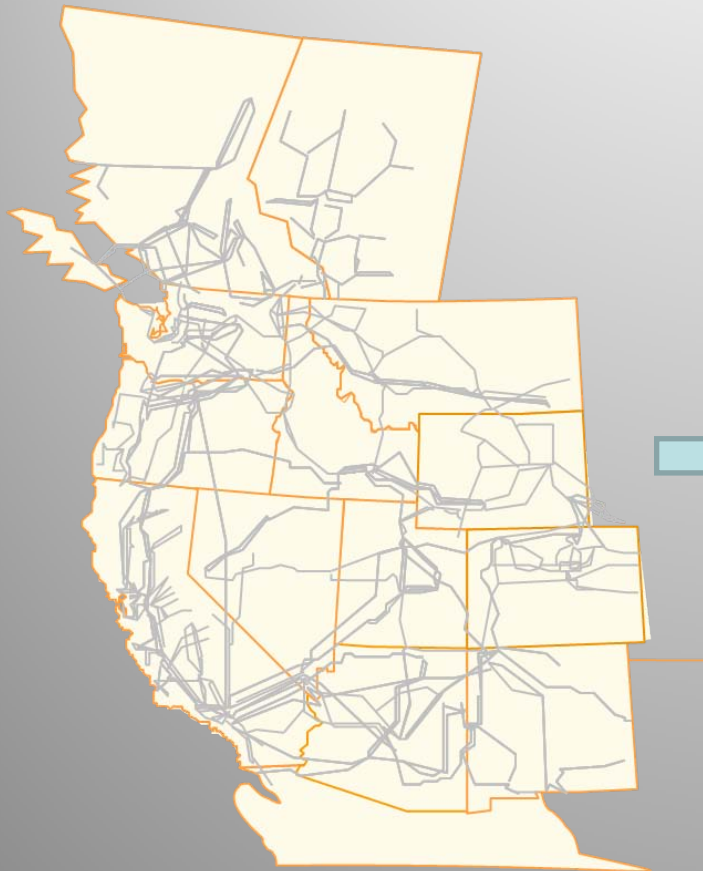
FERC Order 1000 – Overview

Chris Thomas
FERC

Current Transmission Planning Process

**Susan Henderson
Xcel Energy**

Western Planning Entities

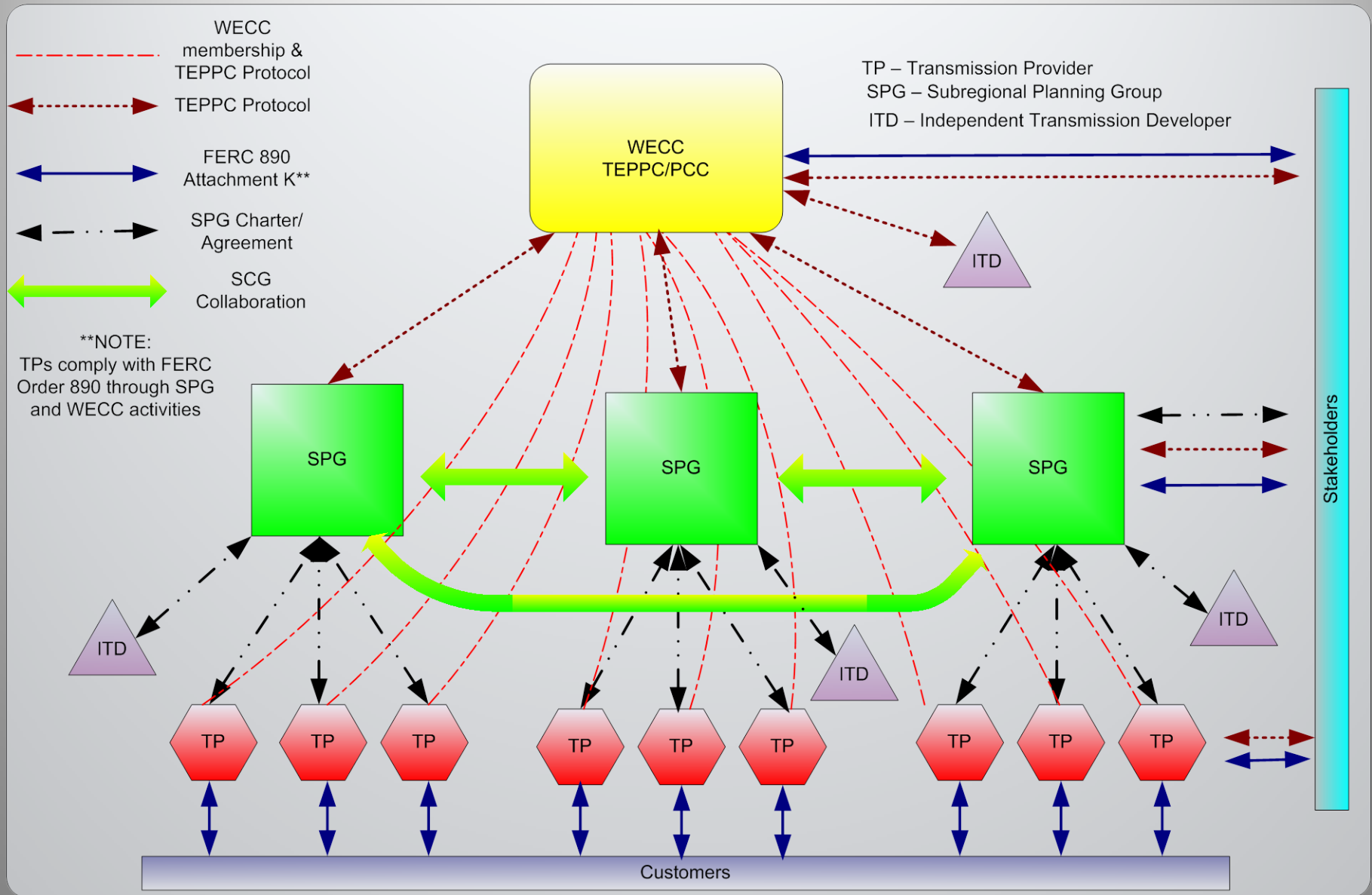


WECC Geographic Region

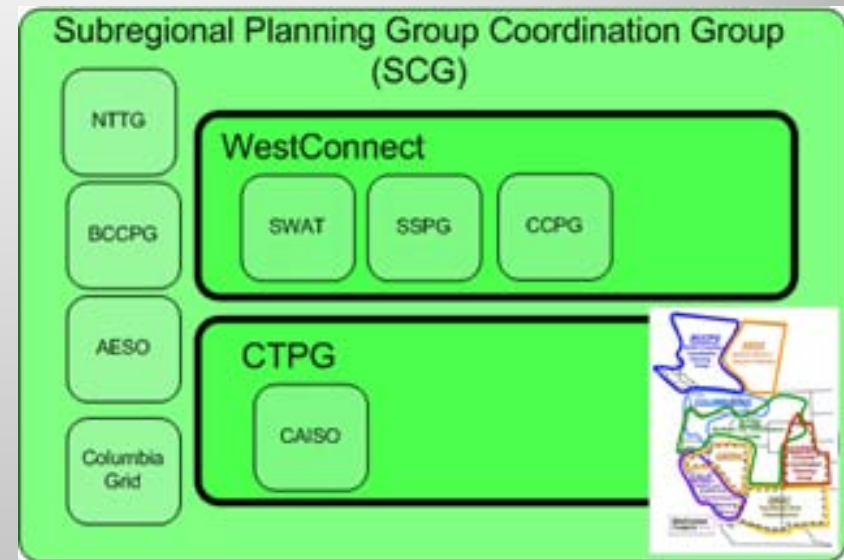
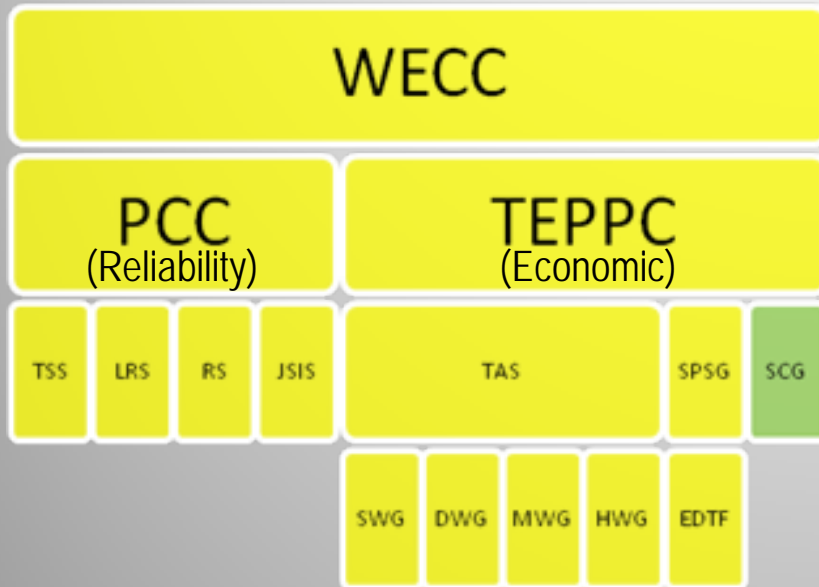


Subregional Groups within WECC

Current Western Interconnection Planning Process



Who's Who in Transmission Planning



WECC	Western Electricity Coordinating Council
PCC	Planning Coordination Committee
LRS	Loads and Resource Subcommittee
TSS	Technical Studies Subcommittee
RS	Reliability Subcommittee
JSIS	Joint Synchronized Information Subcommittee
TEPPC	Transmission Expansion Planning Policy Committee
TAS	Technical Advisory Subcommittee
DWG	Data Work Group
HWG	Historical Work Group
MWG	Modeling Work Group
SWG	Studies Work Group
SPSG	Scenario Planning Steering Group
EDTF	Environmental Data Task Force

SCG	Subregional Coordination Group
SPG	Subregional Planning Group
AESO	Alberta Energy System Operator
BCCPG	British Columbia Coordinating Planning Group
CAISO	California Independent System Operator
CCPG	Colorado Coordinating Planning Group
CG	Columbia Grid
CTPG	California Transmission Planning Group
NTTG	Northern Tier Transmission Group
SSPG	Sierra Subregional Planning Group
SWAT	South West Area Transmission

Stakeholders Involved in Process



Stakeholder involvement and outreach has been a main objective of the transmission planning forums. The WECC Regional Transmission Expansion Planning (RTEP) process has made available funding for Non-Governmental Organizations (NGO) to participate in transmission planning

All transmission planning forums are open to interested stakeholders

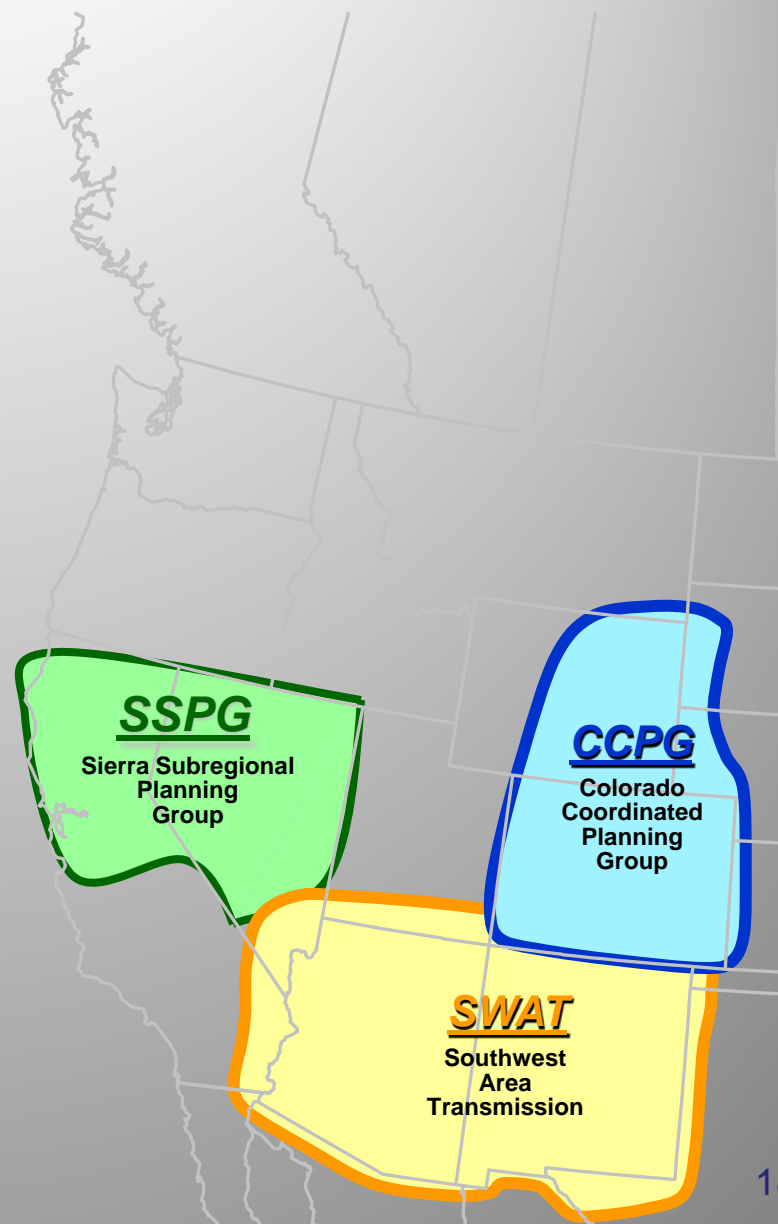
WestConnect Transmission Planning

Ron Belval
Tucson Electric Power, and
Planning Management Committee Chair

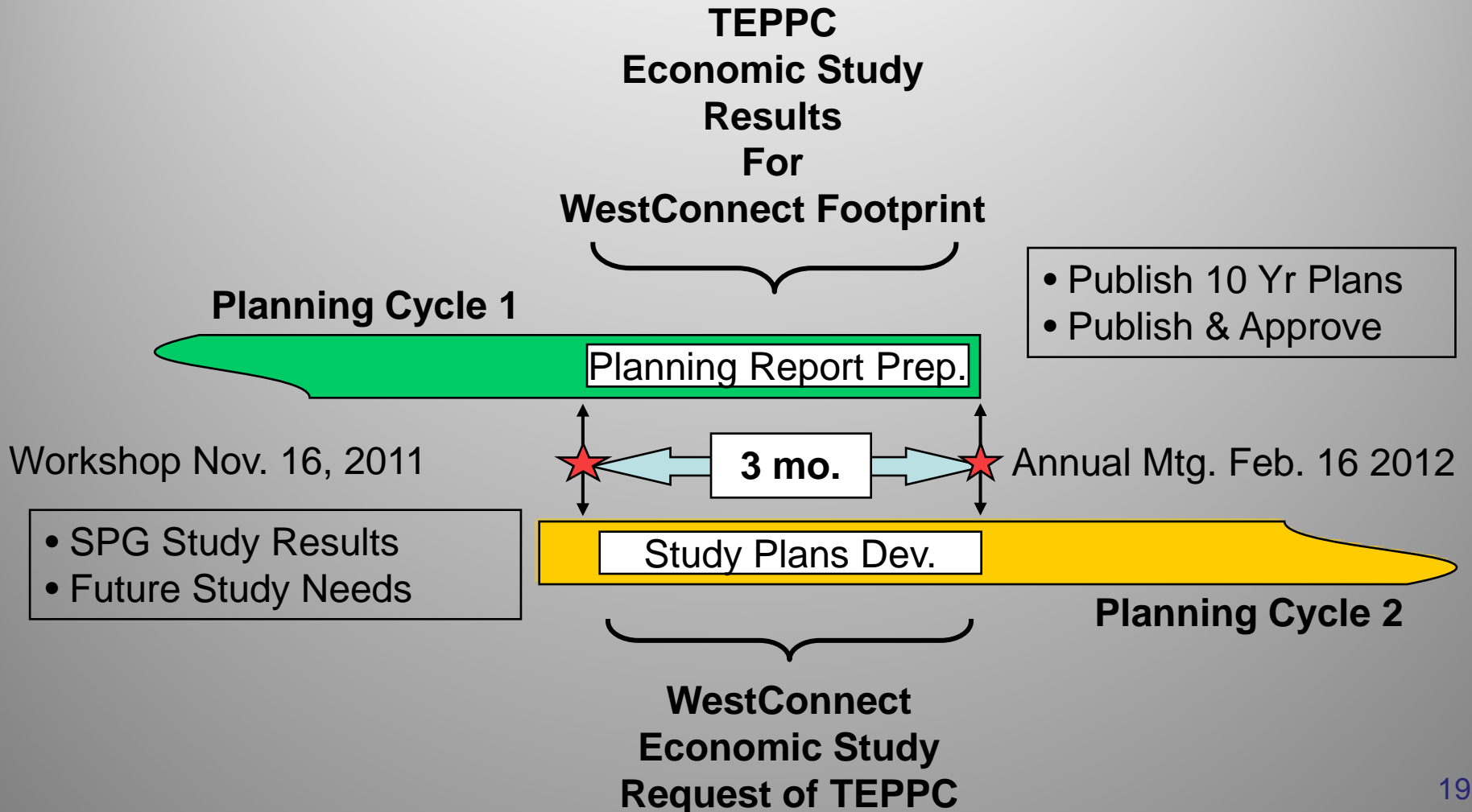
Regional Planning Is Occurring Voluntarily

Order 890 Compliant

Projects that are driven
by reliability, economics
and public policy.



Planning Cycle



WestConnect Supports Processes in the Western Interconnection

- Planning is Inclusive, Bottom-Up Approach
 - *Local, Sub-Regional and Interconnection-Wide (Regional) Levels*
- Opportunity for Stakeholders to identify particular needs and interests and review and comment upon proposed projects
- Participation in WECC RTEP Development
- More needs to be done to comply with Order 1000

Order 1000 Requirements

Charles Reinhold
WestConnect Project Manager

Order 1000 Requirements

Planning Requirements:

- Each Transmission Provider must participate in a regional planning process that results in a regional plan
- The Planning Region must be defined – Who is in and Who is out
- Identify process for making decisions
- Must satisfy Order 890 principles
- Establish procedures to identify and evaluate transmission needs driven by Public Policy Requirements
- Allow opportunities for stakeholder participation in the process

Order 1000 Requirements

Regional Cost Allocation:

- Must establish a cost allocation method for new transmission facilities selected in the regional transmission plan for purposes of cost allocation
 - *Requires development of a methodology to identify benefits and beneficiaries of projects*
- Participant-funding of new transmission facilities is permitted, but is not allowed as the regional or interregional cost allocation method

Order 1000 Requirements

Nonincumbent Developer Requirements:

- Eliminate provisions that establish a federal right of first refusal, with certain exceptions
- Develop a regional process for transmission project submission, evaluation and selection

Order 1000 Requirements

Interregional Coordination:

- Develop procedures for sharing information
- Implement procedures and describe the methods by which neighboring regions will identify and jointly evaluate transmission facilities that are proposed to be in both regions
- Exchange planning data and information between neighboring transmission regions
- Maintain a website or email list for the communication of information
- May develop cost allocation methods that differ from regional methods

Order 1000 Requirements

Inter-regional Cost Allocation:

- Neighboring transmission planning regions must have a common interregional cost allocation method for new interregional transmission facilities that the regions determine to be efficient or cost-effective. To be eligible for interregional cost allocation, each facility must be selected in each regional plan
- Different interregional facilities may have different cost allocation methodologies

Order 1000 Requirements

Compliance Due Dates:

- Compliance with Regional Transmission Planning Requirements – October 11, 2012
- Compliance with Interregional Transmission Planning Requirements – April 11, 2013

Order 1000 Requirements Facilitated Session

Ethan Sanders

Ground Rules

- This is a large group... be succinct
- State your name and organization when speaking
- Respect everyone's opinion, even if it is different from yours
- Be nice to the facilitator... he's outnumbered 100 to 1
- What else?

GENERATING IDEAS FOR THE FERC 1000 ACTION PLAN

Generating Ideas for the FERC 1000 Action Plan

Purpose:

- To determine what needs to be accomplished in the next 12-18 months in order to comply with FERC 1000

Generating Ideas for the FERC 1000 Action Plan

Directions:

- Form groups (Webinar attendees will participate as one group)
- Assemble in breakout areas
- As a team, you will have 75 minutes to consider the following questions and record your answers on the 3X5 cards provided
- Jot down your notes on paper first, and then transfer legibly onto the cards
- Turn in your cards as soon as you finish them

Activity Questions

1. What do we need to accomplish in order to be fully compliant with FERC 1000 by the deadline?
2. How will we accomplish it (i.e., what are the steps we will need to follow?)
3. Who are all of the stakeholders we will need to engage?
4. Are there any stakeholders who are not represented in today's meeting?
5. What are some challenges (e.g., stakeholder involvement, meeting timelines, etc.) we may face as we follow the steps outlined today?

Input Received for Question 1 - Goals

- Define the Region (need to get consensus on the region).
- Decide who is in the region.
- Establish the regional and inter-regional cost allocation methodology.
- Establish a decision-making process.
- Initiate early outreach.
- Determine what the regional and interregional planning process will be.

Input Received for Question 1- Goals

- Once regional footprint is identified, identify interregional issues. Which issues are complementary (and non-complementary) to neighboring regions?
- Need to know who makes the final planning decisions in interregional planning.
- Determine what in the current planning process is already compliant and what more needs to be done.

Input Received for Question 1 - Goals

- Once region is defined and cost allocation methods are proposed, determine how the region integrates with the other regions (e.g., CAISO) and existing tariffs and cost allocation).
- Figure out how one identifies benefits (e.g., energy and reliability) and beneficiaries.
- A process for coordinating FERC's cost allocation with State utility regulation needs to be an integrated process to facilitate regulated utilities willingly participating in new lines.

Input Received for Question 1 - Goals

- Develop criteria and/or methodology for: inclusion of reliability, economic, and policy projects, project selection, project developer, cost allocation, beneficiary, format of agreement.
- Draft compliance plan (same for all regional entities).
- Develop qualification criteria for developers.
- Develop process for selecting competing projects.

Input Received for Question 1 - Goals

- Develop/determine governance process; stakeholders; planning process approval authority; approving entity; voting/decision making.
- Determine who will be on governance body.
 - Governance (decision-making) body needs to be established
 - Refer to NTTG and others as appropriate
- Determine whether WECC regional planning process is applicable and what role WECC will have.

Input Received for Question 1 - Goals

- Determine the process for independent transmission companies to be able to submit their projects for review, and how to get into a cost/benefit analysis.
- Determine whether this will be a stand-alone section of OATT?
- Determine how broadly to define economic benefits (e.g., reliability direct cost, jobs, tax incentives, externalities, policy).

Input Received for Question 2 - Action Steps

- Hold additional meetings.
- Agree on a set of goals and respective guidelines.
- Establish milestones.
- Establish how to comply now, and where gaps exist.
- Analyze what others have done. Research existing policy and procedures.
- Negotiate solutions among those with different agendas.

Input Received for Question 2 - Action Steps

- Create opportunities for non-jurisdictionals to participate in planning and cost allocation.
- Highlight timelines, milestones, feedback from participants.
- Use facilitators for organizational tasks.
- Write a white paper proposing list of benefits (straw man of universal benefits), templates of other regions for applicability; run by region stakeholders and FERC staff.

Input Received for Question 2 - Action Steps

- Allow for focused "strike teams" (i.e., sub groups) to address difficult issues. Create two teams – one looks at the “workers” and the others look at “the work”; one looks at the macro issues, and if needed assigns a sub group to address the issues.
- Analyze the best alternatives that meet the needs of both incumbent utilities and independent transmission companies and regulatory agencies.

Input Received for Question 2 - Action Steps

- Continue to improve and rely on the TEPPC data base for data used in economic analysis.
- Identify which projects require economical analysis. Ask FERC if the requirement only applies to projects that are selected for cost allocation.
- Ask the WestConnect Transmission Providers to propose a region and ask stakeholders, including states, to respond.

Input Received for Question 2 - Action Steps

- Create high level principles so people know the playing field.
- Develop a straw man proposal, with stakeholder input including states, for cost recovery methodologies (and other aspects of the process) to run by FERC.
 - *The straw man should present some options that consider multiple possibilities.*
 - *Select proper team to develop straw man proposal.*

Input Received for Question 2 - Action Steps

- Make a list of alternative solutions for cost allocation, define each one, and indicate the pros and cons of each solution.
- Create a task force of people who conduct IRPs and state commissioners to propose how to address non-wire alternatives.

Input Received for Questions 3 & 4 - Stakeholders

- Merchant Companies (Power and Transmission)
- FERC Jurisdictional entities
- FERC Non-jurisdictional entities
- State Commissions
- State Governors Offices
- State Energy Offices
- State Consumer Councils

Input Received for Questions 3 & 4 - Stakeholders

- State Attorneys General
- Consumer representatives
- State, Provincial, and Federal land management agencies
- Private land owners
- Tribal Interests
- NGOs (e.g., Environmental organizations)

Input Received for Questions 3 & 4 - Stakeholders

- National Association of Counties
- National Conference of State Legislatures
- Federal Power Marketing Agencies (WAPA, BPA)
- Trade Associations
- Economic Development Agencies
- Other planning region representation (e.g., NTTG, ColumbiaGrid, etc.)
- California?

Input Received for Questions 3 & 4 - Stakeholders

- Existing planning groups
- Technology advocates
- Retail and other electricity customers
- Congressional members
- Appropriate entities for the utilities
- Forming Regions (including buyers)
- Permitting agencies
- Department of Defense

Input Received for Question 5 - Challenges

- How do we find a way for all stakeholders to participate in a meaningful way? Some stakeholders are resource limited.
- Given the abundance of meetings, it will be a challenge to find time to meet and optimize meetings to reduce redundancy and use attendees' time efficiently.
- How will we address an aging and inefficient infrastructure and resource supply?

Input Received for Question 5 - Challenges

- Some states have their own planning processes. How are these processes and associated requirements going to match up with processes for complying with FERC Order 1000?
- Identification of beneficiaries for purposes of cost allocation and arriving at a consensus on methods for doing so across regulatory jurisdictions.
- Aligning with other existing processes and forums.

Input Received for Question 5 - Challenges

- Keeping stakeholders engaged.
- How will the plan be implemented quickly and efficiently?
- Utilize resources (e.g., staffing) efficiently.
- State budgets may be insufficient for states to fully engage in process.
- Dealing with iterative nature of the planning process.
- How to get the state regulatory agencies to buy in to this process, and how to get them to cooperate with each other as decisions are made.

Input Received for Question 5 - Challenges

- Getting FERC buy-in to establish long-term regulatory consistency.
- There is currently no decision-making process. Difficult to arrive at consensus.
- How do we get our heads around the different pieces of the order?
- Ensuring the continued involvement of state regulators in the process so there are no surprises in cost recovery?

Input Received for Question 5 - Challenges

- Amending the tariff by Oct. 11, 2012 and obtaining uncontested FERC approval.
- Understanding the consequences of how the regions are defined.
- Regional participants may not be defined until the cost allocation principles are established.
- Stakeholders agreeing to 1 set of allocation criteria.

Input Received for Question 5 - Challenges

- How prescriptive will the cost allocation methodologies be, and how will they be enforced if there are some who refuse to pay their share?
- The challenge of “right of first refusal” – who has the right to develop transmission?
- State and federal regulatory uncertainty.
- Accommodate the state's interests and balance those against the region, opposing political views or policy views.

Input Received for Question 5 - Challenges

- What happens if a regional project meets the reliability objectives of a reliability project? What analysis is required? Who is responsible for Transmission Provider's NERC standard compliance?
- It is important to explore how to maintain good relations with FERC non-jurisdictional entities and to determine how these entities can participate in the process.

Mitigation Strategies

- How do we get our heads around the different pieces of the order?
 - *Use strike teams and straw men*
- How do we ensure the continued involvement of state regulators in the process so there are no surprises in cost recovery?
 - *RTO-like commissioned structure*
 - *NTTG model*
 - *10 year plan in Colorado (Rule 3627)*

Mitigation Strategies

- Amending the tariff by Oct. 11, 2012 and obtaining uncontested FERC approval.
 - *Contractual agreements that your tariff points to.*
 - *Stay focused and drive for results.*
 - *Start with agreed upon principles, develop a business process that works, and then write tariff.*

Mitigation Strategies

- What are the consequences of how the regions are defined?
 - *Bring together stakeholders and define a set of goals and criteria to be used for making the decision.*
 - *See Pros and Cons document on region size. Expand as needed.*
- Regional participants may not be defined until the cost allocation principles are established.
 - *Will have to accept that some entities will not go along with process if the cost allocation strategies do not work for them.*

Mitigation Strategies

- The challenge of “right of first refusal” – who has the right to develop a transmission?
 - *Examine other groups who have faced a similar challenge and apply lessons learned.*

SESSION CLOSING

Milestones

Time Period	Milestones
Q1 of Compliance Period	<ul style="list-style-type: none">• Define the region(s) and the membership participation in the region(s)• Identify task forces and get started• Create a principles document• Examine the stakeholders categories/community and create a communication plan• Research documents from other regions<ul style="list-style-type: none">– Collect similar policies– Collect information on cost allocation methods• Create a decision-making process and have a vote if needed

Milestones

Time Period	Milestones
Q2 of Compliance Period	<ul style="list-style-type: none">• Create straw men proposals• Finalize deliverables from the first quarter• Initiate communication channels with the state and federal regulators
Q3 of Compliance Period	<ul style="list-style-type: none">• Develop and finalize the planning process• Begin inter-regional discussions and participate in those activities• Test some of the deliverables (e.g., selection criteria of the region, the planning process itself using examples, etc.)
Q4 of Compliance Period	<ul style="list-style-type: none">• Develop consistent FERC filings• FERC 1000 Filing

Future WestConnect Meetings

- Future WestConnect meetings can be found on the WestConnect website
- Next WestConnect Stakeholder FERC Order 1000 meeting to be determined

Future Meetings Discussion on Order 1000

- How frequently would you like to meet?
 - *It depends on the quarter. This can be driven by the deliverables based on what the strike team decides.*
 - *Important to include stakeholders who did not attend this session in future meeting discussions.*

Future Meetings Discussion on Order 1000

- What topics would like to discuss?
 - *Report back on the sub groups/strike groups (set deadlines for sub groups)*
- Do you prefer in-person or virtual meetings?
- What timeframe would you suggest for the next meeting?
(before or after holidays?)

Closing Comments

**Bob Smith,
WestConnect Steering Committee Chair**