

**UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION**

**Transmission Planning Processes     )  
Under Order 890                             )**

**Docket No. AD09-8-000**

**WESTCONNECT COMMENTS**

In accordance with the Federal Energy Regulatory Commission’s (“FERC” or “Commission”) Notice of Request for Comments on Transmission Planning Processes under Order 890 (“NORC”) issued October 8, 2009 and the subsequent Notice Granting Extension of Time issued October 30, 2009, the WestConnect Planning Parties<sup>1</sup> respectfully submit these comments.

**I.     COMMUNICATIONS**

Communications concerning these comments should be addressed to:

Charles Reinhold  
WestConnect Project Manager  
2502 Cemetery Lane  
Council, Idaho 83612  
208-253-6916  
reinhold@ctcweb.net

**II.    INTRODUCTION**

The WestConnect Planning Parties are a group of transmission providers located in the Southwest and Rocky Mountain areas of the Western Interconnection that have entered into the WestConnect Project Agreement for Subregional Transmission Planning (“WestConnect Planning Agreement”), effective May 23, 2007. Pursuant to the WestConnect Planning Agreement, the WestConnect Planning Parties provide resources for the development of an annual ten-year regional transmission plan for the WestConnect

---

<sup>1</sup> The WestConnect Planning Parties supporting these comments are identified in Exhibit A, attached hereto. Each of the WestConnect Planning Parties reserves the right to address its specific issues and concerns regarding this docket in an individual filing with the Commission.

Planning Area<sup>2</sup>, promote stakeholder involvement in the annual planning process through use of documented, open and transparent stakeholder and industry peer review planning processes, and promote the coordination of the WestConnect planning process with other subregional and Western Electricity Coordinating Council (“WECC”) region-wide transmission planning efforts. The WestConnect Planning Parties, which include both FERC-jurisdictional and non-FERC jurisdictional entities, also actively participate in the efforts of the subregional planning groups (“SPGs”) within the WestConnect Planning Area: Colorado Coordinated Planning Group (“CCPG”), Sierra Subregional Planning Group (“SSPG”), and Southwest Area Transmission Planning Group (“SWAT”).

### III. SUMMARY

Several representatives from the WestConnect Planning Parties participated in panel presentations at the September 3, 2009 Technical Conference held under this docket in Phoenix, Arizona.<sup>3</sup> The WestConnect Planning Parties (also referred to herein as “WestConnect”) are pleased to provide additional information in response to the Commission’s questions put forward in this NORC.

**Enhancing the Regional Transmission Planning Processes:** WestConnect supports the comments of WECC submitted in response to this NORC.

The WestConnect Planning Parties believe that the existing transmission planning processes utilized in the WestConnect Planning Area are sufficiently robust to identify and evaluate needed solutions at all regional and inter-regional levels. The parties actively participate in the SPGs that operate within the WestConnect Planning Area and also strongly support stakeholder participation in these

---

<sup>2</sup> The WestConnect Planning Area is defined in the WestConnect Planning Agreement as “the bulk transmission facilities located within the Western Interconnection that are owned by WestConnect Planning Parties or to which the WestConnect Planning Parties have rights. The WestConnect Planning Area may change depending on the entities that are WestConnect Planning Parties.”

<sup>3</sup> Panel 1, Feedback on Current Planning Processes – Robert Smith, Arizona Public Service Company; Panel 2, Regional and Inter-regional Planning – Jerry Smith of K. R. Saline and Associates on behalf of WestConnect; Panel 3, Cost Allocation – Teresa Mogensen, Xcel Energy, and Robert Kondziolka, Salt River Project; Panel 4, Examining Coordination and Comparability – Brian Whalen, NV Energy.

processes. The SPGs, and the individual utilities that participate in them, have a long history of involving transmission providers, transmission users, independent transmission developers, merchant generators, state energy and regulatory agencies, and other interested stakeholders in the identification and development of potential solutions to transmission needs affecting multiple systems. The studies performed by the SPGs incorporate the transmission systems of all of the transmission providers and thus identify and address appropriate solutions that impact multiple transmission systems. This collaborative study approach facilitates not only “right-sizing” but also optimum corridor planning, recognizes economic factors and land use impacts, and identifies need for new energy resources.

Since the inception of its planning process in 2007, WestConnect has facilitated even greater coordination of study efforts among the SPGs that function within the WestConnect Planning Area, including promotion of consistency in the data, assumptions and models being used in SPG planning activities. Additionally, the WestConnect Planning Parties have strongly supported the participation of independent transmission developers in all SPG and WestConnect planning processes.

**Allocating Cost of Transmission:** In general, WestConnect supports a basic cost allocation principle: those entities that use the transmission system should pay for it. There is a long tradition of collaborative regional planning and joint ownership of transmission lines in the West. This joint ownership model, where transmission providers and users participate in both the development and ownership of new transmission, ensures that appropriate expansion takes place. It follows, then, that WestConnect supports joint ownership of transmission where the participating entities, which can include transmission providers, load serving entities or merchant transmission developers, agree on cost allocation for transmission projects.

For many years, transmission providers in the West have informally solicited multi-party ownership in joint participation projects. In 2006, the WestConnect Planning Parties signed an agreement to support open season solicitation<sup>4</sup> for project participation, multi-party transmission ownership, and the

---

<sup>4</sup> See West Connect Planning Agreement, Exhibit B Objectives and Procedures for Regional Transmission Planning for the WestConnect Planning Area, Revision 1, Section 4.2.12.

potential co-existence of both physical and financial transmission rights for transmission projects planned under the WestConnect Transmission Planning Process. In a jointly-owned transmission project, capacity rights, costs and liabilities for transmission facilities typically track ownership shares. WestConnect Planning Parties are also exploring the feasibility of implementing open season processes to solicit commitments for long-term firm transmission service, which can help assure revenues sufficient to meet the costs and risks incurred by those parties that invest in new transmission facilities.

WestConnect does not support centralized cost allocation methods, nor does it encourage or recommend additional regulations or requirements for cost allocation methodologies beyond those already included in transmission provider tariffs to address Order 890 requirements. Such approaches may undermine cost allocation based on cost causation and may impede planning and constructing transmission on a regional basis.

The WestConnect Planning Parties do recognize that future public policy directives in the states within the WestConnect Planning Area and at the federal level may require some refinement in the basic cost allocation approach that has historically worked so successfully in the West. Any such refinement should be based on three fundamental principles: (1) clear and concise public policy in support of transmission expansion, in order to definitively establish need for transmission for purposes of regulatory and customer approvals; (2) explicit regulator support for associated timely cost recovery from the customers, including generation developers, who benefit from the investment, particularly with respect to multi-state projects; and (3) continuation of the collaboration among transmission providers, including merchant transmission developers, and stakeholders in transmission planning and development, to ensure coordination, operability and long-term performance.

#### **IV. RESPONSES TO NORC QUESTIONS:**

##### **IV.A. Enhancing Regional Transmission Planning Processes**

In June 2009, DOE issued a Funding Opportunity Announcement (“FOA”) inviting competitive proposals for financial and technical assistance for the creation of interconnection-wide transmission

plans throughout the United States, pursuant to the America Recovery and Reinvestment Act of 2009 (“ARRA”). In the Western Interconnection, WECC collaborated with transmission providers, transmission users, SPGs (including WestConnect, CCPG, SSPG and SWAT), governmental entities, non-governmental organizations, and other stakeholders to develop and submit an application for the FOA funding. WECC’s application proposed to increase the breadth and depth of region-wide transmission planning and coordination of subregional transmission planning activities performed under Order 890 and to initiate three new activities: (1) a 10-Year SPG Coordinated Reliability Plan; (2) a 10-Year Regional Transmission Plan; and (3) a 20-Year Regional Transmission Target Plan.

WECC describes the FOA proposal in its comments submitted in response to this NORC, explaining particular provisions more specifically in the responses to the Commission’s questions relating to Enhancing Regional Transmission Planning Processes. WestConnect supports the WECC FOA proposal and WECC’s responses to this NORC.

WestConnect provides additional responses regarding planning process enhancement more specific to WestConnect, SPG and Attachment K transmission provider processes as follows:

**FERC Question 1: Are existing transmission planning processes adequate to identify and evaluate potential solutions to needs affecting the systems of multiple transmission providers? Should prospective transmission developers coordinate their projects in the interest of “right-sizing” facilities to make the best possible use of available corridors and minimize environmental impacts? If so, what process should govern the identification and selection of projects that affect multiple systems?**

**WestConnect Response Question 1:** Yes. The existing transmission planning processes utilized in the WestConnect Planning Area are sufficiently robust to identify and evaluate needed solutions at all regional and inter-regional levels.

The WestConnect Planning Parties actively participate in the SPGs that operate within the WestConnect Planning Area. The SPGs, and the individual utilities that participate in them, have a long history of involving transmission providers, transmission users, independent transmission developers, merchant generators, state energy and regulatory agencies, and other interested stakeholders in the identification and development of potential solutions to transmission needs affecting multiple systems.

The studies performed by the SPGs incorporate the transmission systems of all of the transmission providers and thus identify and address appropriate solutions that impact multiple transmission systems. The existing collaborative study approach already facilitates efficient corridor planning and recognizes economic factors, land use impacts, and identifies needs for new energy resources. Therefore, WestConnect does not believe that requiring individual developers to coordinate their projects will in itself result in appropriate sizing of projects. Additionally, WECC procedures require that sponsors of a proposed transmission project notify all WECC members, not solely those entities that may appear to be affected by the project, when initiating the WECC Path Rating Process. This notice requirement gives ample opportunity to any interested party to observe, review, and participate in the proposed project.

These long-standing “big tent” approaches utilized in WECC and the WestConnect Planning Area have and will continue to ensure that proposed transmission expansion projects make the best possible use of available corridors and minimize environmental impacts.

**FERC Question 2: Are there adequate opportunities for stakeholders to participate in planning activities that span different regions, including for example those undertaken pursuant to bilateral agreements?**

**WestConnect Response Question 2:** Yes. The SPG, WestConnect and WECC-sponsored transmission planning activities provide many substantive opportunities for stakeholder participation in planning activities that span different regions, including those undertaken pursuant to bilateral agreement. The stakeholders that have participated in these transmission planning activities include not only transmission providers and transmission customers, but also independent power producers, independent transmission developers, FERC staff members, state agencies, utility regulators, and non-governmental organizations.

Stakeholder participation is open and encouraged in all SPG-sponsored planning activities, including meetings and study work conducted by SPG committees, sub-committees, work groups and task forces. Meeting notices, agendas, attendee lists, reports and presentation materials for each SPG and WestConnect Planning meeting are posted on the WestConnect website and accessible by stakeholders.

Additionally, interested stakeholders can subscribe to a WestConnect Planning listserv function to receive e-mail notices of meetings and meeting materials distributed on a WestConnect-wide basis.

Updates on committee activities and studies are provided at all regularly scheduled SPG meetings, generally held three to four times each calendar year. Sponsors of proposed transmission projects from outside the WestConnect Planning Area, including the TransWest Express, Chinook and Zephyr projects, have made formal presentations and updates on a regular basis to WestConnect SPG meetings. The SPGs in the WestConnect Planning Area also hold one joint meeting each August, which provides stakeholders a one-stop shop to learn about planning activities throughout the WestConnect Planning Area. Another effort that spans different regions is a SWAT-sponsored effort to develop a short circuit database for the electric systems spanning California, Arizona, Nevada, New Mexico and far west Texas.

Another stakeholder opportunity that spans several SPG subregions is the WestConnect Annual Transmission Planning Workshop, initiated in 2007. All WestConnect Planning Parties and other interested transmission developers in the region each present information on their 10 year transmission plans during the workshop and provide an opportunity for stakeholder questions, comments and involvement. Attendance at the WestConnect Annual Transmission Planning Workshop has totaled 50-60 people each year.

WestConnect Planning Parties also provide opportunities for stakeholder involvement in more localized transmission expansion projects through their Attachment K local planning processes, which include several local planning meetings each year and mechanisms for e-mail submittal of stakeholder comments and questions.

**FERC Question 3: Is there adequate coordination among planning entities to provide consistency in the data, assumptions and models being used in planning activities?**

**WestConnect Response Question 3:** Yes. WECC's comments in this NORC describe existing coordination efforts between WECC, SPGs, state and provincial agencies, balancing authorities and transmission providers to assure that accurate data and stakeholder-vetted assumptions and models are

used in WECC-managed regional planning processes. WECC also describes the data and model validation work conducted with stakeholder review to develop the Transmission Expansion Planning Policy Committee (“TEPPC”) economic planning database that is available for use in economic studies. Finally, WECC describes additional planning data coordination proposals under the FOA application, including creation of two new data management systems that will provide a central point of data management for transmission system data and planning cases throughout the Western Interconnection and implementation of more formal coordination of planning processes among WECC and the SPGs.

At the WestConnect subregional level, the WestConnect Planning Parties have agreed to utilize and make available to all study participants the planning standards, planning objectives, assumptions and base cases developed by the WestConnect SPGs for the WestConnect Transmission Plan<sup>5</sup>.

**FERC Question 4: Will the interconnection-wide processes adopted pursuant to funding opportunities under the American Recovery and Reinvestment Act of 2009 result in an ongoing process for jointly identifying and evaluating alternatives to solutions identified in transmission plans developed through existing sub-regional and regional planning processes? Will the scope and function of these interconnection-wide planning activities be sufficient to help address the concern identified above? How will planning activities conducted on an interconnection-wide basis be integrated into the development of sub-regional and regional transmission plans and vice versa?**

**WestConnect Response Question 4:** Yes. For a detailed response to this question, please see WECC’s comments filed under this NORC.

**FERC Question 5: How are reliability impact studies aligned with economic-based evaluations of sub-regional or regional projects and assessment of projects needed to satisfy renewable energy standards? If not aligned, how can reliability assessments and economic evaluations be aligned in order to better identify options that meet regional needs?**

**WestConnect Response Question 5:** The WestConnect Planning Parties align reliability and economic-based evaluations of proposed transmission projects through use of the same modeling information for both types of studies. Except for economic studies for very localized transmission upgrades, transmission

---

<sup>5</sup> See WestConnect Planning Agreement, WestConnect Objectives and Procedures for Regional Transmission Planning for the WestConnect Planning Area, Revision 1, Section 4.2.

providers in the Western Interconnection utilize TEPPC to perform regional economic analyses for the transmission system.

Several states within the WestConnect Planning Area have established transmission planning processes addressing renewable energy goals in which WestConnect Planning Parties have participated.

These state processes include:

**California** – WestConnect Planning Parties in California<sup>6</sup> are participating in the California Transmission Planning Group (“CTPG”). The CTPG is performing technical studies using California’s Renewable Energy Transmission Initiative (“RETI”) conceptual transmission plan as a starting point to help identify transmission projects needed to meet renewable energy goals. The RETI effort is supervised by a Coordinating Committee comprised of the California Public Utility Commission, the California Energy Commission, the California Independent System Operator, the Southern California Public Power Authority, the Northern California Power Authority, and the Sacramento Municipal Utility District.

**Colorado** – Colorado Senate Bill 100 (“SB-100”) required Colorado public utilities to designate Energy Resource Zones and develop plans for the construction or expansion of transmission facilities necessary to deliver electric power consistent with the timing of the development of beneficial energy resources located in or near such zones. Nine transmission projects have been proposed in association with SB-100, with in-service dates ranging from 2011 to 2017. The projects include the Midway-Waterton 345 kV line, the San Luis-Calumet-Comanche 230 kV and 345 kV lines, the Missile Site 230/345 kV switching station (two projects), the Pawnee-Smoky Hill 345 kV line, the Ault-Cherokee 230 kV line, the Pawnee-Daniels Park 345 kV line, the Lamar-Vilas 345 kV line, and the Lamar Front Range 345 kV lines.

**Arizona/SWAT** – In 2007, the Arizona Corporation Commission (“ACC”) directed ACC-regulated electric utilities, in consultation with stakeholders, to prepare an assessment of Available Transmission

---

<sup>6</sup> Imperial Irrigation District, Sacramento Municipal Utility District, Transmission Agency of Northern California, Western Area Power Administration-Sierra Nevada Area.

Capability (“ATC”) for renewable energy, to describe the location, amount and transmission needs of renewable energy in Arizona, and to prepare a plan to bring available renewable resources to load.

Arizona electric utilities formed a Renewable Transmission Task Force (“RTTF”) under SWAT so that the SWAT open stakeholder process could be utilized to comply with the ACC’s order. Stakeholder meetings were held in 2007 and 2008 to identify wind and solar resource potential in Arizona and the transmission (existing and expanded) necessary to serve all available renewable resources in Arizona. These findings were reported to the ACC in October 2008.

In 2008, SWAT expanded the work of the RTTF to evaluate renewable resource potential and related transmission needs in the entire SWAT area, including eastern California, Nevada, Arizona and New Mexico. The Task Force developed the study methodology including scenarios for renewable resources in Arizona, Nevada and New Mexico, the approach to the scope of the studies and the creation of the study cases. Adequate transmission solutions for renewable scenarios and corresponding maps have been proposed.

In December 2008, the ACC further ordered the ACC-regulated electric utilities to (1) develop mechanisms for identifying, approving for construction, and financing transmission projects to support the growth of renewable in Arizona, (2) identify each utility’s top three potential renewable transmission projects in its respective service territory, (3) propose funding mechanisms to construct the top three renewable transmission projects, and (4) file the plans and mechanisms with the ACC by the end of October 2009.

In furtherance of the ACC’s December 2008 order, the SWAT RTTF formed the Arizona Renewable Resource and Transmission Identification Subcommittee (“ARRTIS”) and Finance Subcommittee. The RTTF and its subcommittees specifically sought stakeholder representation on the committees, and all meetings, workshops and deliberations have been open to stakeholders. The Arizona electric utilities utilized analysis performed by the RTTF and subcommittees to identify their top three renewable transmission projects, which were filed with the ACC October 31, 2009. As a next step, the

RTTF will do a reliability evaluation of the Arizona transmission system based on the utilities' projects proposed to the ACC.

**Nevada** – Governor Jim Gibbons issued an executive order in 2007 establishing the Renewable Energy Transmission Access Advisory Committee (“RETAAC”). The RETAAC was formed to identify renewable energy zones, address transmission adequacy and to facilitate the delivery of renewable resources. Since its inception, RETAAC has identified major renewable zones, assessed their feasibility, development cost and prioritization, and suggested needed transmission upgrades. RETAAC Phase I was completed in December 2007 and Phase II started in 2008. The RETAAC II process further evaluated locations for renewable generation and developed several transmission segments that are generally needed to provide access to these RETAAC energy zones. The identified segments represent bulk transmission facilities that act as “collector” systems that could deliver renewable resources from various zones to load. “Feeder” lines would also be required to connect projects to the bulk facilities for ultimate transport. The group filed its Phase II report with its recommendations to the Governor on July 1, 2009.

**New Mexico** - The New Mexico Renewable Energy Transmission Authority Act of 2007, established the Renewable Energy Transmission Authority (“RETA”) to provide for planning, financing, acquisition (or construction), maintenance and operation of certain electric transmission facilities, to carry energy, of which at least thirty percent (30%) is to originate from renewable sources. In early 2009, the New Mexico Legislature directed RETA to investigate and identify existing and potential transmission lines and potential corridors to further renewable energy exportation in New Mexico and to identify barriers to electric transmission infrastructure development, describe planning opportunities integrating all levels of government, propose modifications to permitting and procedures, and establish recommendations to promote viable and long term electric transmission infrastructure. Information recently provided by RETA to the New Mexico Finance Oversight Committee included a description of opportunities to:

- Encourage groups like SWAT, Southwest Power Pool and other regional planning organizations to continue evaluating the formation of Regional Transmission Organizations (“RTOs”) and other structures for the benefit of the clearly defined participating states.
- Participate in the High Plains Express (“ HPX”) investigation that includes the potential of two 500 kV transmission circuits (running from southeast Wyoming, south along the eastern plains of Colorado and New Mexico) before turning west to supply markets in central Arizona and possibly further west. Information provided in open stakeholder meetings in 2008 for HPX included an economic assessment of delivered resources utilizing the proposed transmission project.
- Recognize that the SunZia Project would also provide opportunities to expedite New Mexico’s export of renewable energy resources across WECC.

RETA intends to provide continually updated and current information to state authorities, and is committed to identifying and prioritizing the most feasible renewable energy transmission corridors within the state of New Mexico and its neighboring states, in order to enhance New Mexico’s ability to export its renewable energy resources.

**FERC Question 6: How should merchant and independent transmission projects be treated for purposes of regional transmission planning?**

- **Should they be required to participate in the planning process and, if so, at what point must they engage in the planning process?**
- **Do rights of first refusal for incumbent transmission owners unreasonably impede the development of merchant and independent transmission? If so, how can this impediment be addressed?**
- **Are there other barriers to the development of merchant and independent transmission in the transmission planning process?**
- **Should similar assumptions regarding resource availability be used for generation owned by the transmission owner and merchant or independent developers?**

**WestConnect Response Question 6:** WestConnect supports participation by merchant and independent transmission project sponsors in regional and subregional planning processes.

It has been the experience of the WestConnect Planning Parties that independent transmission developers have and will continue to find real value through participation in the robust and inclusive WestConnect and SPG transmission planning processes in place in the WestConnect Planning Area. Independent transmission projects or developers that have actively participated in such regional and subregional planning processes in the WestConnect Planning Area include TransWest Express LLC, a wholly owned subsidiary of The Anschutz Corporation; SunZia Transmission LLC, in partnership with several Western utilities for the SunZia Southwest Transmission Project; Trans-Elect, which is partnering with several Western utilities and state utility authorities for the High Plains Express Project; and LS Power, which is partnering with various Western utilities and state utility authorities for the Colorado-Wyoming Intertie.

WestConnect is not aware of any cases within the WestConnect Planning Area where transmission owners have exercised rights of first refusal that have impeded development of independent transmission. An incumbent utility's right of first refusal to elect to construct and operate a transmission project within or adjacent to its existing service territory does not unreasonably impede the development of merchant or independent transmission projects.

Regarding use of assumptions on resource availability by independent transmission developers, base cases developed by the WestConnect SPGs for transmission studies are made available to independent transmission developers on request. The SPGs also require parties such as independent transmission developers that perform study work in coordination with the SPGs to use the SPG-developed base cases and other common data and assumptions. Additionally, pursuant to the WECC FOA proposal, a multi-constituency Scenario Planning Steering Group (SPSG) is being established to provide strategic guidance to TEPPC on scenarios to be modeled, modeling tools to be used, and key assumptions for the scenarios. The SPSG will be responsible to assure that input from non-traditional stakeholders is incorporated into the planning processes in the Western Interconnection.

**FERC Question 7: Is the interconnection queue process hindering the ability to plan the transmission system to integrate new generation? Would any reforms to the Commission’s interconnection procedures support efficient planning of the transmission system?**

**WestConnect Response Question 7:** WestConnect is sponsoring work to reform the LGIP process among its members, utilizing information from other reform processes approved by the Commission and seeking involvement from merchant generator stakeholders, to facilitate streamlining of “clogged” interconnection queues so that viable projects can proceed more quickly to Large Generator Interconnection Agreements. However, not all WestConnect Planning Parties face similar interconnection queue backlog issues, i.e. some transmission providers do not have backlogged queues at this time, whereas others are attempting to process requests for interconnection of generator capacity that total five times the transmission provider’s native load. Some WestConnect Planning Parties are seeking individual waivers of the LGIP process as an interim measure in order to work through interconnection request backlogs while continuing to participate in the longer-term WestConnect LGIP reform efforts.

SWAT participants do not directly transfer generator interconnection queue information into transmission study assumptions, but do use queue information to make better resource type and location assumptions once the need for a generator resource addition is identified in a study process.

**FERC Question 8: Should there be consistency in the way transmission providers treat demand resources, such as demand response, energy efficiency and distributed storage, in the transmission planning process? Are there preferred methods of modeling or otherwise accounting for demand resources in the planning process? Does the planning process investigate transmission needs at fine enough granularity to identify beneficial demand resource projects?**

**WestConnect Response to Question 8:** Yes, there should be consistency in all planning methods. In response to Commission direction, WestConnect Planning Parties have revised their Open Access Transmission Tariff Attachment Ks to clarify that all solution alternatives that have been presented on a timely basis pursuant to the transmission provider’s annual planning process set forth in Attachment K, including transmission solutions, generation solutions and solutions utilizing demand response resources, whether presented by the transmission provider or another stakeholder, will be evaluated on a comparable

basis. Demand response resources must be evaluated comparably to other resource types, but the location of demand response load impacts must also be acknowledged in the study process.

The three Demand Side Measures (“DSM”) mentioned require different analysis methods. One is passive (efficiency), one is active load reduction (demand response), and the last is generation (storage). To transmission planners, demand response is essentially peak shaving. To the extent it is proposed or implemented, the planner designs to a reduced peak load number. It is not a dynamic resource like a generator that requires deep analysis. The issue with demand response resources is ensuring that such resources will be in place, operational and cannot be bypassed by the customer. In many cases demand response is a poor long-term solution if it lacks either flexibility or certainty to respond to system conditions.

Demand Response is a tool that can be used to respond to operating problems, mitigate some short-term market volatility, and for shaping load. Under the right circumstances Demand Response can provide short-term alternatives to peaking resource construction. However, Demand Response is only one option and should not be considered a substitute for transmission investment.

Most States have approved DSM programs which provide the ability to accurately reduce transmission needs by formalizing and ensuring DSM performance. Unfortunately, there is no uniformity across the interconnection in DSM levels. Many states include their DSM capabilities in the data provided to WECC for regional analysis.

Among other things, evaluating Demand Response on a comparable basis means that location of demand response load impacts must also be acknowledged in the study process. If locational characteristics of Demand Response are respected, transmission planning processes can define with significant granularity the benefits of DSM at specific locations and focus DSM efforts at those locations.

**FERC Question 9: Are existing dispute resolution procedures in transmission provider tariffs adequate to address disputes that arise in the planning process?**

**WestConnect Response to Question 9:** Yes. To date WestConnect Planning Parties have had no disputes with stakeholders regarding their transmission planning processes. WestConnect believes this is due in part to consistent SPG efforts to build stakeholder consensus from the bottom up with regard to transmission planning assumptions, analyses and reports. Open transmission planning processes and increased transparency of transmission facility costs have decreased the potential for disputes.

#### **IV.B. Allocating the Cost of Transmission**

**FERC Question 10: To the extent that a lack of up-front certainty about cost allocation is inhibiting transmission development, describe the relative impact of this concern on specific projects and as it relates to other impediments to development.**

**WestConnect Response to Question 10:** In WestConnect's experience, up-front certainty on cost allocation for transmission development is facilitated through voluntary negotiation of joint ownership among transmission providers, load serving entities and independent transmission developers and through long-term transmission service commitments from transmission users.

WestConnect does acknowledge that certain factors can create uncertainty for potential transmission investors regarding recovery of transmission costs: (1) if there is no clear public policy in support of transmission expansion – clear public policy establishes definitive need for the transmission for purposes of regulatory and customer approvals; (2) if there is no explicit regulatory support for timely cost recovery from the customers, including generators, who benefit from the investment; and (3) where there is no collaborative transmission process available to ensure coordination, operability and long-term transmission performance. Uncertainty and conflict create risk, and too much risk ultimately prevents action and results in higher costs.

**FERC Question 11: Should processes be established to help stakeholders address cost allocation matters over larger geographic regions? What is an appropriate scope for those regions? Should they align with the regions for which planning is conducted?**

**WestConnect Response to Question 11:** WestConnect does not believe that the Commission needs to establish additional processes to help stakeholders address transmission expansion cost allocation matters over larger geographic regions.<sup>7</sup> Load-serving entities should continue to be responsible for determining the best mix of resources to serve their customers, based on reliability, operability, economics and well-articulated public policy. Cost responsibility for regional transmission projects is best accomplished through the voluntary efforts of involved stakeholders.

Due to geography, resource location, environmental constraints, public ownership (Federal, tribal and state lands), and other considerations, the historical development of electric system in the Western Interconnection has often required the location of remote generation far from load. Load serving entities have traditionally approached resource decisions for generation and transmission by looking at all possible alternatives and developing the most cost effective and reliable resource mix—fuel, generation type, and transmission – to meet their loads. Economics and line siting challenges have also driven joint ownership decisions to manage cost and risks for remote generation and long transmission lines. Development of transmission facilities to access renewable resources presents the same challenges faced—and solved-- by electricity providers in the west over the past 60 years.

**FERC Question 12: Are there regional cost allocation methodologies outside RTOs, and broader regional cost allocation within RTOs, that should be considered or established? If so, how should this be done?**

**WestConnect Response to Question 12:** In 2006, the WestConnect Planning Parties signed an agreement to support the use of open season solicitations for project participation, multi-party transmission ownership, and the potential co-existence of both physical and financial transmission rights

---

<sup>7</sup> Please note: WestConnect Planning Party Xcel Energy is a member of the WIRES group, which filed a petition dated November 12, 2009 with the Commission that urges the Commission to open a generic rulemaking regarding whether a set of nationally-applicable principles and guidelines for cost allocation should be established.

for transmission projects planned under the WestConnect transmission planning process<sup>8</sup>. These methods provide an effective cost allocation methodology for regional transmission projects.

**FERC Question 13: Should each transmission provider hold an open season solicitation of interest for needed transmission projects identified through the transmission planning process in order to assist in cost allocation determinations?**

**WestConnect Response to Question 13:** An open season solicitation of interest may be one viable option to identify needs through the transmission planning process, but an open season should not be required. Open season is one mechanism that can assist in identifying projects and assist in cost allocation determinations. However, any open season processes must also be reviewed and approved by applicable state regulatory agencies.

**FERC Question 14: How can the customers that benefit from a particular facility be determined? Is there a preferred method? Should the method vary depending on the nature of the facility?**

**WestConnect Response to Question 14:** As stated in the response to Question 12, West Connect believes that each party potentially interested in investing in transmission or making a commitment to long-term firm transmission service is in the best position to determine the benefits of a particular transmission facility. This approach has proven to be effective in the WestConnect Planning Area.

**FERC Question 15: Should costs for base upgrades needed for existing reliability or economics be allocated differently than excess capacity expected to be needed for later-developed resources? Should the allocation of costs for certain projects take into account the risk of under-subscribed “right sized” lines? If so, how should costs be re-allocated over time as such lines become subscribed by new customers?**

**WestConnect Response to Question 15:** No. WestConnect believes that all transmission, both existing system and future upgrades, meets both reliability and economic goals and needs.

In response to the second portion of the questions, WestConnect would like to share the experience of some of its members in transmission designed and built to meet not only existing needs but

---

<sup>8</sup> See West Connect Planning Agreement, Exhibit B Objectives and Procedures for Regional Transmission Planning for the WestConnect Planning Area, Revision 1, Section 4.2.12.

also to accommodate future upgrades. The Mead-Phoenix 500 kV Transmission Project, completed in 1996, was built as a convertible transmission line for both AC (alternating current) and DC (direct current) operations. The line was initially placed in service as a 1300 MW AC line but with station improvements that allow the line to be upgraded to operate as a 3300+ MW DC line. Significant permitting and capital investments were made to accommodate this potential conversion. The joint owners of the line decided to make the additional upfront investment at project inception to accommodate the higher capacity and a conversion to DC based on increased transfer capability need projections 10 and 20 years into the future. Over ten years have passed since the project went into service, and current and projected usage has not warranted implementing the upgrades. The point of relating this experience is to demonstrate the difficulty of projecting at the time of design and construction of an “overbuilt” transmission project when, if ever, the line will need to be upgraded or how costs should be reallocated in the future. Participants in “overbuilt” transmission projects will need to take into account in their upfront transmission investment decisions that future usage will differ from their projections and factor that into their decision-making. Additionally, these decisions should not be dictated by those who have no direct financial stake in the outcome of the investment decision. Lastly, transmission developers should not be required to “overbuild” a transmission line unless the cost differential is covered by a third party, such that the original transmission developer is not exposed to unwanted financial risk.

**FERC Question 16: Should cost allocation mechanisms continue to differ based on whether a project is deemed necessary based on reliability and adherence to approved reliability standards versus economic considerations?**

**WestConnect Response to Question 16:** No. WestConnect believes that situations in which proposed projects could be deemed necessary based solely on reliability are limited. Economic considerations, e.g. comparison of lower cost wires- and/or non-wires alternatives that would meet applicable reliability standards, are relevant in nearly all cases. A bright line can rarely be drawn between a proposed transmission project deemed necessary based solely on reliability and a proposed project that is chosen based on both reliability and economic considerations.

**FERC Question 17: Should the determination of beneficiaries of a transmission facility include generators as well as loads?**

**WestConnect Response to Question 17:** Yes. Transmission is built primarily to allow load-serving entities and retail load to reliably access adequate, diverse and economic generation resources.

Allocating transmission costs to generators may therefore seem inefficient, since these costs will end up being paid by the load consuming that power. However, generator cost allocation has the end result of assigning costs to the off-takers of generation, rather than to customers in close physical proximity to the facility, as is currently the case under load flow-based beneficiary studies. In fact, allocation of costs directly to generators helps to ensure that the correct load – the load consuming the power – pays for the benefits of the transmission that delivered it. Should significant renewable resources be developed in locations remote from load, assigning costs to load in the immediate vicinity of the projects will prove unreasonably burdensome to those loads. In addition, requiring generators to pay a portion of transmission costs creates a financial incentive for generators to balance both the expected output of facilities against the cost of moving that output to customers—resulting in overall net benefits to customers.

**FERC Question 18: Should benefits be recalculated over time? Would recalculations negatively affect usage decisions?**

**WestConnect Response to Question 18:** No. WestConnect believes that recalculating benefits over time, with the intention of changing transmission cost allocation over time based on the recalculated benefits, introduces unacceptable uncertainty into the original investment decision and should not be implemented. Parties will be less likely to invest in new transmission projects where there is uncertainty as to future cost obligations. Factors that enhance transmission expansion investment include clear public policy in support of transmission expansion, in order to definitively establish need, and explicit regulatory support for associated timely cost recovery from the customers. Additionally, the opportunity to shift investment costs to others through periodic recalculation may encourage speculative construction of

unnecessary or oversized facilities and discourage planning and construction of facilities for which need can be demonstrated.

**FERC Question 19: How should non-quantifiable costs or benefits be identified, factored in or otherwise weighted?**

**WestConnect Response to Question 19:** Non-quantifiable costs (externalities) have long been considered in resource planning processes. WestConnect would recommend against considering resource-related non-quantifiable costs in transmission planning. However, some transmission-related non-quantifiable costs are commonly used in transmission planning, such as potential for visual impairment, consideration of future interconnections, and allowing capacity for future growth. Transmission-related non-quantifiable costs and benefits should always be considered in transmission investment decisions, and do play a part in choosing between otherwise equivalent transmission alternatives.

**EXHIBIT A**

**WESTCONNECT PARTIES SUPPORTING  
WESTCONNECT COMMENTS IN  
DOCKET NO. AD09-8-000  
TRANSMISSION PLANNING PROCESSES UNDER ORDER NO. 890**

Arizona Public Service Company  
Basin Electric Power Cooperative  
Black Hills Corporation  
El Paso Electric Company  
Imperial Irrigation District  
NV Energy  
Public Service Company of Colorado  
Public Service Company of New Mexico  
Sacramento Municipal Utility District  
Salt River Project Agricultural Improvement and Power District  
Southwest Transmission Cooperative, Inc.  
Transmission Agency of Northern California  
Tri-State Generation and Transmission Association, Inc.  
Tucson Electric Power Company

## CERTIFICATE OF SERVICE

I hereby certify that I have, this 23rd day of November 2009, served a copy of the foregoing document on each person designated on the service list compiled by the Secretary in these proceedings.

\_\_\_\_\_/s/\_\_\_\_\_  
Margaret A. Rostker  
Attorney  
Salt River Project Agricultural Improvement  
And Power District  
P.O. Box 52025  
Phoenix, AZ 85072-2025  
(602) 236-2674  
[Margaret.Rostker@srpnet.com](mailto:Margaret.Rostker@srpnet.com)