UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Transmission Planning and Cost Allocation by Transmission Owning and Operating Public Utilities	**Docket No. RM10-23-000**

COMMENTS OF WESTERN GRID GROUP

Western Grid Group ("WGG") hereby respectfully submits the following comments on the Commission's proposed rule on transmission planning and cost allocation.[1]

WGG is a non-profit initiative, staffed primarily by former commissioners and staff of western state Public Utility Commissions, dedicated to developing policies to accelerate the transition to a more secure and sustainable electric sector. Since its founding in 2003, WGG has worked in the Western Interconnection to expand transmission access for and utilization of wind, solar geothermal and other clean energy technologies.

WGG has been and continues to be actively involved in regional and subregional transmission planning across the Western Interconnection.[2,3] WGG

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[1] *Pursuant to Rule 212 the Federal Energy Regulatory Commission ("Commission") Rules of Practice and Procedure,*[1]

[2] In the Western Interconnection, what the NOPR refers to as regional planning is characterized as subregional planning. "Regional" planning in the west refers to Interconnection-wide planning.

[3] WGG participates in all western Subregional Planning Groups: California Independent System Operator (CAISO); Colorado Coordinated Planning Group (CCPG); ColumbiaGrid; Northern Tier Transmission Group

played central roles in formulating, shaping and coordinating California's Renewable Energy Transmission Initiative and Tehachapi Collaborative Study Group; the Western Renewable Energy Zone initiative and the Clean and Diversified Energy Initiative of the Western Governors Association; and Renewable Energy Zone-Transmission planning initiatives in Arizona, Colorado, Nevada, New Mexico and Utah. In early 2009, WGG suggested development of interconnection-wide transmission plans to the US Department of Energy (DOE). WGG has organized and supports non-utility stakeholder participation in the Regional Transmission Expansion Plan initiative under which WECC and the Western Governors' Association are developing expansion plans for 2020 and 2030 for the Western Interconnection with DOE funding.

I. INTRODUCTION

National energy security, economic development and climate goals make faster deployment of indigenous low-carbon technologies a strategic priority. Expansion and modernization of the grid is a prerequisite for achievement of these goals. The reforms proposed in the NOPR constitute an important step toward making regional planning more effective and cost allocation less of a roadblock to modernization of the grid, nationwide and in the western US.

WGG commends the Commission for presenting in the NOPR a reasoned description of the need for reform and for new rules capable of better supporting

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(NTTG); Sierra Subregional Planning Group (SSPG); and Southwest Area Transmission (SWAT); in the Transmission Expansion Planning Policy Committee of WECC; and in WECC committees and work groups..

transmission development and related resource procurement. As explained in detail in these comments, WGG strongly supports the direction of the policy conclusions outlined in the proposed rules, and outlines the need for policies which go beyond those contained in the NOPR, particularly in the areas of ensuring effective regional planning, incorporating public interest considerations in such planning, and in involvement of stakeholders. We provide examples showing how more inclusive planning has led to better plans. We agree that the NOPR cost allocation proposals are sound, and that planning processes can be structured to provide an effective venue for identifying the benefits and beneficiaries of proposed projects in order to provide a basis on which cost allocation and cost recovery decisions can be made.

As the Commission pursues the important work of translating the policies proposed in the NOPR into final rules, we join other parties in urging that the proceeding not be allowed to serve as a reason for delaying development and approval of the several transmission projects in advanced development today.

Our comments first address reforms to coordinate regional transmission planning in the western US where, with the exception of the California Independent System Operator (CAISO), the electric sector is characterized by bilateral markets and transactions and no entities have authority to adopt binding plans. Our comments on inclusion of public policy considerations in planning, on stakeholder involvement, adoption of best planning practices, and on the link between planning

and cost allocation and cost recovery are pertinent to transmission planning and development everywhere in the US.

II. REFORMS TO MAKE REGIONAL PLANNING MORE EFFECTIVE

Many regional plans today represent little more than an aggregation of transmission projects proposed by individual utilities. Rate-of-return regulation provides incentives to maintain transmission constraints to limit penetration of monopoly markets by competitors. Projects proposed in regional plans often have to win support from other transmission providers, sometimes in exchange for support for those transmission providers' own projects. Planning rarely identifies public needs or regional benefits, beyond reliability and congestion relief, and has few mechanisms for coordinating proposed projects to optimize regional benefits. Without coordinated plans that put public interests on a par with utility shareholder interests, identify regional needs and evaluate transmission and non-transmission solutions for meeting them, the Commission has an inadequate basis for determining whether proposed rates for transmission service are just and reasonable and not unduly discriminatory.

Further, to the great disadvantage of transmission development across the US, factors of most concern to the public—energy security, economic development and jobs, economic competitiveness, public health, lands, wildlife and water impacts—are not adequately considered in transmission planning or approvals.

The existing high voltage grid was designed primarily to deliver power from large baseload generating projects. Very different design approaches are required to optimize access to and delivery from geographically dispersed variable energy resources like wind and solar power. Current planning processes often frustrate consideration of optimizing transmission development for such resources.

Merchant transmission providers have proposed many projects to access renewables in the west, and most of these merchant developers participate voluntarily in western subregional planning groups. The structure of western subregional planning, however, led by incumbent utilities, makes it difficult to produce plans that coordinate development of incumbent and non-incumbent proposed projects to improve reliability while minimizing costs and environmental impacts.

Further, most western transmission projects are participant-funded. This funding structure has the effect of minimizing stakeholder involvement and of avoiding consideration of the benefits and beneficiaries of proposed projects. As explained in the NOPR, reforms in both planning and cost allocation and cost recovery are needed to support development of a grid able to utilize clean and more secure resources on a large scale and at least cost.

A. Subregional Planning Groups in Western Unorganized Markets Should be Formalized and Their Work Coordinated

In the western US, regional planning as characterized in the NOPR is referred to as subregional planning; western subregional planning thus refers to the

equivalent of regional planning in the rest of the country. It is carried out by five informal Subregional Planning Groups whose membership is voluntary, and by the California Independent System Operator (CAISO).[4] Regional planning in the west refers to the Interconnection-wide planning now being carried out for the first time by the Western Electricity Coordinating Council (WECC). Our comments address the need to better coordinate subregional planning, both within subregions and across the seams among them; to make the work of Subregional Planning Groups (SPGs) more effective and more accountable; and to have it conform with the Interconnection-wide planning processes being developed by WECC in its Regional Transmission Expansion Plan (RTEP) initiative.

Most western Subregional Planning Groups (SPGs) convene regularly to evaluate the large number of transmission projects proposed in each subregion to meet the needs of incumbent utilities, to access new resources, and to export from or import into subregions. They are staffed by excellent engineers working in good faith to make sense of projects, many of them competing, proposed by both incumbent and non-incumbent transmission providers. With the exception of the CAISO, none of the SPGs produce actionable plans. They lack common planning assumptions and standards that would enable them to better coordinate planning across the seams among them, and a governance structure requiring them to do so.

[4] In addition to the California Independent System Operator (CAISO), western Subregional Planing Groups are: Colorado Coordinated Planning Group (CCPG); ColumbiaGrid; Northern Tier Transmission Group (NTTG); Sierra Subregional Planning Group (SSPG); and Southwest Area Transmission (SWAT).

At WECC's request, western Subregional Planning Groups recently constituted a Subregional Coordination Group (SCG) to coordinate their work. In August 2010, the SCG released a list of "Foundational" transmission projects most likely to be built by 2020, and a list of "Potential" projects that could be built by 2020, in order to provide RTEP with a basis for studies needed for compiling a 10-year Interconnection-wide plan. These lists are not advertised as a plan and do not constitute one. The SCG did not evaluate the needs, regional or otherwise, that chosen projects might meet, their costs or benefits or the priority that should be attached to them; and did not address coordination issues for the many interstate proposed projects that extend across subregions. The difficulties of evaluating such a large volume of inter-regional projects using inconsistent criteria, and with only the voluntary participation of some of the regional transmission providers, points to the need for formalizing subregional planning in the west. Transmission development will continue to be frustrated until subregional planning is organized to produce coordinated plans designed to deliver regional benefits at least cost.

Provisions to help move western planning in this direction include: 1) requiring every transmission provider to join and participate in an SPG, as proposed in the NOPR; 2) requiring transmission providers to adopt a formal governance structure and a cost allocation methodology for the Subregional Planning Groups they participate in; 3) requiring transmission providers, acting through the SPG they participate in, to plan in a coordinated fashion with neighboring SPGs, and with the

non-jurisdictional utilities in their subregions and neighboring ones; 4) clarifying that participation in coordinated subregional planning is a condition for Commission recognition of reciprocity tariffs of non-jurisdictional utilities; 5) requiring subregional and regional plans that transmission providers join in producing to be based on a common set of best practices; and 6) providing additional direction, outlined below, to the CAISO and as regards WAPA. In more detail:

Participation in a Regional Planning Process. To provide a coordinated and comprehensive assessment of subregional interests and needs, every transmission provider should be required to join and participate in an SPG. The NOPR proposes to require that all transmission providers participate in regional planning.[5] In the Western Interconnection, such participation is routine for most transmission providers, but the level of engagement varies from active engagement to merely appearing at meetings in order to satisfy the minimum requirements of Order 890. Making participation mandatory is not sufficient by itself; the requirement should be linked to each transmission provider's responsibilities for preparation of a coordinated subregional plan. In support of this requirement, each transmission provider could also be required to make annual filings that, for example: explain the relationship between their regional planning efforts and the resource plans they file with state commissions; describe how the regional planning process they have participated in has evaluated regional needs and benefits and transmission and non-

[5] NOPR at ¶50.

transmission solutions for meeting those needs; and detail their engagement of stakeholders and their responses to stakeholder comments. A requirement that all stakeholder comments receive a reasoned response would be an effective way to encourage utilities to listen and learn from stakeholders.

Formalize Governance of Subregional Planning Groups. SPGs should adopt formal governance structures that include board membership for non-utility stakeholders and some provision for participation on an advisory basis by state government representatives. Charters should require SPG work to be more broadly accountable to public requirements and public interests rather than, as today, primarily to other transmission providers and WECC reliability standards. Northern Tier Transmission Group (NTTG) already has such a governance structure in place; it includes state representatives on an advisory steering committee and may serve as a model for the other four informal SPGs. Adding state representatives to the board of directors of the CAISO, a private corporation, also might help improve its accountability to broader public requirements and concerns.

Require Transmission Providers to Adopt a Cost Allocation Methodology for the Subregional Planning Groups They Participate In. The NOPR proposes that every RTO, ISO, or other planning region must establish a method, or a set of methods, for allocating the costs of new transmission facilities included in a regional plan; and that each transmission planning region develop a method for allocating costs of new interregional transmission facilities between itself and neighboring

transmission planning regions in which the facility is located.[6] The Commission should require each transmission provider to ensure that the Subregional Planning Groups in which they participate have a cost allocation methodology that satisfies the intent of these provisions of the NOPR.

Coordinate Planning with Neighboring SPGs and Non-Jurisdictional Utilities. Each SPG should be directed, through requirements placed on the tariffs of every transmission provider, to plan in a coordinated manner with neighboring SPGs.

To engage co-ops, public power organizations and other non-jurisdictional utilities in SPG work, the Commission should make it clear that such participation is a requirement for FERC recognition of reciprocity tariffs, and that all entities that share the grid have an obligation, in the public interest, to help plan its expansion and modernization.

Adopt Best Planning Practices. The practices being developed by WECC in its Regional Transmission Expansion Plan (RTEP) process should be adopted as standards for the conduct of SPG work. These include consensus agreement on key planning assumptions, to ensure proposed projects are evaluated on a consistent basis everywhere in the region; active involvement of diverse stakeholders in planning work, with funding provided to support such engagement; use of long-term (20-year or longer) planning horizons; incorporation of land, wildlife, water and other environmental considerations in planning, beginning from the earliest stages;

[6] Id. at ¶159.

and a process to discover regional needs and benefits new infrastructure should be prepared, and prioritized, to deliver.

Direct the CAISO to Coordinate Planning with Neighboring SPGs and to Evaluate Non-Incumbent Transmission Proposals. The CAISO has a formal governance structure, and as an RTO, is the only SPG in the western US to have the authority to issue binding plans. The CAISO, however, has made little or no effort over the last several years to coordinate its planning with neighboring SPGs. Tens of thousands of megawatts of transmission projects are now proposed to deliver electricity to California markets. Without participation by the CAISO, neighboring SPGs lack the information needed to prioritize those proposed projects or develop any sort of coordinated evaluation of regional needs or transmission solutions to meet them. Further, the CAISO has refused to evaluate the many merchant transmission projects proposed in its planning area since 2009. This discrimination against non-incumbent transmission providers makes it impossible for the CAISO to produce a plan for its subregion on which just and reasonable rates for transmission service can be based. The Commission should order the CAISO to coordinate its planning with other SPGs and to study projects proposed by non-incumbent transmission providers on the same basis it uses to evaluate those proposed by its Participating Transmission Owners.

Engage WAPA in Regional and Subregional Planning. Because of its enormous geographic reach across the west, coordinated western planning must also

engage the Western Area Power Administration (WAPA). WAPA requires its preference customers to produce Integrated Resource Plans. Even though WAPA does not yet require these plans to coordinate transmission and generation planning to meet best practice standards, FERC should require all utilities under its jurisdiction, and those filing reciprocity tariffs, to show how their generation procurement plans are coordinated with transmission plans. WAPA itself should have the same requirement, in order to provide SPGs the information necessary for coordinating their plans with WAPA-area plans. The Commission should thus direct its jurisdictional transmission providers to include a provision in their tariffs requiring them to demonstrate how the subregional plans they are required to produce are coordinated with WAPA plans.

Together, these several provisions would provide guidance to enable SPGs to develop integrated transmission and non-transmission solutions best able to meet subregional needs and to coordinate such solutions across the seams between subregions. Because Subregional Planning Groups, again with the exception of the CAISO, do not have authority to issue binding plans, the Commission should be prepared to take additional action to ensure that the better coordinated and more effective subregional plans facilitate expeditious development of commercial transmission projects. It might do this by proposing, in any final rules issued in this proceeding, to evaluate regional and subregional planning processes in part on their

success in moving transmission solutions from the planning process to approval for construction.

B. Resource Planning And Transmission Planning Should Be Reintegrated, And Regional Planning Should Incorporate IRP Principles

The NOPR proposes "…to require that each regional transmission planning process consider and evaluate transmission facilities and other non-transmission solutions that may be proposed and develop a regional transmission plan that identifies the transmission facilities that cost-effectively meet the needs of transmission providers, their transmission customers, and other stakeholders."[7]

The electric sector envisioned in the restructuring movement of the 1990s, and FERC's own rules, led to separation of generation and transmission lines of business in utilities. Common sense, and the difficulties of transmission development over the past decade, make it obvious that generation planning and transmission planning must inform each other. Generation can't be developed without a plan for obtaining transmission access, and transmission can't be approved without some commitment by generators to use at least some portion of planned transmission capacity. To be effective, resource planning and transmission planning must be integrated, but now with attention to demand as well as supply resources, and to non-transmission as well as transmission solutions.

Comparable consideration of all resource options is the only way to

[7] Id. at ¶51.

determine the most cost-effective way to meet grid needs and is, therefore, an essential part of regional planning that supports just and reasonable rates. Comparable assessment of non-transmission resources available to address system needs should be required in regional plan development processes and the Commission should require regional planning processes to establish minimum requirements for: which resources should be assessed; how assessments should be conducted; and types of modeling and sensitivity analyses needed to estimate and compare the costs and benefits of options, implementation timelines, and relative risks of resource choices to address system needs. Only in the context of such comparable assessment can the Commission be assured that the least cost, least risk plans are in place that can assure consumers of just and reasonable rates.

Comparable consideration of all resource options has the effect of incorporating Integrated Resource Planning (IRP) principles into transmission planning. We do not propose that the Commission require planning processes to develop regional IRPs. Current planning, however, does not provide for comparable consideration of all resource options on a coordinated regional basis. In the west, for example, each subregional planning group simply aggregates utility IRPs, or where such integrated plans are not available, whatever plans utilities put forward to determine load growth, energy efficiency savings, and new resource build-out schedules. Planners then develop a transmission plan to meet those needs, based largely around projects proposed by incumbent utilities.

Simple aggregation of needs fails to capture synergies from a wider area planning consideration. For example, comparing the Northwest Power and Conservation Council's Sixth Regional Plan with a summation of individual utility plans covering the same period in the same region shows striking differences, with the Power Council plan estimating much larger amounts of energy efficiency savings to be achievable and cost-effective.

The Commission should require transmission providers to ensure that the regional planning groups they participate in establish guidelines for incorporating utility IRP and procurement planning input into coordinated regional plans. Guidelines could suggest metrics intended to ensure evaluation of supply and demand-side resources on a comparable basis, and could require use of regionally-agreed assumptions, such as inflation rates, cost of capital, gas prices, CO_2 prices and other parameters. Such guidelines could help RTOs and other regional planning groups develop better ways of planning their systems considering non-wires alternatives both as inputs and as solutions for meeting public and system needs at least cost.

C. Planning Should Account for Public Interest Considerations In Order To Identify Project Benefits on Which Just and Reasonable Rates Can Be Based

The NOPR proposes to require regional plans to account, at a minimum, for public policy requirements established by state or federal laws, such as Renewable

Portfolio Standards or emissions reduction targets.[8] Such a requirement is good policy, because it serves to align transmission infrastructure development with state laws and expressed public desires. It also assists in delivering public benefits. Integrating renewable energy into the system provides fuel diversity that dampens fuel price volatility, to the benefit of all consumers; and because it also provides emissions reduction and other health and environmental benefits, there is every reason to require transmission planning to be based around RPS as well as reliability requirements. The NOPR is correct to recognize the potential for undue discrimination and unreasonable rates if such public policy requirements are not incorporated.[9] The NOPR is also correct to recognize that Order 890 and current OATTs do not require a transmission provider to consider public policy obligations[10] and correct to recognize the need to do so.[11]

We applaud the NOPR for proposing that, "after consulting with stakeholders a … provider may include in the transmission planning process additional public policy objectives not specifically required by state or federal laws or regulations."[12] This guidance provides assurance that regional planning groups may develop plans that capture forward-looking opportunities and economies not available on a piecemeal basis, avoid inefficient incremental upgrades and interconnection costs,[13] and qualify for FERC incentive rates and cost recovery. For example, a region with

[8] NOPR at ¶63.
[9] *Id*. at ¶37.
[10] *Id*. at ¶57.
[11] *Id*. at ¶63, ¶64.
[12] *Id*. at ¶64.
[13] *Id*. at ¶68.

high quality renewable resources may choose to develop plans that go beyond statutory RPS requirements to acquire associated economic development benefits, consumer savings, environmental benefits and export potential of those resources. Two trends among Western states are obvious: toward more renewable energy standards and toward increasing those standards over time. Planning should include not only today's minimum standards, but also the prospects that the minimums will be exceeded as cost effective renewable energy is added to utility systems and as the standards themselves continue to be increased.

The Commission should also extend this guidance to include additional public interest concerns.

Factors of most concern to the public—energy security, economic development, jobs and economic competitiveness, public health, ecological sustainability—are rarely if ever considered in evaluating the need for or benefits of infrastructure projects, and in some states are prohibited from being considered in transmission approvals. This hinders public understanding of the need for expanding and modernizing the grid and undermines public acceptance of proposed projects. Just as importantly, it removes the basis for coordinating individual self-interested transmission projects into a regional plan able to meet multiple public objectives at least total cost.

The NOPR does not constrain states or regions from incorporating other public interest considerations into planning, if such considerations are regionally

agreed. Because transmission assets have 50-year or longer service lives, it may be prudent for regions to anticipate, for example, accelerated coal plant retirements in regional plans even though early retirements are not required by current economics or policy. A majority of states having RPS targets have increased the percentage of renewable energy required by those targets since they were first enacted, and there are many reasons to expect states to continue to increase those targets over the service life of the transmission now needed to meet current statutory targets. The Commission should at a minimum require regional plans to address a planning horizon of at least 20 years, and to evaluate environmental and economic constraints and public interest concerns over that planning horizon as a basis for development of such plans.

Assuring a sustainable energy future is a basic goal of Commission regulatory responsibility under the Federal Power Act. Aligning the electric sector with environmental imperatives requires incorporating public interest considerations into planning. The Commission should act immediately to broaden the scope of planning to this end.

D. More Inclusive Planning Can Produce Better Plans

The NOPR would require each regional planning process to "consider and evaluate transmission facilities and other non-transmission solutions…and develop a regional transmission plan that identifies the transmission facilities that cost-effectively meet the needs of transmission providers, their transmission customers,

and other stakeholders."[14] In addition, it seeks to ensure that transmission customers and other stakeholders can express their needs and help identify solutions that more efficiently address the region's needs.[15] This requires active participation in planning processes by stakeholders who have knowledge of and perspective on both regional interests and needs, and on non-transmission solutions.

The Commission is correct to point out that such participation will help transmission customers and other stakeholders recognize and understand the benefits provided by transmission facilities. This is key to public acceptance of infrastructure development, and we address this in more detail later in these comments.

We emphasize the further, and crucial, advantage that more inclusive planning helps produce better plans.

Better planning can provide an effective mechanism for identifying needed transmission projects and for accelerating approvals of well-designed ones. The most effective plans are those which incorporate and are responsive to regional public concerns, in addition to reliability requirements. Plans that avoid development in environmentally sensitive areas and which account for economic development and other impacts on regional populations invite less controversy, and are likely to be more quickly approved and to minimize post-approval litigation.

Non-utility stakeholder involvement in the planning process is the most effective way to discover the sensitivities, benefits and costs of proposed projects, as

[14] *Id*. at ¶51.
[15] *Id*. at ¶52.

perceived by the public which has to accept, and pay for, the infrastructure. To design effective plans, planners need high quality information on issues and from sources outside the utility business focus. Moreover, the amount of information mobilized by the planning process can be a useful metric of the inclusiveness of the process.

Stakeholder involvement can help improve project electrical design, routing and environmental design, and public acceptance. Some examples follow.

Better Electrical Design**.** In 2004, the California Public Utilities Commission (CPUC) identified wind resources in the Tehachapi Mountains region as able to support more than 4,500 MW of renewable energy generation. It ordered Southern California Edison (SCE) to develop a transmission plan to access those resources, in consultation with the Tehachapi Collaborative Study Group formed by the same CPUC order. In 2005, SCE proposed its Tehachapi Renewable Transmission Project, comprised of a series of trunklines on which power would flow predominately in one direction, from wind sites to load centers.

Stakeholders on the Tehachapi Collaborative Study Group proposed to the California Independent System Operator (CAISO) and SCE that the project be redesigned as a series of network connections to replace the trunklines. This stakeholder-proposed approach improved the operational flexibility of the upgrades and deployed them in ways that strengthened the state backbone grid. The new design was approved by the CAISO in 2007. In contrast to the conventional wisdom

that non-utility stakeholders cannot understand, let alone improve, electrical design, all parties should now expect stakeholders to comment knowledgeably on and in some cases help improve project electrical design.

Better Environmental Design**.** California's Renewable Energy Transmission Initiative (RETI) is charged with identifying and ranking Competitive Renewable Energy Zones and developing a conceptual transmission plan to access them. By consensus agreement of the 30 constituencies represented on the RETI Stakeholder Steering Committee, the transmission plan gives equal weight to environmental and economic factors. RETI transmission planning incorporates environmental concerns at the earliest planning stage.

Representatives of more than 50 local environmental groups and state and federal agencies participate in RETI's Environmental Work Group (EWG). These participants have detailed knowledge of local habitat, species and terrain features; local environmental, agricultural and cultural concerns; and permitting requirements. EWG involvement warned transmission planners away from electrical connections that likely could not obtain permit approvals. Incorporating this environmental knowledge early in the planning process saved the time and expense of developing projects that would later likely have to be abandoned.

RETI environmental evaluation ensures that existing corridors are fully utilized before new ones are considered. This is a prerequisite for environmental group support. As specific transmission projects emerge from the conceptual

planning process, RETI provides a venue for identifying workable routings that respect excluded lands, solving siting problems and developing compromises that may enable environmental groups to support project approvals. Developers of the SunZia Southwest Transmission Project report similar benefits from early stakeholder involvement in project design.

Transmission planning often relies heavily, if sometimes unconsciously, on the power of eminent domain ultimately conferred by a license to construct. The prospect of wielding this power can undermine the perceived value of developing plans in ways that increase possibilities of earning public support for them. Stakeholder input is a prerequisite for such publicly-aware planning.

E. Regional Planning Organizations Should Fund Stakeholder Participation

The NOPR states: "….because of the increased importance of regional transmission planning that is designed to produce a regional transmission plan, transmission customers and other stakeholders must be provided with an opportunity to participate meaningfully in that process."[16]

The key word here is "meaningfully." To the utilities' credit, transmission planning processes in the west have long been open to all who wish to and are able to engage. But openness alone is not adequate—NGOs and other stakeholder constituencies usually lack the resources to participate in a sustained-enough way to understand complex planning issues and contribute to improving the plans.

[16] Id. at ¶52.

An exception is the WECC Regional Transmission Expansion Plan (RTEP) process, which uses DOE funding to support NGO involvement by paying participants' expenses and for some of their professional time. RTEP is extraordinary in US transmission planning experience by dedicating one-third of the seats on the key Scenario Planning Steering Group to non-utility stakeholders.[17]

The Commission is correct to seek to strengthen regional transmission planning processes by inclusion of stakeholder involvement. The openness and transparency encouraged by Order 890 have done little, at least in the western US, to develop meaningful stakeholder participation in planning. Order 890 compliance as now practiced cannot build the quality of stakeholder involvement that WECC is pioneering in RTEP or that RETI is demonstrating to be effective in California. Additional action by the Commission is necessary to support the involvement of constituencies who bring information and perspective crucial for better aligning regional planning with regional interests.

To be effective, stakeholder involvement must be supported with dedicated funding. Such funding should be provided through a tariff paid by all transmission providers. In the West, these funds could be administered by WECC, which would pay stakeholder travel expenses and some professional time to participate in the meetings and work of the six Subregional Planning Groups in the Western

[17] The remaining SPSG seats are allocated one-third to state and Provincial representatives, and one-third to WECC utility members.

Interconnection,[18] in the work of the WECC Transmission Expansion Planning Policy Committee (TEPPC) and its several important subcommittees and work groups, and perhaps in the work and meetings of state planning efforts tied to regional planning.

An alternative approach for funding increased stakeholder involvement would have western Subregional Planning Groups develop accountable governance structures, as suggested in Section II A above, to enable them among other things to collect and administer a tariff fee to support stakeholder participation in their planning processes. Even though most of the western Subregional Planning Groups welcome stakeholder participation, formalizing their governance would have the additional advantages of orienting their work to better support consideration of diverse regional interests and of making them more accountable. The point is that it is valuable to "earn stakeholder consent" through stakeholder participation in transmission planning. We believe that the value to be gained is more than sufficient to justify funding participation.

III. INCLUSIVE PLANNING AND COST ALLOCATION AND COST RECOVERY OUTCOMES

The NOPR states the Commission's belief that a transparent transmission planning process is the appropriate forum to identify the types of benefits relevant for cost allocation and cost recovery purposes, the entities receiving those benefits,

[18] Subregional Planning Groups in the Western Interconnection are: California Independent System Operator (CAISO); Colorado Coordinated Planning Group (CCPG); ColumbiaGrid; Northern Tier Transmission Group (NTTG); Sierra Subregional Planning Group (SSPG); and Southwest Area Transmission (SWAT).

and the relative benefits that accrue to various beneficiaries.[19] WGG strongly agrees that, with additional guidance from the Commission, regional planning processes can become the most effective venues for identifying the costs and benefits of proposed projects and establishing an informal record on which cost allocation decisions can be based.

A. More Inclusive Planning Can Identify Benefits and Beneficiaries of Resource-Transmission Development On Which Cost Allocation and Cost Recovery Decisions Can Be Based

Planning processes across the country increasingly involve a wide range of non-utility stakeholders. California's Renewable Energy Transmission Initiative, for example, is led by a Stakeholder Steering Committee composed of Investor-Owned and municipally-owned utilities, state and federal permitting agencies, renewable energy generators, consumer and environmental advocates, tribes and the military. Other state Renewable Energy-Transmission planning processes, and the Western Renewable Energy Zone initiative of the Western Governors Association, involve participation by a similar range of stakeholder constituencies. DOE funding for interconnection-wide planning requires ERCOT and the Eastern and Western Interconnections to include—and pay for—the participation of consumer and environmental advocates, renewable energy generators, state regulatory commissions and non-incumbent transmission providers in those planning efforts. The 29-member Scenario Planning Steering Group at the heart of the Western Interconnection planning process led by WECC, for example, is made up of eight

[19] NOPR at ¶158

representatives of incumbent utilities and the WECC board; nine state and provincial members, representing regulatory commissions, state energy offices or Governors; two DOE representatives, *ex officio*; and nine non-utility stakeholders representing lands and wildlife advocates, energy efficiency, wind, solar and geothermal generators, Independent Power Producers, tribes, and non-incumbent transmission providers.

With this increased involvement in transmission planning, many of these non-utility stakeholders are acquiring detailed knowledge of the procurement planning, electrical and permitting requirements of and constraints on transmission development, and the strengths and limitations of the modeling tools and calculations used to evaluate it. This enables them to make informed contributions to determinations of how project costs and benefits are shared among beneficiaries.

A pertinent related issue is the distinction between cost allocation and cost recovery. Transmission costs must be allocated for various purposes, for uses and to users which are likely to change over the 40-year or longer life of the assets. The "joint costs of production" as the costs of complex undertakings like infrastructure projects are called in economics literature, cannot be allocated in any scientific or economically precise manner. They must instead be based on judgment, political imperatives or other such factors. This complicates agreement on how transmission costs should be allocated.

One of the purposes for which transmission costs must be allocated is to apportion them between FERC jurisdictional rates and state rates. The process for these "jurisdictional splits" is in place and operates without major controversy, but it is little known and almost never referenced in current debates about "cost allocations" for transmission. For the most part cost allocations and cost recovery are conflated, and confused, which leads away from, rather than toward their resolution.

Cost recovery depends on cost allocations, but adds the critical distinction that cost recovery results in someone paying the costs determined. Cost allocations by themselves do not require anyone to pay—cost recovery does that. We suggest that the distinction between cost allocation, an accounting debate that cannot be resolved on other than judgment calls, and cost recovery, which has economic results, should be made and maintained. In the end, transmission costs are joint costs of production and are determined for cost recovery through either public decisions about the justice and reasonableness of rates, or in negotiations between and among parties to agreements. Perhaps if "cost allocation" and "cost recovery" could be carefully and consistently separated and each element could be better understood, and if more participants in the debates about "cost allocation" understood and appreciated the difficulties attendant on allocating joint costs of production, the real problem, which we believe to be cost recovery, would be revealed and sooner resolved.

B. More Widely-Shared Understanding of Public and Social Benefits Provided by Transmission Facilities May Help Establish a Basis for Resolving Cost Allocation and Cost Recovery Controversies

Transmission projects that increase reliability of the grid, provide access to clean, indigenous and inexhaustible resources, create economic development opportunities and are planned to preserve ecosystem robustness deliver significant public benefits. These benefits, aside from reliability considerations, are rarely considered in planning or approval processes. Without consideration of the actual and material benefits of proposed projects, current planning processes cannot provide a basis for establishing just and reasonable rates for transmission service.

Significant public acceptance is a prerequisite for developing transmission on the scale and with the urgency required to meet regional and national economic development needs and emerging carbon reduction and clean energy goals. The electric sector and state PUCs cannot reasonably be expected to create such public acceptance or influence state and national policy by themselves. Involving key stakeholder constituencies in transmission planning and project design provides an effective foundation on which broader public acceptance can be built.

To take one example, California's Renewable Energy Transmission Initiative distinguishes stakeholders who are willing to work in good faith to resolve project planning, routing and siting issues from others who will only oppose transmission for self-interested reasons. Members of the RETI Stakeholder Steering Committee agree to work in good faith to achieve consensus on key issues, and to be willing to

actively and publicly support approval of transmission plans and projects found by the committee to be responsibly designed and required to meet state needs. Steering Committee members represent and actively communicate with large and diverse constituencies, who are called on to support projects that RETI stakeholders have been involved in helping plan. The support of such informed and credible stakeholders provides an effective counter to inevitable local opposition that challenges the need for or siting of transmission projects and facilitates decision-making by regulatory authorities who ultimately issue construction licenses.

It may be useful to consider the extent to which similarly-involved statewide stakeholder collaboratives could be effective in helping resolve interstate cost allocation and cost recovery controversies. Having a group which represents a wide range of diverse interests and perspectives explain the purpose, design rationale and benefits and costs of interstate projects may help catalyze the understandings necessary to support politically workable cost sharing.

Our experience in the several western regional planning processes cited in these comments leads us to strongly support the NOPR proposal to use transmission planning processes as the venues for developing an informal record on which cost allocation decisions can be based. We urge the Commission to develop standards to guide the work of regional planning processes to this end. Such standards should address stakeholder participation, the kinds of public, non-reliability benefits

appropriate to be evaluated as a basis for cost-benefit determination, and processes to be used to compile an informal record of cost and benefit considerations.

IV. CONCLUSION

Western Grid Group believes the policies proposed in the NOPR on which we have commented are needed and can lead to the development of regional plans which provide a more effective basis, first, for establishing just, reasonable and non-discriminatory rates for transmission service; and second, for accelerating the transmission development needed to expand and modernize the grid to provide a more secure and sustainable electric supply. We support making the explicit link proposed in the NOPR between planning and cost allocation. In our judgment, planning processes can serve as effective venues for identifying the costs, benefits and beneficiaries of proposed projects, to establish an informal record on which cost allocation and cost recovery decisions can be based.

We respectfully request that the Commission consider these comments as it develops final rules to make planning more effective, remove cost allocation and cost recovery obstacles, and establish a non-discriminatory basis for transmission development.

Respectfully submitted,

By: /s/ filed electronically

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