

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

<b>California Independent System Operator) Corporation</b>	)	<b>Docket No. ER13-1470-000</b>
	)	
<b>Northern Tier Transmission Group</b>	)	
	)	
<b>Deseret Generation &amp; Transmission Co-operative, Inc.</b>	)	<b>Docket No. ER13-1457-000</b>
	)	
<b>Idaho Power Company</b>	)	<b>Docket No. ER13-1467-000</b>
	)	
<b>NorthWestern Corporation</b>	)	<b>Docket No. ER13-1448-000</b>
	)	
<b>PacifiCorp</b>	)	<b>Docket No. ER13-1473-000</b>
	)	
<b>Portland General Electric Company</b>	)	<b>Docket No. ER13-1463-000</b>
	)	
<b>WestConnect</b>	)	
	)	
<b>Arizona Public Service Company</b>	)	<b>Docket No. ER13-1450-000</b>
	)	
<b>Black Hills Power, Inc.</b>	)	<b>Docket No. ER13-1472-000</b>
	)	
<b>Black Hills Colorado Electric Utility Company, LP</b>	)	<b>Docket No. ER13-1474-000</b>
	)	
<b>Cheyenne Light, Fuel &amp; Power Company</b>	)	<b>Docket No. ER13-1471-000</b>
	)	
<b>El Paso Electric Company</b>	)	<b>Docket No. ER13-1465-000</b>
	)	
<b>NV Energy</b>	)	<b>Docket No. ER13-1466-000</b>
	)	
<b>Public Service Company of Colorado</b>	)	<b>Docket No. ER13-1469-000</b>
	)	
<b>Public Service Company of New Mexico</b>	)	<b>Docket No. ER13-1447-000</b>
	)	
<b>Tucson Electric Power Company</b>	)	<b>Docket No. ER13-1461-000</b>
	)	
<b>UNS Electric, Inc.</b>	)	<b>Docket No. ER13-1462-000</b>

**MOTION TO FILE ANSWER AND ANSWER TO PROTESTS OF THE  
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION,  
NORTHERN TIER TRANSMISSION GROUP APPLICANTS, AND  
WESTCONNECT APPLICANTS**

The California Independent System Operator Corporation,<sup>1</sup> Northern Tier Transmission Group Applicants,<sup>2</sup> and WestConnect Applicants<sup>3</sup> (collectively, “Applicants”) respectfully submit this motion to file answer and answer to the late-filed protest<sup>4</sup> submitted by certain public interest organizations<sup>5</sup> in the above-captioned proceedings in response to the Applicants’ May 10, 2013 filing (“May 10 Compliance Filing”) to comply with the interregional requirements of Order No. 1000.<sup>6</sup> Applicants move the acceptance of this answer on the basis that it will assist the Commission’s deliberations in this proceeding.<sup>7</sup>

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<sup>1</sup> Capitalized terms not otherwise defined herein have the meanings set forth in the proposed tariff changes contained in the compliance filing submitted in these proceedings.

<sup>2</sup> The Northern Tier Transmission Group Applicants are: Deseret Generation & Transmission Cooperative, Inc.; Idaho Power Company; NorthWestern Corporation; PacifiCorp; and Portland General Electric Company.

<sup>3</sup> The WestConnect Applicants are: Arizona Public Service Company; El Paso Electric Company; NV Energy; Public Service Company of Colorado; Public Service Company of New Mexico; Tucson Electric Power Company; and UNS Electric, Inc.

<sup>4</sup> The Applicants submit this answer pursuant to Rules 212 and 213 of the Commission’s Rules of Practice and Procedure, 18 C.F.R. §§ 385.212, 385.213.

<sup>5</sup> The public interest organizations are the Center for Energy Efficiency and Renewable Technologies, the Clean Coalition, the Interwest Energy Alliance, the Natural Resources Defense Fund, the Renewable Northwest Project, the Sierra Club, the Sonoran Institute, the Western Grid Group, the Western Resource Advocates, and The Wilderness Society (collectively, “Public Interest Organizations”).

<sup>6</sup> *Transmission Planning and Cost Allocation by Transmission Owning and Operating Public Utilities*, Order No. 1000, FERC Stats. & Regs. ¶ 31,323 (2011) (“Order No. 1000”), *order on reh’g and clarification*, Order No. 1000-A, 139 FERC ¶ 61,132 (“Order No. 1000-A”), *order on reh’g and clarification*, Order No. 1000-B, 141 FERC ¶ 61,044 (2012) (“Order No. 1000-B”).

<sup>7</sup> The Applicants request waiver of Rule 213(a)(2), 18 C.F.R. § 385.213(a)(2), to permit them to make an answer to the protest. Good cause for this waiver exists here because the answer will aid the

The Applicants in the May 10 Compliance Filing explained that their proposed interregional coordination process was the result of a comprehensive collaborative process, including extensive stakeholder outreach, to develop common tariff language that meets the requirements of Order No. 1000.<sup>8</sup> The May 10 Compliance Filing described in detail how the common tariff language included in the filing satisfies the interregional transmission coordination requirements of Order No. 1000 as well as the Order's six interregional cost allocation principles.<sup>9</sup> Each Applicant also included modifications to its own tariff to incorporate the interregional provisions.<sup>10</sup>

The large majority of intervening parties support or do not oppose the May 10 Compliance Filing. Three entities – SoCal Edison, SDG&E, and Non-Public Utilities – timely submitted comments and limited protests regarding the May 10 Compliance Filing on June 24, 2013, to which the Applicants responded on July 9, 2013. Two public interest organizations submitted an intervention motion on June 24, without raising any protest on the filing, but later amended that filing out-of-time on July 3, 2013 to include the late intervention of other public interest organizations and an out-of-time protest. In

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Commission in understanding the issues in the proceedings, provide additional information to assist the Commission in the decision-making process, and help to ensure a complete and accurate record in the case. *See, e.g., Equitrans, L.P.*, 134 FERC ¶ 61,250, at P 6 (2011); *Cal. Indep. Sys. Operator Corp.*, 132 FERC ¶ 61,023, at P 16 (2010); *Xcel Energy Services, Inc.*, 124 FERC ¶ 61,011, at P 20 (2008). The Commission previously permitted answers to protests of the Order No. 1000 regional compliance filings. *See, e.g., Pub. Serv. Co. of Colo.*, 142 FERC ¶ 61,206 at P 11 (2013).

<sup>8</sup> Transmittal letter for May 10 Compliance Filing at 6-18. The Applicants encompass three of the four transmission planning regions in the United States portion of the Western Interconnection. Several members of the fourth transmission planning region, ColumbiaGrid, authorized the Applicants to represent that they participated in the development of, and incorporated in their filings, the common tariff language proposed by the Applicants, barring a Commission order determined to be inconsistent with such incorporation. *Id.* at 2-3 & n.4.

<sup>9</sup> *Id.* at 18-26.

<sup>10</sup> *Id.* at 26-32.

spite of the Public Interest Organizations' procedural deficiency, the Applicants answer as set forth below.

As explained below, the Commission should accept the May 10 Compliance Filing without modification. Although the Public Interest Organizations would like to expand the scope of Order No. 1000 by imposing additional interregional planning and cost allocation requirements, they have not shown that the common tariff language submitted for approval is inconsistent with Order No. 1000.

**I. Answer**

**A. Identification and Evaluation of Projects.**

**1. Identification of Projects.**

The Public Interest Organizations note that Order No. 1000 calls for a procedure “to identify and jointly evaluate” proposed interregional projects. They then complain that the Applicants’ proposal fails to include a process for the joint identification of the project.<sup>11</sup> This complaint ignores the plain language of the final rule quoted in the protest: Order No. 1000 does not call for joint identification of interregional projects through “top down” interregional planning. Order No. 1000 only directs joint evaluation.<sup>12</sup> The Public Interest Organizations’ request for top-down interregional planning is thus a collateral attack on the final rule and a request that the Commission expand the scope of the Order No. 1000 mandate, an issue that they should have raised in the Order No. 1000 proceeding and are barred from raising in this compliance filing proceeding. Under Order No. 1000, interregional planning is built upon the planning

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<sup>11</sup> Protest at 11-12.

<sup>12</sup> See Order No. 1000 at P 435-36.

processes of each participating region.<sup>13</sup> For that reason, the Commission did not require the development of interregional transmission plans.<sup>14</sup>

Moreover, the recommendation of the Public Interest Organizations is not practical. A joint identification of projects would require the Applicants to replicate, bilaterally as well as in larger groups, the entire planning process that they conduct at a regional level. One of the reasons that the Applicants created an open interregional meeting as part of their compliance filing proposal in the first place was to create a forum to accept input on a wide range of solutions that are not as easily enumerated as a list in a tariff. It is almost a certainty that such a list would not be inclusive of all facts and circumstances that may come to bear in the meeting. Applicants expect that interested participants will come to that meeting and express their views and ideas. Interregional solutions identified in that process will then be considered through each respective regional process as the region evaluates projects. To require an entirely separate process that replicates what each region does would be both inefficient and ineffective, thereby undermining the goal of “more efficient and cost-effective regional transmission planning.”<sup>15</sup>

## **2. Joint Evaluation of Projects**

The Public Interest Organizations complain that the Applicants’ proposal does not provide for joint evaluation of projects because it only calls for regions to share the assumptions and methodologies they will use for evaluating proposed interregional

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<sup>13</sup> Order No. 1000 at P 436.

<sup>14</sup> Order No. 1000-A at P 511.

<sup>15</sup> Order No. 1000 at P 2.

projects and then to study the project in their individual planning processes.<sup>16</sup> The Public Interest Organizations read the term “joint” as used in Order No. 1000 far more broadly than the Commission.

The interregional coordination requirement set out in the final rule contemplates multiple parties sharing information and evaluating the same interregional project, as in Applicants’ proposal. Order No. 1000 did not create a separate interregional planning process in which regional entities would form committees or similar multi-party mechanisms to evaluate projects. The Commission could not have been more clear on this point:

[W]e decline to require the preparation and approval of an interregional transmission plan or to adopt a mechanism for the Commission to review neighboring transmission planning regions’ disagreements about or failure to act on a proposed interregional transmission facility as requested by Joint Petitioners. Joint Petitioners have not convinced us that such measures are necessary in this generic rulemaking. As the Commission found in Order No. 1000, the interregional transmission coordination reforms do not require the creation of a distinct interregional transmission planning process to produce an interregional transmission plan or the formation of interregional transmission planning entities.<sup>17</sup>

Similarly, Order No. 1000 does not impose a second level of interregional transmission planning process on top of the regional transmission planning process, with duplicative assessments of needs and benefits. The Commission required that joint evaluation be conducted in the same general timeframe as, rather than subsequent to, each transmission planning region’s individual consideration of the proposed

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<sup>16</sup> Protest at 12-13.

<sup>17</sup> Order No 1000-A at P 511.

transmission project.<sup>18</sup> This requires that the evaluation take place during the individual regions' process.<sup>19</sup>

Indeed, in Order No. 1000-A, the Commission specifically rejected requests that it require "top-down" interregional planning.<sup>20</sup> Rather, the Commission emphasized that the requirement for interregional coordination "is for public utility transmission providers to consider whether the local and regional transmission planning processes result in transmission plans that meet local and regional transmission needs more efficiently and cost-effectively, *after considering opportunities for collaborating with public utility transmission providers in neighboring transmission planning regions.*"<sup>21</sup> The Applicants' proposal satisfies this requirement.

### **3. Obligation to Participate in an Interregional Project**

The Public Interest Organizations note that section 4.2(c) of the Applicants' proposal provides that if a Relevant Planning Region provides notification that the project will not meet any of its regional needs, it no longer has any obligation to participate in a joint evaluation of a project. They request that the Commission require a level of interregional verification, or at least include some set of criteria, by which the regions may determine that the project will not meet any of their respective transmission needs.<sup>22</sup>

As Applicants explained in their previous answer, however, the Commission has stated that the decision whether to include an interregional project in a regional plan for

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<sup>18</sup> Order No. 1000 at P 436.

<sup>19</sup> See Order No. 1000 at P 438-39.

<sup>20</sup> Order No. 1000-A at P 512.

<sup>21</sup> *Id.* at P 511 (emphasis added).

<sup>22</sup> Protest at 14-15.

the purposes of cost allocation is a decision to be made by each region *through its regional transmission planning process*.<sup>23</sup> It did not impose any conditions on a region's decision to reject such allocation under its respective regional transmission planning process, or require that an interregional body must be created to validate regional determinations.<sup>24</sup> The common tariff language in section 4.2(c) simply captures this concept and provides that if, in the course of its regional planning process, a region determines that the interregional project submitted into its process will not more efficiently or cost effectively meet regional needs, that region may notify the other regions accordingly. Since each region has adopted an open and transparent planning process, the basis for this decision will be available to stakeholders during the regional processes. Moreover, stakeholders have ample opportunity to challenge determinations within the Applicants' respective regional processes.

In Order No. 1000-A, as noted above, the Commission specifically rejected requests that it require interregional planning or the preparation and approval of an interregional plan.<sup>25</sup> It also rejected requests that it provide a mechanism for the Commission to review failures to act on a proposed interregional facility.<sup>26</sup> Arguments that the Commission should impose conditions such as those advocated by the Public Interest Organizations are thus a collateral attack on Orders Nos. 1000 and 1000-A.

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<sup>23</sup> Order No. 1000 at P 436; see also Order No. 1000 at P 401, Order No. 1000-A at P 635.

<sup>24</sup> Order No. 1000-A at P 511.

<sup>25</sup> *Id.* at P 511-12.

<sup>26</sup> *Id.* at P 511.

#### 4. Process for Stakeholders to Sponsor Projects Conceived at the Interregional Level.

The Public Interest Organizations protest that Applicants' proposal provides no guidelines for how a project submitted by a stakeholder at the annual interregional meeting will be addressed, nor provides a process for the project to be included in the relevant plans as an interregional project, even if the project proponents do not seek cost allocation.<sup>27</sup> The Applicants' proposal, however, does not provide for "submission" of projects at the annual meeting. Under section 3 of the common tariff language, the meeting will provide for the identification and preliminary discussion of interregional solutions, including conceptual solutions, that may meet regional transmission needs in each of two or more Planning Regions more cost effectively or efficiently. The next section of the common tariff language expressly instructs a proponent of an interregional project that seeks to have its project jointly evaluated by the relevant planning regions to submit the interregional project "into the regional transmission planning process of each Relevant Planning Region in accordance with such Relevant Planning Region's regional transmission planning process." The Public Interest Organizations' request goes beyond what the Commission has required in Order No. 1000. The Commission does not require that an annual meeting take place at all. In agreeing to convene an annual meeting in which all regions within the entire United States portion of the Western Interconnection are present, the Applicants' proposal is *superior* to the requirements of the rule itself.<sup>28</sup>

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<sup>27</sup> Protest at 15.

<sup>28</sup> Further, as described in *Town of Easton v. Delmarva Power and Light Co.*, 24 FERC ¶ 61,251 at 61,531 (1983), under the rule of reason the Commission "balance[s] [its] desire not to deprive utilities or groups of utilities of the flexibility they need to manage their own affairs by introducing substantial delay and layered decision-making into their operations . . . with the need for the full disclosure that furthers the purpose of having filing and posting requirements which provide real benefits to existing and potential

Section 4.1 of the common tariff language sets forth the process for the project to be included in the relevant plans as an interregional project, even if the project proponents do not seek cost allocation. Under that process, potential sponsors submit proposed interregional transmission projects through the regional planning processes of the Relevant Planning Regions. Because any interregional project must be included in the regional plans of the Relevant Planning Regions, this is the logical place to start.

This approach is consistent with the specific requirements of Order Nos. 1000 and 1000-A. The Commission required that Applicants' proposals first be submitted in the regional processes, and, as noted above, evaluated in the same time frame as regional processes. The Public Interest Organizations' request is inconsistent with this structure.

#### **5. Process for Sponsors that Are Not Seeking Interregional Cost Allocation.**

The Public Interest Organizations complain that the Applicants' proposal does not include a process for participation by project sponsors that are not seeking interregional cost allocation.<sup>29</sup> They are incorrect. Section 4 of the common tariff language allows joint evaluation of *any* proposed interregional project that is submitted in the regional planning process of each of the Relevant Planning Regions. It does not require a request

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customers or users of the services in question.” In its *Prior Notice and Filing Requirements Under Part II of the Federal Power Act*, 64 FERC ¶ 61,139, Appendix at 61,988 (1993), the Commission adopted the description offered by the U.S. Court of Appeals for the District of Columbia Circuit in *City of Cleveland v. FERC*:

[T]here is an infinitude of practices affecting rates and service. The statutory directive must reasonably be read to require the recitation of only those practices that affect rates and service *significantly*, that are realistically susceptible of specification, and that are not so generally understood in any contractual arrangement as to make recitation superfluous. It is obviously left to the Commission, within broad bounds of discretion, to give concrete application to this amorphous directive.

773 F.2d 1368, 1376 (D.C. Cir. 1985) (emphasis added).

<sup>29</sup> Protest at 15-16.

for interregional cost allocation. Section 5 further provides that the proponent of an interregional transmission project can *also* seek interregional cost allocation – making it clear that such a request is not a prerequisite for interregional evaluation.

## **B. Transparency**

The Public Interest Organizations contend that the Applicants’ proposal fails to comply with the transparency requirements of Order No. 1000 because it does not contain any reference to transparency in decision-making. They ask the Commission to require that the Relevant Planning Regions post on their websites “their determinations and underlying rationale related to the identification and evaluation of potential interregional facilities, including those that a region finds does not meet any of its transmission needs and so is not chosen for interregional cost allocation.”<sup>30</sup> Any such request, however, is misplaced in these dockets. Each Relevant Planning Region must make its determinations through its regional transmission planning process, which itself is subject to the transparency requirements of Order No. 1000.<sup>31</sup> Those provisions, which the Commission has already accepted in Applicants’ respective tariffs, will ensure transparency in a manner found compliant with the rule.<sup>32</sup>

## **C. Data Exchange.**

The Public Interest Organizations argue that the Applicants’ proposal is inconsistent with Order No. 1000 because it does not include sufficient procedures for regions to reconcile differences in data, models assumptions, planning horizons, and

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<sup>30</sup> *Id.* at 16-17.

<sup>31</sup> Order No. 1000 at P 151.

<sup>32</sup> *See Pub. Serv. Co. of Colo.*, 142 FERC ¶ 61,206 (2013), *PacifiCorp.*, 143 FERC 61,151 (2013), *Cal. Indep. Sys. Operator Corp.*, 143 FERC 61,057 (2013).

criteria. They recognize that section 4.2(a) of the Applicants' common tariff language states that each Relevant Planning Region will seek to resolve differences it has with other regions relating to such matters, but complain that it fails to provide a process for such resolution, and for action steps in the case that resolution cannot be reached.<sup>33</sup>

The Commission, however, stressed that it was providing flexibility for regions to develop procedures that work for them.<sup>34</sup> Because of the differences in the regional planning procedures, including their timing, Applicants concluded that it was preferable simply to require efforts to reconcile differences and to allow Relevant Planning Regions to work out the mechanisms for doing so on an individualized basis. The obligation to make such efforts sufficiently complies with Order No. 1000. The Commission has stated clearly that it declines to adopt "a mechanism for the Commission to review neighboring transmission planning regions' disagreements about or failure to act on a proposed interregional transmission facility . . . ."<sup>35</sup>

#### **D. Cost Allocation**

##### **1. Cost Allocation Methodology and Compliance with First Principle**

The Public Interest Organizations assert that Applicants' proposal contains no actual "common method" for interregional cost allocation because each Relevant Planning Region calculates its assigned *pro rata* share of the projected costs of the proposed interregional project. They contend that there must first be some interregional determination of how costs will be divided among the Relevant Planning Regions and

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<sup>33</sup> Protest at 18.

<sup>34</sup> Order No. 1000-A at P 510.

<sup>35</sup> Order No. 1000-A at P 511.

that allowing each region to determine its own *pro rata* share of the costs instead of utilizing some shared mechanism to allocate costs fails to satisfy Order No. 1000's obligation to establish a "common method" for cost allocation and undermines the assurance of just and reasonable rates and the avoidance of undue discrimination.<sup>36</sup>

Similarly the Public Interest Organizations assert that the proposed interregional cost allocation method fails to comply with the Commission's first cost allocation principle – that the cost of an interregional project be allocated among the project's beneficiaries in a manner roughly commensurate with benefits – because of the absence of on a common method for determining each Relevant Planning Region's *pro rata* cost (as opposed to letting each region determine their share on their own).<sup>37</sup> Contrary to the allegations levied in the late protest, the Applicants have satisfied this principle in the common tariff language through a combination of two primary factors:

First, for an interregional project to be eligible for interregional cost allocation, the project must have satisfied each region's regional criteria. See tariff sections 5.1, 5.2(c) through (f), and 6. This means that an interregional project must have been shown at the regional level to produce benefits to those within each region in a manner that is at least roughly commensurate with estimated costs to those in the region. In this respect, each region's specific provisions governing what are considered benefits will govern. The interregional cost allocation method proposed here does NOT seek to impose a new definition of benefits or beneficiaries upon an interregional project, and does NOT seek to address the underlying principle of what constitutes sufficient cost causation to create a

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<sup>36</sup> Protest at 19-20.

<sup>37</sup> *Id.* at 21.

beneficiary. Beneficiaries are identified exclusively at the regional level. To be clear, the common tariff language provides for data sharing, coordination, joint evaluation and interregional cost allocation, but it does not create a form of interregional transmission planning. Transmission planning occurs only at the local and regional levels. The Commission has made clear that its rulemaking does not require either interregional or interconnection-wide transmission planning.<sup>38</sup> The Public Interest Organizations' proposal would essentially undo the regional benefits and standards applicable to regional transmission needs determinations that the Commission has recently approved for each of the Applicants. Clearly, that was not the Commission's intent in Order No. 1000 and in approving each region's Order No. 1000 compliance filings. Further, by evaluating potential interregional solutions on the same footing – and at the same time – as potential regional solutions, the goal of facilitating necessary infrastructure development is served more effectively than it would be under a framework in which interregional projects were carved out for separate and disparate processing.

As Applicants discussed in their initial answer and above, however, the interregional coordination reforms call upon public utility transmission providers to consider “whether the local and regional transmission planning processes result *in transmission plans* that meet local and regional transmission needs more efficiently and cost-effectively, after considering opportunities for collaborating with public utility transmission providers in neighboring transmission planning regions.”<sup>39</sup> The Commission required interregional coordination because, in the absence of coordination

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<sup>38</sup> Order No. 1000-A at PP 500 and 711.

<sup>39</sup> Order No. 1000-A at P 511 (emphasis added).

between regions, transmission providers “may be unable to identify more efficient and cost-effective solutions to the individual needs identified in their respective local and regional transmission planning processes, potentially including interregional transmission facilities.”<sup>40</sup>

Second, those regions in which the interregional project is located will apply each such region’s respective *regional cost allocation methodology* to determine their own regional benefits. See tariff sections 5.2(c), 6.1 and 6.2. Through application of the regional cost allocation methodology, the interregional project benefits are measured against its costs, thereby ensuring that only projects shown to have benefits roughly commensurate with their costs will make it through the process. Because the Commission will approve a regional cost allocation methodology only if it satisfies the “commensurate” standard (and its underlying principle of cost causation), the Applicants’ interregional methodology necessarily satisfies the “commensurate” standard due to the assignment of costs among regions on a *pro rata* basis, with each region receiving an assignment of project costs based solely on its percentage share of the project benefits. The common tariff language provides for this kind of interregional cost allocation method in tariff sections 5.2 (d) and (e). See also tariff sections 5.2 (ii) and (iii) (requiring each region to confer with each other to identify project benefits in dollars, and assign estimated project costs to each region). By invoking a *pro rata* assignment method among regions, the common tariff language is consistent with, if not superior to, a “roughly commensurate” standard, because it assigns project costs among beneficiary

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<sup>40</sup> Order No. 1000 at P 368.

regions *directly in relation to the region's percentage benefits*, and thereby satisfies the principle's "roughly commensurate" standard.

That different regions may use a different calculus to evaluate the *regional* benefits of the interregional project does not violate the first principle, which only requires that the cost allocation be "roughly commensurate" with benefits. Indeed, since each of these respective regional methods for cost allocation has been accepted by the Commission – whether or not these methods are identical – it must be concluded that each method meets the requirement of allocating costs among project beneficiaries in a manner roughly commensurate with benefits. There is no assurance that picking just one of the four, or creating a unique fifth, as an interregionally-imposed methodology would be any better at meeting that criterion than the individual regions' methodologies, and the use of the individual methodologies is more consistent with the need to determine whether, for each region, the interregional solution is a more efficient and cost-effective solution to a *regional need* than the regional solution and should therefore be selected in the regional plan.

Moreover, the Public Interest Organizations appear to misconstrue the Applicants' proposal by asserting that it lacks a common interregional cost allocation method. It does not. It sets forth a universally-applied *pro rata* cost allocation methodology for the allocation – among regions – of interregional project costs. For those interregional transmission projects selected in the regional plans of two or more regions within the Interconnection, the purpose and effect of the common tariff language is to dictate how (through use of a simple *pro rata* method) the multiple regions will allocate the cost of the selected project among *the regions*. See tariff section 5.2(d). The form of

interregional cost allocation is to be the same for every selected interregional transmission project, without regard to whether the project is reliability driven, public policy driven, or otherwise. The Applicants have selected a *pro rata* interregional cost allocation method for universal use for all interregional transmission projects.

The Public Interest Organizations also assert that the Applicants' proposal violates the first cost causation principle because a Relevant Planning Region is able to opt-out of interregional cost allocation, without any guiding criteria, even if the interregional coordination process somehow predicts benefits within that region.<sup>41</sup> As noted above, however, under Order No. 1000, the decision whether to participate in an individual project is made by each region through its regional planning process. Moreover, in Order No. 1000-A, the Commission clarified that one region cannot impose costs on another region without approval.<sup>42</sup> Simply from a process standpoint, as was pointed out in stakeholder meetings during the preparation of the interregional coordination process, establishing an interregional methodology for determining regional benefits that differs from one or more (or all) of the regional methodologies for determining regional benefits will needlessly complicate and delay project development, since ultimately an interregional project must be determined by a region to be a more efficient or cost-effective solution to a regional need than alternative regional solutions which are evaluated using the region's own cost allocation methodology. If the interregional methodology for determining regional benefits were to differ from the regional methodology for determining regional benefits, the region may often be unable

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<sup>41</sup> Protest at 20-21.

<sup>42</sup> Order No. 1000-A at P 635.

to make such determination with regard to the interregional project. Accordingly, there is no basis for the objection raised by the Public Interest Organizations.

Finally, a decision by one region not to select a proposed interregional project in its transmission plan would not violate Cost Allocation Principle 1. The proposed interregional project would still need to satisfy the requirement that costs of the project be allocated roughly in accordance with benefits in order to be selected for cost allocation. If the decision of one region not to select the project prevents the proposed project from satisfying this principle, that project would not be selected for interregional cost allocation. If the proposed project still meets this principle without that one region, it can still be selected for interregional cost allocation. In either circumstance, interregional cost allocation principle 1 is respected.

## **2. Potential Interregional Projects Initially Devised at the Interregional Level**

The Public Interest Organizations state that sections 5.1 and 5.2 of the Applicants' proposal apply only to a project that a stakeholder proposes in a regional plan, and ask what cost allocation method and process exists when the Relevant Planning Regions devise a newly proposed interregional project that has not yet been proposed by stakeholders. They request that, to the extent that the Applicants' proposal incorporates "transmission providers" into the definition of stakeholders such that the issue the Public Interest Organizations raise is not intended, the Commission require clarification.<sup>43</sup>

Sections 5.1 and 5.2 of the common tariff language apply to projects submitted in regional plans. This language does not foreclose the opportunity for interregional

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<sup>43</sup> *Id.* at 21-22.

projects conceptually discussed at the annual interregional meeting to be picked up by any stakeholder acting as a project proponent and submitted into the relevant regional planning processes. Under section 4.1, the “project proponent” makes such submissions and this category includes transmission providers or Relevant Planning Regions as well as stakeholders.

Regardless of the nature of the project proponent, the initial step toward evaluation of the project is submittal to the regional planning processes of the Relevant Planning Regions. Interregional projects are not submitted at the interregional level, but rather through individual regional planning processes, because there is no interregional planning process.<sup>44</sup> Therefore, projects submitted under section 4.1 include the entire universe of potential interregional transmission projects.

## **II. Conclusion**

For the reasons explained above and in the May 10 Compliance Filing, the Commission should accept the May 10 Compliance Filing without modification.

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<sup>44</sup> Order No. 1000 at P 436.

Respectfully submitted,

**WESTCONNECT**

**ARIZONA PUBLIC SERVICE COMPANY**

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By \_\_\_\_\_  
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Dated: July 18, 2013

## CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon all of the parties listed on the official service lists for the above-referenced proceedings, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated at Washington, D.C. this 18<sup>th</sup> day of July, 2013.

*/s/ Daniel Klein*

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