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UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners:

Avista Corporation,
Nevada Power Company,
Portland General Electric Company,
Sierra Pacific Power Company

Docket No. RT01-15-005

TransConnect, LLC

Docket No. ER02-323-001

ORDER DENYING REQUEST FOR CLARIFICATION AND
ALTERNATIVE REQUEST FOR REHEARING WITHOUT PREJUDICE

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1. In this order, we deny, without prejudice, a request for clarification and alternative request for rehearing by Truckee Donner Public Utility District (Truckee) of the Commission's order issued on September 23, 2002 (September 23 Order).¹ This order finds that the issue raised by Truckee would be more appropriately raised in a later proceeding in view of the reply filed by Avista Corporation (Avista), Nevada Power Company (Nevada Power), Portland General Electric Company (PGE), Sierra Pacific Power Company (Sierra Pacific) and TransConnect, LLC (TransConnect) (collectively, Applicants). This order provides clarity regarding Applicants' proposal by noting that Applicants are still weighing options concerning the rate treatment of additions in net plant.

I. Background

2. The September 23 Order granted in part and denied in part an application by Avista, Nevada Power, PGE and Sierra Pacific for preliminary approval of their proposal to form and become members of TransConnect. The September 23 Order addressed Applicants' Stage 2 filing in which they requested preliminary approval of transmission

¹Avista Corp., et al., 100 FERC ¶ 61,297 (2002).

rates, including innovative transmission rate treatments,² a planning and expansion protocol, a compliance filing, and a modified governance proposal.

3. In pertinent part, Applicants proposed that TransConnect would be able to charge a rate up to a rate ceiling that would be maintained for five years. The rate proposal also includes incentive pricing provisions, including a higher return on equity for certain new transmission investments, that was designed to encourage efficient investment in transmission facilities. The September 23 Order held that:

We will accept Applicants proposed five-year rate ceiling and will allow TransConnect to file under Section 205 of the Federal Power Act for an incremental rate to reflect additions in net plant. However, consistent with Midwest ISO, we also will reject Applicants' proposed 200 basis-point adder and 15-year depreciation for new transmission investment without prejudice. We will consider the appropriate return on equity when Applicants propose new rates for incremental investment. We continue to believe that in order to ensure appropriate incentives for efficient investment in the transmission system, stakeholders must provide input concerning new transmission investment.[³]

4. On October 22, 2002, Truckee filed a request for clarification or, in the alternative, rehearing of the September 23 Order's acceptance of Applicants' proposed rate treatment of additions in net plant. Truckee states that, in its protest, it had argued that Applicants' proposal was ambiguous as to how incremental investment cost would be charged.⁴ According to Truckee, the September 23 Order's determination to accept the proposed five-year rate ceiling and allow TransConnect to file under section 205 for an incremental rate to reflect additions in net plant appears to rest on the assumption that incremental investments will become part of a separate TransConnect-wide rate to be charged to all system users rather than added just to a particular zone's base rate. Truckee requests that the Commission clarify if that was what it intended.

²Avista is not participating in the rate filing section of the TransConnect proposal; thus, only Nevada Power, PGE and Sierra Pacific are participating in the rate filing section.

³100 FERC at P 26.

⁴See Truckee's Protest at 28-29 (Dec. 13, 2001).

5. Alternatively, if the Commission intended to permit TransConnect to adjust an individual zonal rate, which is otherwise locked in for the five-year period, solely to take into account new investment in transmission facilities, then Truckee requests rehearing. Truckee states that, in its protest, it had argued that the Commission has long prohibited selective adjustments to a single cost component while other cost components are shielded from scrutiny. Further, Truckee reiterates its argument that allowing new TransConnect transmission investment to be added to an individual zonal rate base would add to already extreme rate disparities among the TransConnect zones and exacerbate cost shifts in the future.

6. On November 1, 2002, Applicants filed an answer opposing Truckee's request for clarification. They state, in pertinent part, as follows:

The current rate structure contemplated by both TransConnect and RTO West⁵ utilizes, for a transitional period, a license plate, or company zone, rate design. Under this design, it is possible that additions in net plant could be appropriately allocated to one or more zones, but not to others. This is particularly true if an independent transmission company's loads or zones are not contiguous, as may be the case with TransConnect at such time as it commences operations. On the other hand, it is possible that it may be appropriate to consider using a system-wide rate for future additions in net plant, and by this Answer the TransConnect Applicants do not intend to foreclose the possibility for such a system-wide rate.⁶

In arguing for rejection of Truckee's request for clarification, Applicants contend that "[i]f and when TransConnect makes such a proposal, Truckee Donner will have the

⁵In Docket No. RT01-35, Avista, Nevada Power, PGE, Sierra Pacific, Idaho Power Company, NorthWestern Energy, L.L.C. (formerly Montana Power Company), PacifiCorp, Puget Sound Energy, Inc., and British Columbia Hydro and Power Authority are seeking preliminary Commission guidance concerning their proposal to form a regional transmission organization (RTO), RTO West.

⁶Applicants' Answer at 2.

opportunity to protest and raise any objections it thinks may be appropriate in the context of a concrete filing."^{7]}

II. Discussion

7. We will permit Applicants' answer, because it has aided us in understanding the issues.⁸

8. Since the September 23 Order provided preliminary guidance pending the filing of a rate proposal by TransConnect, and since Applicants are still undecided concerning how they propose to treat additions in net plant, we need not address the issue at this time. As Applicants note, interested parties will have the opportunity to raise issues when TransConnect makes a section 205 filing to recover additions in net plant. Accordingly, we will deny the request for clarification and the alternative request for rehearing without prejudice to Truckee (or any interested party) raising the issue when TransConnect makes a section 205 filing.

The Commission orders:

Truckee's request for clarification and its alternative request for rehearing are hereby denied without prejudice, as discussed in the body of this order.

By the Commission.

Secretary

⁷Id.

⁸See 18 C.F.R. § 385.213 (2002) (answers to requests for rehearing are prohibited unless otherwise ordered by the decisional authority).