

CREPC Transmission Regulatory Principles Work Group
November 17, 2004 Conference Call Meeting Summary

Participants

Carl Linvill, Nevada
Steve Oxley, Wyoming
Inez Dominguez, Colorado
George Compton, Becky Wilson and Nancy Kelly, Utah
Marsha Smith and Randy Lobb, Idaho
Marla Larson and Larry Nordell, Montana
Doug Larson and Tom Carr, WIEB

On this initial conference call, the Transmission Regulatory Principles Work Group discussed:

- The scope of the Work Group's effort;
- Next steps, including documenting state transmission cost recovery procedures, experiences with the most recent major transmission additions, and how state review processes would apply to hypothetical future transmission projects; and
- Participation in the Work Group by non-state parties.

Scope of the Work Group's Effort

Pricing/Cost Recovery/Cost Allocation Principles: The Phase I RMATS report recommended that the Rocky Mountain States, through their regulatory commissions, adopt common pricing principles to be used as criteria for regulated transmission cost recovery decisions. The desire to adopt common pricing principles was viewed in the RMATS process as a means to achieve for potential investors a degree of clarity and consistency regarding the regulatory evaluation of transmission projects, especially for lines that cross multiple state jurisdictions.

The RMATS report also recommended considering the pricing principles approved by FERC for the New England ISO as a model for RMATS area pricing principles. Doug emailed the Work Group a PowerPoint presentation and one page summary of the New England ISO pricing principles that was provided to RMATS. He also emailed a paper that FERC staff prepared for RMATS on the Commission's action on transmission pricing. Marsha found a link to a discussion of the FERC order and a quick review of this document shows it refers to cost allocation rules. A copy of the FERC order on these cost allocation rules will be posted on the Work Group's website. The FERC order does not refer to "pricing" principles but rather cost allocation rules. The use of the term pricing principles may cause confusion because state regulators do not set wholesale transmission rates and most bundle transmission cost into retail electric service rates. It was proposed that the Work Group focus on cost recovery principles.

After discussion, the Work Group concluded that the RTO institutional structure does not exist in the Rocky Mountain region to permit the direct adoption of the New England ISO

cost allocation rules. The Group agreed to review the FERC order to evaluate whether and how it could be adapted to the industry institutional structure in the West. The Work Group also agreed to ask key RMATS participants in the cost allocation discussion to elaborate on the recommendation in the RMATS report.

Several Work Group members suggested we define the “problem” we need to solve, (i.e., What is “broken?”). The Group agreed to examine to what degree voluntary subscription is inadequate to allocate cost and what barriers exist for cost recovery at the state level. Marla said pancaked rates are a problem raised by potential transmission investors in Montana. Larry suggested that an “open season” approach is one way for determining cost and rights allocation.

The Work Group’s shift from transmission “pricing principles” to transmission “cost recovery” and possibly “cost allocation,” illustrated the evolving scope and purpose for the Work Group. Upon subsequent review, the chair proposes to rename this group as the “Transmission Regulatory Principles Work Group”.

Evaluation Criteria: The Work Group agreed to initially focus on an “evaluation criteria” for determining “prudent” or “allowable” transmission investment in state regulatory proceedings.

As a beginning point, each state will outline its transmission cost recovery “process.” Becky Wilson has provided the attached document that she developed in the RMATS process that describes the process in Utah and includes some information from Idaho, Wyoming and Colorado.

The second step for the Work Group is to review past experience of the regulatory treatment of transmission investment.

- Marla and Larry will describe the Colstrip line in Montana.
- Carl will draft a description of the issues raised in the Harry Allen line in Nevada.
- Becky will draft issues related to the Sigurd to Nevada border line in Utah.
- Marsha and Randy will share experience gained from the Valmy line in Idaho.
- Inez will see what he can do about discussing recent transmission lines being built in Colorado.
- Steve will review what there is to share from Wyoming.

As a third step, Larry agreed to brainstorm hypothetical proposed transmission additions for the purpose of illustrating how such proposals would be addressed in state regulatory processes.

WIEB staff will create an email listserv to allow Work Group members to easily share the products from their assignments. WIEB staff will also develop a web page to post relevant documents, such as relevant elements of the RMATS report and FERC documents. (In an attached document, there is a list of the proposed parties on the email

listserv. Please advise Doug Larson or Tom Carr of needed additions or deletions from the listserv.)

Investment Incentives: The RMATS report also recommend forming a joint stakeholder and regulatory group to explore other means (pre-approval, increased rates of return, etc.) to increase regulatory certainty for transmission investors.

At the moment, this is a second order task for the Work Group. The Work Group will start with a review of state processes and illustrative examples to understand where states have common cost recovery processes and where distinctions occur.

Participation in the Work Group by Non-State Parties

The Work Group agreed that it would first decide its scope of work among state participants and then consider participation in the Work Group by other parties. The Group agreed to invite the Regulatory Assistance Project (RAP) to participate in the next Work Group conference call. RAP has offered to provide assistance to the Work Group.

Doug Larson and Steve Oxley agreed to keep the RMATS Executive Committee apprised of the Work Group's work.

Next Work Group Conference Call

The Work Group will hold its next call on December 10 at 10:30 MST/9:30 PST. TO CONNECT TO THE CALL DIAL 800/561 4946. The pass code is 383973.

The purposes of the call are to:

- Review existing state regulatory processes;
- Discuss the regulatory treatment of major transmission projects in the region;
- Consider hypothetical transmission expansion proposals that would enable the Work Group to understand how they would be addressed in existing state regulatory processes;
- Further refine the scope of the Work Group's effort; and
- Discuss how RAP can support the Work Groups' effort.

Work Group members can share information with the entire Work Group by sending your email to "treg@westgov.org." Note that this listserv name replaces the earlier name (TPricing) distributed in an email on Nov. 22.

Attachments:

Work Group listserv participants
Transmission Cost Recovery in Utah