126 FERC ¶ 61,105
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Jon Wellinghoff, Acting Chairman;
Suedeen G. Kelly, Marc Spitzer,
and Philip D. Moeller.

WestConnect Docket No. ER09-409-000

ORDER ON POINT-TO-POINT REGIONAL TRANSMISSION SERVICE EXPERIMENT

(Issued February 10, 2009)

1. In this order, the Commission accepts a Participation Agreement establishing the WestConnect Point-to-Point Regional Transmission Service Experiment (the Proposal). The Commission also conditionally accepts regional transmission tariffs (Regional Tariffs), implementing the experiment for a two-year period, submitted by the jurisdictional transmission service providers. The Participation Agreement and Regional Tariffs implement the Proposal, consistent with the Commission's *Order on Petition for Declaratory Order*.[1] Acceptance of the Participation Agreement and Regional Tariffs will promote access to coordinated transmission service from multiple transmission providers at a single rate, encourage greater and more efficient use of the electric transmission system, and reduce costs to customers.

I. Background

2. In the September 18 Order, the Commission granted, with certain clarifications, a petition submitted by jurisdictional and non-jurisdictional transmission providers in the Western Interconnection (the Participants)[2] seeking guidance regarding the Proposal. The Commission found that:

[1] *WestConnect*, 124 FERC ¶ 61,240 (2008) (September 18 Order).

[2] WestConnect is an unincorporated, voluntary membership association formed to collaboratively engage in regional market enhancements. At this time, not all members of WestConnect will participate in the Experiment. Those that will participate as jurisdictional participants are Arizona Public Service Company, El Paso Electric Company, NV Energy, Public Service Company of Colorado, Public Service Company of (continued)

a. The structure of the Proposal, through the Participation Agreement as a WestConnect rate schedule and the submission of individual Regional Tariffs for each jurisdictional Participant, is reasonable;

b. Participation by non-jurisdictional Participants in the Proposal will not itself subject the revenues, rates, or costs of the non-jurisdictional Participants to the requirements of Federal Power Act sections 205 or 206;[3] and,

c. The rate discount rule stated in section 8 of the *pro forma* Open Access Transmission Tariff (OATT) will not apply to rates charged for service by each Participant under its Regional Tariff.

3. In the September 18 Order, the Commission also granted waiver of the Commission's notice requirements regarding withdrawal of a jurisdictional Participant from the Proposal and clarified that an informational filing must be made to the Commission upon such withdrawal in order to terminate relevant tariff sheets.

II. WestConnect and Participants' Filing

4. The instant filing implements the findings of the September 18 Order. Under the Proposal, the Participants will establish a two-year pricing initiative under which eligible transmission customers[4] will be offered hourly non-firm transmission service, on a non-discriminatory basis, over two or more transmission systems of the Participants. Under the Proposal, transmission customers will pay for service at the highest rate for hourly non-firm transmission service posted on the Open Access Same-time Information Systems (OASIS) of the Participants involved in the transaction. In addition, transmission customers will be charged for transmission losses, scheduling, system control, and dispatch charges of the Participants to the transaction, reactive supply and

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New Mexico, and Tucson Electric Power Company, and as non-jurisdictional participants are Southwest Transmission Cooperative, Inc., Tri-State G & T Association, and Western Area Power Administration.

[3] 16 U.S.C. § 824d (2006).

[4] An eligible customer, as defined in the Regional Tariffs, is an entity that has met the conditions required of transmission customers to take point-to-point transmission service under the respective OATT of each Participant providing service for a particular regional transaction.

voltage control charges for the Participants on the last segment of the transaction, and an administrative charge payable to a centralized coordinator of the Proposal.

5. The Participants propose to implement the Proposal through the Participation Agreement and the separate Regional Tariffs for each Participant. The Participation Agreement establishes the contractual relationship and obligations of a transmission owner that participates, including centralized coordination, revenue sharing, dispute resolution, and other applicable practices. Each Regional Tariff establishes the rates, terms, and conditions of the hourly non-firm point-to-point regional transmission service for eligible customers. The Participants state that they do not contemplate the creation of a regional transmission organization or independent system operator for purposes of providing service under the Proposal. They state that the primary purpose of the Proposal is to learn how the offer of an alternative to pancaked rate service for electric transmission service might affect their available transfer capability and transmission revenues.

6. The Participants anticipate that service under the Proposal can begin during the first quarter of 2009. As a result, they request that the Commission accept the Participation Agreement and Regional Tariffs to be effective February 11, 2009, sixty days after filing.

A. Transmission Service Pricing under the Proposal

7. The Participants state that the rate for transmission service across two or more Participants' transmission systems will be equal to the highest Participant's hourly non-firm transmission service rate as posted on such Participant's OASIS. The hourly non-firm transmission rates under the Proposal will be the posted ceiling rates in effect in each Participant's OATT, but will not be subject to the OATT discounting provisions.

8. Transmission customers under the Proposal will also be assessed the cost of ancillary services: scheduling, system control and load dispatch service, and reactive supply and voltage control service. Transmission customers will pay the scheduling charge for each Participant over whose electric transmission system regional service is taken. Charges for reactive power and supply service will be calculated by multiplying the total scheduled MW for the transaction by the reactive power rate in the OATT of the Participant providing service on the last physical segment of the transaction.

9. Customers under the Proposal will also be charged for losses associated with each transaction. The Participants state that transmission losses will continue to be pancaked and will be monetized at the rate published in the Dow Jones Palo Verde Electricity Price Index for the non-firm peak or non-firm off-peak hour related to the transaction.

10. Finally, an administrative fee of $0.09/MWh will be assessed for each transaction during the first year of the Proposal, which will decrease to $0.08/MWh during the

second year of the Proposal. The administrative fee will cover the costs associated with the Proposal such as developing necessary software and compensating the billing agent[5] and OASIS manager for their services.

11. Each Participant will share in regional transaction revenues on a *pro rata* basis. The *pro rata* shares of revenue will be based on the ratio of the posted OASIS ceiling rate of each transmission provider involved to the sum of those ceiling rates; provided that none of the Participants will collect more than their OASIS posted ceiling rate. Revenues collected for scheduling, system control and load dispatch service will be allocated among the Participants in the same fashion as transmission service rate revenues, i.e., on the proportion of each Participant's rate to the sum of the scheduling charges for the transaction. Revenues collected for reactive supply service will be allocated entirely to the Participant providing the service on the last segment of the path. Similarly, losses will be paid to each Participant based on its respective level of losses for the transaction.

B. Withdrawal from the Proposal

12. The Participation Agreement permits any Participant to withdraw from the Proposal (1) at any time before the Proposal begins; (2) at any time as a result of adverse regulatory actions; or, (3) after the first annual anniversary date, for any reason with ninety days' prior notice. Under the Participation Agreement, any withdrawing Participant will remain responsible for the completion of any transaction accepted before the time of the withdrawal. The Participants state that a notification of withdrawal by any Participant will be timely posted on the wesTTrans OASIS. Additionally, consistent with the September 18 Order, an informational filing by any jurisdictional withdrawing Participant will be submitted to the Commission within 15 days of the withdrawal.

III. Notice of Filing and Responsive Pleadings

13. Notice of the filing was published in the *Federal Register*, 73 Fed. Reg. 79,461 (2008), with interventions and protests due on or before January 6, 2009. No interventions or adverse comments were received.

IV. Discussion and Commission Determinations

14. The Commission accepts the Participation Agreement and also accepts, subject to modification, the Regional Tariffs for each jurisdictional Participant. In the September 18 Order, the Commission concluded that it would be reasonable for the Participants to submit the Participation Agreement as a rate schedule of WestConnect on behalf of its

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[5] A third party billing agent acting on behalf of the Participants will collect and allocate all charges for regional transmission service under the Experiment.

public utility participants, with each public utility Participant filing its Regional Tariff individually for Commission review and approval. The Participants have crafted the Participation Agreement and the Regional Tariffs consistent with the guidance provided in the September 18 Order. The Proposal is another step toward a regional approach to the use of the transmission grid in the desert Southwest region of the Western Interconnection. The structure of the Proposal will allow eligible transmission customers to obtain hourly non-firm transmission service across multiple transmission systems at a single rate. This opportunity may encourage greater, more efficient use of the transmission grid and allow transmission customers to lower their transmission costs.

15. We also find that the *pro rata* revenue allocation methodology, with the revenue distribution capped at the ceiling rate for hourly non-firm service, is reasonable, consistent with our findings in the September 18 Order.[6] This methodology, as well as the ability of transmission customers to take standard hourly non-firm transmission service under the Participant's OATT as an alternative, provides adequate protections for customers taking service under the Regional Tariff.

16. With regard to the withdrawal provisions, in the September 18 Order the Commission granted waiver of the Commission's regulations regarding notice of rate changes.[7] The Commission stated that the jurisdictional Participants should clearly indicate any notice of withdrawal made with the Commission will be filed for informational purposes only, that is, not subject to notice and comment. The Participants commit to submit any such notice of withdrawal to the Commission for informational purposes only. The Commission finds such commitment sufficient to ensure that interested parties will understand that any notice of withdrawal is not subject to comment or protest.

17. We conditionally accept the proposal to monetize transmission losses under the Proposal, subject to a further filing supporting the index. The Participants propose to utilize the Dow Jones Palo Verde Electricity Price Index for determining the value of losses. Consistent with the Commission's November 19, 2004 Order regarding changes in price indices relied upon in tariffs, the Participants must demonstrate that proposed use of the Dow Jones index is appropriate.[8] Specifically, the November 19, 2004 Order requires filers that are newly proposing to use a price index to demonstrate that: (1) the

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[6] September 18 Order at P 19.

[7] *Id.* P 28.

[8] *Order Regarding Future Monitoring of Voluntary Price Formation, Use of Price Indices in Jurisdictional Tariffs and Closing Certain Tariff Dockets*, 109 FERC ¶ 61,184 (2004) (November 19, 2004 Order).

selected price index has adopted all or substantially all of the standards of the Commission's Policy Statement,[9] (2) the published index provides the volume and number of transactions upon which the index value is based, and (3) the location selected (for an hourly index) meets one or more of the following criteria for liquidity in a recent 90-day review period:

1. Average daily volume traded of at least 25,000 MMBtu for gas or 2,000 MWh for power;

2. Average daily transactions of five or more; and

3. Average daily number of counterparties of five or more.

18. While the November 19, 2004 Order accepted Dow Jones as an index publisher that adopted all or substantially all of the Policy Statement standards, the Participants in this proceeding have not made a showing that the proposed Dow Jones index provides the volume and number of transactions upon which the index value is based or that the proposed index location (Palo Verde) meets or exceeds one or more of the minimum average criteria for liquidity noted above. Accordingly, Participants are directed to submit an analysis, including supporting data, to show that the proposed index and location meets the criteria to comply with Ordering Paragraph E of the November 19, 2004 Order, within 15 days of the date of this order.

19. In addition, the Commission will also require the Participants to amend certain minor errors in the Regional Tariffs. Each Regional Tariff contains a reference error in the definition of the terms "Administrative Charge" and "Billing Agent". In the draft Regional Tariffs, "Administrative Charge" is proposed to be defined in section 7.1(e) of the Regional Tariff. The term "Administrative Charge" is actually defined in section 7.1(f). The term "Billing Agent" is proposed to be defined in section 8.1(e). The Regional Tariffs do not include a section 8.1(e). Accordingly, Participants are required to correct these errors on compliance.

20. We also note that designation included in the Nevada Power Regional Tariff does not comport with Order No. 614 or the Commission's regulations. Section 35.9 of the Commission's regulations[10] requires every tariff and tariff sheet to be properly associated with the public utility providing the service. The use of "d/b/a"[11] to identify the name

[9] *Policy Statement on Natural Gas and Electric Price Indices*, 104 FERC ¶ 61,121, at P 33 (2003) (Policy Statement).

[10] 18 C.F.R. § 35.9 (2008).

[11] The term "d/b/a" in business terms stands for "doing business as."

change of the holding company of Nevada Power from Sierra Pacific Resources to NV Energy is not sufficient. If Nevada Power Company will continue as an operating subsidiary of NV Energy, then only the name Nevada Power Company can be included in the Regional Tariff.[12] In the alternative, if Nevada Power Company is not the operating subsidiary name, then the appropriate operating company name must be placed in the designation.[13] The Participants must make this change in their required compliance filing.

21. Finally, we clarify that because the Participation Agreement and Regional Tariffs will expire by their own terms on a specific date, any extension of the Proposal beyond the two-year period, commencing on February 11, 2009, will require a separate filing under section 205 of the Federal Power Act. In accordance with the Commission's regulations, such a filing must include appropriate historical and forecast cost and revenue support, as required by part 35.13 of the Commission's regulations.[14]

The Commission orders:

(A) The WestConnect Participation Agreement and Regional Tariffs are conditionally accepted, subject to modification, as discussed in the body of this order.

(B) The WestConnect Participants must submit additional information, as discussed in the body of this order, supporting the use of the Dow Jones Palo Verde Electricity Index within 15 days of the date of this order.

(C) The Participants must submit revised Regional Tariff sheets, correcting the reference errors discussed in the body of this order, within 15 days of the date of this order.

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[12] We note that because Sierra Pacific Power Company, the other operating subsidiary of NV Energy, and a WestConnect member, will not be participating in the Experiment, inclusion of Sierra Pacific Power Company in the Regional Tariff is not necessary.

[13] To the extent that the change of name from Sierra Pacific Operating Resources to NV Energy impacts any rate schedule on file with the Commission, a notice of succession must be timely filed with the Commission, in accordance with section 35.9 of the Commission's regulations.

[14] 18 C.F.R. § 35.13 (2008).

(D) The Nevada Power Company Regional Tariff designation must be corrected consistent with Order No. 614 and the Commission's regulations, and submitted within 15 days of the date of this order.

By the Commission. Commissioner Kelliher is not participating.

(S E A L)

Kimberly D. Bose,
Secretary.