

143 FERC ¶ 61,056
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Jon Wellinghoff, Chairman;
Philip D. Moeller, John R. Norris,
Cheryl A. LaFleur, and Tony Clark.

NorthWestern Corporation

Docket No. ER13-62-000

ORDER ON COMPLIANCE FILING

(Issued April 18, 2013)

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1. On October 10, 2012, NorthWestern Corporation (NorthWestern)¹ submitted, pursuant to section 206 of the Federal Power Act (FPA),² revisions to Attachment K of

¹ NorthWestern owns and operates transmission facilities in Montana and South Dakota that are neither physically connected nor in the same North American Electric Reliability Council (NERC) region. NorthWestern maintains separate Open Access

(continued . . .)

its South Dakota OATT Volume No. 2 to comply with the local and regional transmission planning and cost allocation requirements of Order No. 1000.³ In this order, we accept NorthWestern's compliance filing, subject to a further compliance filing, as discussed below.

I. Background

2. In Order No. 1000, the Commission amended the transmission planning and cost allocation requirements of Order No. 890⁴ to ensure that Commission-jurisdictional services are provided at just and reasonable rates and on a basis that is just and reasonable and not unduly discriminatory or preferential. Order No. 1000's transmission planning reforms require that each public utility transmission provider: (1) participate in a regional transmission planning process that produces a regional transmission plan; (2) amend its OATT to describe procedures for the consideration of transmission needs driven by public policy requirements established by local, state, or federal laws or regulations in the local and regional transmission planning processes; (3) remove federal rights of first refusal from Commission-jurisdictional tariffs and agreements for certain new transmission facilities; and (4) improve coordination between neighboring transmission planning regions for new interregional transmission facilities.

3. Order No. 1000's cost allocation reforms require that each public utility transmission provider participate in a regional transmission planning process that has: (1) a regional cost allocation method or methods for the cost of new transmission facilities selected in a regional transmission plan for purposes of cost allocation; and (2) an interregional cost allocation method or methods for the cost of new transmission

Transmission Tariffs (OATT) for its services in Montana and South Dakota. This proceeding addresses NorthWestern's South Dakota OATT services only.

² 16 U.S.C. § 824e (2006).

³ *Transmission Planning and Cost Allocation by Transmission Owning and Operating Public Utilities*, Order No. 1000, FERC Stats. & Regs. ¶ 31,323 (2011), *order on reh'g*, Order No. 1000-A, 139 FERC ¶ 61,132, *order on reh'g*, Order No. 1000-B, 141 FERC ¶ 61,044 (2012).

⁴ *Preventing Undue Discrimination and Preference in Transmission Service*, Order No. 890, FERC Stats. & Regs. ¶ 31,241, *order on reh'g*, Order No. 890-A, FERC Stats. & Regs. ¶ 31,261 (2007), *order on reh'g*, Order No. 890-B, 123 FERC ¶ 61,299 (2008), *order on reh'g*, Order No. 890-C, 126 FERC ¶ 61,228, *order on clarification*, Order No. 890-D, 129 FERC ¶ 61,126 (2009).

facilities that are located in two neighboring transmission planning regions and are jointly evaluated by the two regions in the interregional transmission coordination procedures required by Order No. 1000. Order No. 1000 also requires that each cost allocation method satisfy six cost allocation principles.

4. The Commission acknowledged in Order No. 1000 that each transmission planning region has unique characteristics, and, therefore, Order No. 1000 accords transmission planning regions significant flexibility to tailor regional transmission planning and cost allocation processes to accommodate regional differences.⁵ Order No. 1000 does not prescribe the exact manner in which public utility transmission providers must fulfill the regional transmission planning requirements.⁶ Similarly, because the Commission did not want to prescribe a uniform method of cost allocation for every transmission planning region, Order No. 1000 adopts the use of cost allocation principles.⁷ The Commission stated that it was acting to identify a minimum set of requirements that must be met to ensure that all transmission planning processes and cost allocation mechanisms subject to its jurisdiction result in Commission-jurisdictional services being provided at rates, terms and conditions that are just and reasonable and not unduly discriminatory or preferential, and it acknowledged that public utility transmission providers in some regions may already meet or exceed some requirements of Order No. 1000.⁸

II. Compliance Filing

5. To comply with the requirements of Order No. 1000, NorthWestern submitted proposed revisions to Attachment K of its OATT. NorthWestern seeks an effective date for its compliance filing of October 1, 2013.

6. NorthWestern explains that its transmission facilities in South Dakota are located within the Mid-Continent Area Power Pool (MAPP). NorthWestern states that MAPP is an unincorporated association of utilities in the Upper Midwest and that MAPP's functions are performed by its members and by a contractor, MAPPCOR. NorthWestern states that of MAPP's current members, only one, NorthWestern, is a public utility.

⁵ Order No. 1000, FERC Stats. & Regs. ¶ 31,323 at P 61.

⁶ *Id.* P 157.

⁷ *Id.* P 604.

⁸ *Id.* P 13.

7. NorthWestern explains that the MAPP Transmission Planning Committee oversees the development of the MAPP regional transmission plan. NorthWestern explains that each MAPP transmission owning member is required to maintain a local transmission plan for its system.⁹ NorthWestern states that the Transmission Planning Committee ensures the integration of the local transmission plans of MAPP transmission owning members into a MAPP regional transmission plan; coordinates the MAPP regional transmission plan with the plans of Transmission Planning Committee members that do not own transmission facilities (such as load-serving entities and owners of generation facilities) in the MAPP region; and coordinates, as necessary, in planning with neighboring transmission systems that are not Transmission Planning Committee members.¹⁰

8. NorthWestern explains that transmission planning activities in MAPP are led by the MAPP Regional Planning Group, a working group under the Transmission Planning Committee. NorthWestern states that the Regional Planning Group conducts the day-to-day transmission planning activities within MAPP, integrating MAPP members' local transmission plans into a consolidated "Roll-up Plan."¹¹ NorthWestern states that the Roll-up Plan is then coordinated with the transmission plans of other stakeholders within MAPP and, after further review and analysis by the Transmission Planning Committee, is developed into the MAPP regional transmission plan.¹² NorthWestern states that, in addition, an Economic Planning Group may be formed to consider economic

⁹ NorthWestern Corporation (South Dakota), NWE SD OATT, FERC Open Access Transmission Tariff Vol. 2, Attachment K, § 4.0 (Transmission Planning Process) (0.1.0).

¹⁰ NorthWestern Transmittal Letter at 3.

¹¹ The Regional Planning Group Roll-up Plan primarily addresses the local load-serving and public policy requirement needs of the MAPP transmission owning members, but is not precluded from addressing regional transmission needs. NorthWestern Corporation (South Dakota), NWE SD OATT, FERC Open Access Transmission Tariff Vol. 2, Attachment K, § 4.3 (Transmission Planning Process) (0.1.0).

¹² *Id.* The MAPP regional transmission plan integrates the transmission plans developed by individual MAPP transmission owning members, the Regional Planning Group, and other stakeholders to ensure that the transmission needs of the MAPP transmission planning region will be met in a consistent, reliable, environmentally acceptable, and economic manner. *Id.* § 4.1.

transmission projects.¹³ The Transmission Planning Committee approves the Regional Planning Group Roll-up Plan at the end of the first year of the biennial transmission planning cycle and approves the MAPP regional transmission plan at the end of that cycle.¹⁴

9. NorthWestern further explains that the process for revising the MAPP regional transmission planning process to achieve consistency with Order No. 1000 began in December 2011. NorthWestern asserts that a transmission planning task force was formed to consider specific revisions to the transmission planning processes, and a cost allocation task force was formed to consider specific revisions to regional cost allocation. NorthWestern states that stakeholder meetings were held on March 22, 2012 and June 12, 2012, in which stakeholder comments on proposed revisions to the MAPP Attachment K were solicited and incorporated. NorthWestern further states that throughout the development of revisions to the MAPP Attachment K, the task forces publicly posted for stakeholder review presentations, meeting notes, and revised proposals for Order No. 1000 revisions.¹⁵

III. Notice of Filing and Responsive Pleadings

10. Notice of NorthWestern's filing was published in the *Federal Register*, 77 Fed. Reg. 64,502 (2012), with interventions and protests due on or before November 26, 2012.

11. American Wind Energy Association (AWEA) and Wind on the Wires (WOW) filed timely motions to intervene. LS Power Transmission, LLC and LSP Transmission Holdings, LLC (collectively, LS Power) filed a timely motion to intervene and protest in this docket and in the other dockets involving the Order No. 1000 compliance filings of the participants in the Northern Tier Transmission Group (NTTG). Montana Public Service Commission, Montana Consumer Counsel, Utah Public Service Commission, Utah Office of Consumer Services, Wyoming Public Service Commission and Wyoming Office of Consumer Advocate (State Members) filed comments in this docket and in the other dockets in support of the Order No. 1000 compliance filings of the participants in the NTTG. On December 20, 2012, AWEA and WOW jointly filed a motion to file comments out-of-time and comments.

¹³ NorthWestern Transmittal Letter at 6.

¹⁴ *Id.* at 5 (citing NorthWestern Corporation (South Dakota), NWE SD OATT, FERC Open Access Transmission Tariff Vol. 2, Attachment K, § 4.3.6 (Transmission Planning Process) (0.1.0)).

¹⁵ *Id.* at 4.

IV. Discussion

A. Procedural Matters

12. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2012), the timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.¹⁶

B. Substantive Matters

13. We find that NorthWestern's compliance filing partially complies with the regional transmission planning and cost allocation requirements adopted in Order No. 1000. Accordingly, we conditionally accept NorthWestern's compliance filing to be effective October 1, 2013, subject to a further compliance filing as discussed below. We direct NorthWestern to file the compliance filing within 120 days of the date of issuance of this order.

1. Regional Transmission Planning Requirements

14. Order No. 1000 requires each public utility transmission provider to participate in a regional transmission planning process that complies with the identified transmission planning principles of Order No. 890 and that, in consultation with stakeholders, results in the development of a regional transmission plan.¹⁷ The regional transmission plan will identify transmission facilities that meet the region's reliability, economic, and Public Policy Requirements-related¹⁸ needs more efficiently or cost-effectively than solutions identified by individual public utility transmission providers in their local transmission planning processes.¹⁹ A primary objective of the reforms in Order No. 1000 is to ensure that transmission planning processes at the regional level consider and evaluate, on a non-discriminatory basis, possible transmission alternatives and produce a transmission plan

¹⁶ Because LS Power's protest and State Members' comments address the NTTG transmission planning region and not the MAPP transmission planning region, their protest and comments will be addressed in the docket addressing the Order No. 1000 compliance filings for the NTTG transmission planning region.

¹⁷ Order No. 1000, FERC Stats. & Regs. ¶ 31,323 at PP 6, 11, 146.

¹⁸ Public Policy Requirements are defined and described below.

¹⁹ Order No. 1000, FERC Stats. & Regs. ¶ 31,323 at PP 11, 148.

that can meet a transmission planning region's needs more efficiently and cost-effectively.²⁰

a. **Transmission Planning Region**

15. Order No. 1000 specifies that a transmission planning region is one in which public utility transmission providers, in consultation with stakeholders and affected states, have agreed to participate for purposes of regional transmission planning and development of a single regional transmission plan.²¹ The scope of a transmission planning region should be governed by the integrated nature of the regional power grid and the particular reliability and resource issues affecting individual regions.²² However, an individual public utility transmission provider cannot, by itself, satisfy the regional transmission planning requirements of Order No. 1000.²³

16. In addition, Order No. 1000 requires that public utility transmission providers explain in their compliance filings how they will determine which transmission facilities evaluated in their local and regional transmission planning processes will be subject to the requirements of Order No. 1000.²⁴ Order No. 1000's requirements are intended to apply to new transmission facilities, which are those transmission facilities that are subject to evaluation, or reevaluation as the case may be, within a public utility transmission provider's local or regional transmission planning process after the effective date of the public utility transmission provider's compliance filing.²⁵ Each region must determine at what point a previously approved project is no longer subject to reevaluation and, as a result, whether it is subject to these requirements.²⁶

17. Order No. 1000-A states that public utility transmission providers in each transmission planning region must have a clear enrollment process that defines how

²⁰ *Id.* PP 4, 6.

²¹ *Id.* P 160.

²² *Id.* (citing Order No. 890, FERC Stats. & Regs. ¶ 31,241 at P 527).

²³ *Id.*

²⁴ *Id.* PP 65, 162.

²⁵ *Id.*

²⁶ *Id.*

entities, including non-public utility transmission providers, make the choice to become part of the transmission planning region.²⁷ Each public utility transmission provider (or regional transmission planning entity acting for all of the public utility transmission providers in its transmission planning region) must include in its OATT a list of all the public utility and non-public utility transmission providers that have enrolled as transmission providers in its transmission planning region.²⁸ A non-public utility transmission provider will not be considered to have made the choice to join a transmission planning region and thus be eligible to be allocated costs under the regional cost allocation method until it has enrolled in the transmission planning region.²⁹

i. NorthWestern's Filing

18. NorthWestern proposes to participate in a transmission planning region comprised of one public and ten non-public utility transmission providers that are enrolled in the MAPP transmission planning region and are therefore potential beneficiaries that may be allocated costs under the MAPP regional cost allocation method.³⁰ Additionally, NorthWestern has revised its Attachment K to state that the MAPP regional transmission planning process uses a biennial planning cycle to develop an efficient and cost-effective MAPP regional transmission plan.³¹ NorthWestern states that MAPP's next biennial regional transmission planning cycle begins on January 1, 2014, and NorthWestern requests an effective date of October 1, 2013 for the revisions to its Attachment K. NorthWestern explains that an October 1, 2013 effective date allows the submission of pre-qualification data that will be used in the next transmission planning cycle that commences on January 1, 2014.³²

19. NorthWestern proposes to add a new section 4.2 to Attachment K that sets forth the MAPP regional transmission planning process enrollment requirements.

²⁷ Order No. 1000-A, 139 FERC ¶ 61,132 at P 275.

²⁸ *Id.*

²⁹ *Id.* PP 276-277.

³⁰ NorthWestern Corporation (South Dakota), NWE SD OATT, FERC Open Access Transmission Tariff Vol. 2, Attachment K, § 4.2 (Transmission Planning Process) (0.1.0).

³¹ *Id.* § 4.3.

³² NorthWestern Transmittal Letter at 16.

NorthWestern states that enrollment is accomplished through MAPP Transmission Planning Committee membership, and all MAPP Transmission Planning Committee members that are transmission providers are automatically enrolled in the MAPP regional transmission planning process.³³ Under NorthWestern's proposed Attachment K, an entity desiring to become a MAPP Transmission Planning Committee member shall submit an application for membership to MAPP COR (the MAPP contractor) and sign the Second Restated MAPP Agreement upon becoming a MAPP member.³⁴

20. The MAPP Second Restated Agreement provides that membership in the Transmission Planning Committee shall be available to all transmission owning members and all members that serve load or own generation facilities in the MAPP region.³⁵ Specifically, membership in MAPP "shall be open to any Electric Utility,^[36] any Transmitting Utility,^[37] and to any other entity generating electric energy for sale for resale, or to a Joint Member^[38] the Designating Entities^[39] of which meet the

³³ *Id.* at 8; NorthWestern Corporation (South Dakota), NWE SD OATT, FERC Open Access Transmission Tariff Vol. 2, Attachment K, § 4.2 (Transmission Planning Process) (0.1.0).

³⁴ NorthWestern Corporation (South Dakota), NWE SD OATT, FERC Open Access Transmission Tariff Vol. 2, Attachment K, § 4.2 (Transmission Planning Process) (0.1.0).

³⁵ MAPP Second Restated Agreement at 6.3.1.

³⁶ "Electric Utility" shall mean any entity, person, Federal agency (including any Federal Power Marketing Agency and the Tennessee Valley Authority) or State agency (including any municipality) which sells electric energy. MAPP Second Restated Agreement at 3.13.

³⁷ "Transmitting Utility" shall mean any Electric Utility, qualifying cogeneration facility or qualifying small power production facility as defined in the FPA, or other entity which owns or operates electric power transmission facilities used for the transmission of electric energy for sale at wholesale. MAPP Second Restated Agreement at 3.44.

³⁸ "Joint Member" shall mean an entity designated by two or more Designating Entities to participate in the activities of MAPP on their behalf. MAPP Second Restated Agreement at 3.20.

³⁹ "Designating Entity" shall mean an entity that is eligible for membership in accordance with the requirements of Article 4, that has Electric Revenues of less than
(continued . . .)

membership requirements in Article 4 of the MAPP Second Restated Agreement.”⁴⁰ The requirements for new members include: (i) a brief description of the applicant; (ii) a statement of whether the applicant owns transmission facilities that are located within 500 miles of the MAPP region but are not under the control of a Regional Transmission Organization; and (iii) such additional information as may be required by a particular committee of which the applicant wishes to become a member.⁴¹ MAPP has also included in new section 4.2 to Attachment K a list of all public utility and non-public utility transmission providers that are enrolled in the MAPP transmission planning region.⁴²

ii. Protests/Comments

21. No protests or comments were filed regarding this issue.

iii. Commission Determination

22. We find that the scope of the transmission planning region, the description of transmission facilities that will be subject to the requirements of Order No. 1000, and the enrollment process specified in NorthWestern’s filing complies with the requirements of Order No. 1000. In particular, we find that the MAPP transmission planning region is of

\$15,000,000, or such other amount as may be established from time to time by the Contractor subject to approval by the Chairs of the Committees, and that elects to participate in MAPP through a Joint Member. MAPP Second Restated Agreement at 3.10.

⁴⁰ MAPP Second Restated Agreement at 4.1.

⁴¹ MAPP Second Restated Agreement at 4.2.2.

⁴² The following transmission providers are listed as having enrolled in the MAPP transmission planning region: Ames Municipal Electric System; Basin Electric Power Cooperative; Corn Belt Power Cooperative; Heartland Consumers Power District; MN Municipal Power Agency; MN Municipal Utilities Association; Minnkota Power Cooperative; Missouri River Energy Services; Rochester Public Utilities; and Western Area Power Administration, Upper Great Plains Region (Western). NorthWestern Corporation (South Dakota), NWE SD OATT, FERC Open Access Transmission Tariff Vol. 2, Attachment K, § 4.2, (Transmission Planning Process) (0.1.0). As noted above, NorthWestern is the only public utility transmission provider member of MAPP and is the only entity enrolled in the MAPP transmission planning region that has submitted an Order No. 1000 compliance filing.

sufficient scope for NorthWestern to satisfy the requirements set forth in Order No. 1000, which requires the transmission planning region be governed by the integrated nature of the grid and the particular reliability and resource issues that affect the particular region. The MAPP transmission planning region includes one public utility transmission provider (NorthWestern) and ten non-public utility transmission providers, all of which have enrolled in the MAPP regional transmission planning process.⁴³ We also find that NorthWestern's proposal, with a requested effective date of October 1, 2013, complies with the requirement to describe the transmission facilities that will be subject to the requirements of Order No. 1000. In addition, we find that NorthWestern's OATT includes a clear enrollment process that defines how entities, including non-public utility transmission providers, make the choice to enroll and participate in the MAPP regional transmission planning process and that NorthWestern's OATT includes a list of all the public utility and non-public utility transmission providers that have enrolled as transmission providers in the MAPP transmission planning region.⁴⁴ However, we note that Missouri River Energy Services, one of the transmission providers NorthWestern lists in its OATT as having enrolled in the MAPP transmission planning region, is a transmission owning member of Midwest Independent Transmission System Operator, Inc. (MISO).⁴⁵ It is unclear whether Missouri River Energy Services should be listed as an enrolled member of the MAPP transmission planning region. Accordingly we direct NorthWestern to file, within 120 days of the date of issuance of this order, a further compliance filing to revise its OATT to update the list of transmission providers that are enrolled in the MAPP transmission planning region.

⁴³ NorthWestern Corporation (South Dakota), NWE SD OATT, FERC Open Access Transmission Tariff Vol. 2, Attachment K, § 4.2, (Transmission Planning Process) (0.1.0).

⁴⁴ To the extent non-public utility transmission providers that enroll in the transmission planning region have transmission planning and cost allocation materials posted on their websites that do not reflect the Order No. 1000-compliant transmission planning process, we encourage those non-public utility transmission providers to update these materials in order to avoid any confusion.

⁴⁵ See *Midwest Indep. Transmission Sys. Operator, Inc.*, 142 FERC ¶ 61,215, at n.6 (2013) (listing Missouri River Energy Services as a transmission owning member of MISO that joined the MISO Order No. 1000 compliance filing).

b. Order No. 890 and other Regional Transmission Planning Process General Requirements

23. Order No. 1000 requires that each public utility transmission provider participate in a regional transmission planning process that produces a regional transmission plan and that complies with certain transmission planning principles of Order No. 890 identified in Order No. 1000.⁴⁶ The process used to produce the regional transmission plan must satisfy the following Order No. 890 transmission planning principles: (1) coordination; (2) openness; (3) transparency; (4) information exchange; (5) comparability; (6) dispute resolution; and (7) economic planning.⁴⁷ These transmission planning principles, which were adopted with respect to local transmission planning processes pursuant to Order No. 890, must now be applied to the regional transmission planning processes established in Order No. 1000. We will assess NorthWestern's compliance with each of these principles individually.

i. Coordination

24. The coordination principle requires public utility transmission providers to provide customers and other stakeholders with the opportunity to participate fully in the planning process. The purpose of this requirement is to eliminate the potential for undue discrimination in planning by opening appropriate lines of communication between public utility transmission providers, their transmission-providing neighbors, affected state authorities, customers, and other stakeholders. The planning process must provide for the timely and meaningful input and participation of customers and other stakeholders regarding the development of transmission plans, allowing customers and other stakeholders to participate in the early stages of development.⁴⁸

(a) NorthWestern's Filing

25. NorthWestern states that the MAPP regional transmission planning process satisfies the coordination principle. NorthWestern asserts that the Regional Planning Group provides a forum for the integration of individual member plans and coordination with neighboring non-member systems in the development of a regional transmission plan. NorthWestern further states that the MAPP regional transmission planning process

⁴⁶ Order No. 1000, FERC Stats. & Regs. ¶ 31,323 at PP 146, 151.

⁴⁷ *Id.* P 151. These transmission planning principles are explained more fully in Order No. 890.

⁴⁸ Order No. 890, FERC Stats. & Regs. ¶ 31,241 at PP 451-454.

establishes mechanisms to enable meaningful participation by non-MAPP members; for example, section 5.1.2 of its proposed Attachment K ensures that non-MAPP members are apprised of MAPP regional transmission planning activities and milestones, while sections 4.3.5, 5.1.6, and 7.0 clarify that stakeholders are able to meaningfully participate in the transmission planning process.⁴⁹

26. Section 5.1.2 of NorthWestern's proposed Attachment K provides that all Transmission Planning Committee meeting notices shall be communicated by the secretary of the Transmission Planning Committee electronically through e-mail distribution lists, and subsequently posted on MAPP's website; all meeting notices shall be publicly available; and meeting notices shall state the time and place of the meeting and shall include an agenda sufficient to notify a stakeholder of the substance of the matters for discussion.⁵⁰ Section 5.1.2 also provides that the secretary shall publish the meeting notice and agenda at least 10 days prior to the meeting.⁵¹

27. Section 4.3.5 of NorthWestern's proposed Attachment K provides that the MAPP regional transmission planning process allows for the following: (1) stakeholder participation at Economic Planning Group, Regional Planning Group, and Transmission Planning Committee meetings; (2) stakeholder input throughout all planning stages; and (3) stakeholder input on transmission needs which are driven by public policy requirements. Section 5.1.6 of NorthWestern's proposed Attachment K states that "[p]articipation in the Transmission Planning Committee meetings where discussion of the MAPP Regional Plan is anticipated is open to any [Transmission Planning Committee] [m]ember or [s]takeholder subject to such restrictions as the [Transmission Planning Committee] deems necessary to comply with regulatory and confidentiality requirements."⁵²

28. Finally, section 7.0 of NorthWestern's proposed Attachment K provides that in order to facilitate participation in the MAPP regional transmission planning process, stakeholders may: (1) obtain the contact information for MAPP COR staff from the MAPP website; (2) contact the Transmission Planning Committee secretary to obtain

⁴⁹ NorthWestern Transmittal Letter at 5.

⁵⁰ NorthWestern Corporation (South Dakota), NWE SD OATT, FERC Open Access Transmission Tariff Vol. 2, Attachment K, § 5.1.2 (Transmission Planning Process) (0.1.0).

⁵¹ *Id.*

⁵² *Id.* § 5.1.6.

contact information and to subscribe to the regional transmission planning emails, which are used to send meeting announcements and agendas and minutes for the meetings; (3) obtain MAPP transmission owning members' local transmission planning contact information from the MAPP transmission owner's OASIS website; (4) sign the MAPP non-disclosure agreements to participate in the regional transmission planning meetings when Critical Energy Infrastructure Information material is to be discussed; and (5) check the MAPP website and calendar for a schedule of upcoming regional transmission planning meetings.⁵³

(b) **Protests/Comments**

29. No protests or comments were filed regarding this issue.

(c) **Commission Determination**

30. We find that NorthWestern's filing complies with the coordination principle. As described above, NorthWestern has provided customers and other stakeholders with a variety of opportunities to participate fully in the MAPP regional transmission planning process, including allowing for stakeholder participation at Economic Planning Group, Regional Planning Group, and Transmission Planning Committee meetings and stakeholder input throughout all stages of the transmission planning process. Moreover, NorthWestern will participate in a regional transmission planning process that facilitates stakeholder involvement by making meeting notices, which shall state the time and place of the meeting and shall include an agenda sufficient to notify a stakeholder of the substance of the matters for discussion, publicly available and posting them on the MAPP website. Finally, the MAPP regional transmission planning process will further allow for stakeholders to obtain contact information, subscribe to email lists, and obtain information about upcoming meetings.⁵⁴

ii. **Openness**

31. The openness principle requires that transmission planning meetings be open to all affected parties including, but not limited to, all transmission and interconnection customers, state authorities, and other stakeholders. Although the Commission recognized in Order No. 890 that it may be appropriate in certain circumstances to limit

⁵³ *Id.* § 7.0.

⁵⁴ While we find that NorthWestern complies with the coordination principle generally, we note later in this order our concerns about lack of stakeholder opportunities for evaluating solutions for transmission needs driven by public policy requirements.

participation in a meeting to a subset of parties, such as a particular meeting of a sub-regional group, the Commission emphasized that the overall development of the transmission plan and the planning process must remain open. Public utility transmission providers, in consultation with affected parties, must also develop mechanisms to manage confidentiality and Critical Energy Infrastructure Information concerns, such as confidentiality agreements and password protected access to information.⁵⁵

(a) **NorthWestern's Filing**

32. NorthWestern asserts that the MAPP regional transmission planning process satisfies the openness principle. NorthWestern states that to comply with the requirements of Order No. 1000, Attachment K has been revised to incorporate a new definition of "stakeholder." NorthWestern's proposed Attachment K defines stakeholder as "any interested party in the MAPP [r]egional [p]lanning [p]rocess, including, but not limited to Transmission Planning Committee Members, merchant transmission project developers, regulatory participants, incumbent transmission developers, and nonincumbent transmission developers."⁵⁶

33. NorthWestern states that MAPP stakeholders are invited to be part of all the stages of the regional transmission planning process. NorthWestern states that the Transmission Planning Committee provides notice of its meetings in advance and in sufficient detail to inform any interested party of the substance of the matters to be considered at the meetings.⁵⁷ NorthWestern further states that the Regional Planning Group meetings are open to all stakeholders and section 7.1 of proposed Attachment K specifies processes by which stakeholders may obtain further information about participating in the MAPP regional transmission planning process.⁵⁸ NorthWestern explains that section 5.1.6 provides that any stakeholder may participate (but not vote) in any meeting of the

⁵⁵ Order No. 890, FERC Stats. & Regs. ¶ 31,241 at P 460.

⁵⁶ NorthWestern Transmittal Letter at 5 (citing NorthWestern Corporation (South Dakota), NWE SD OATT, FERC Open Access Transmission Tariff Vol. 2, Attachment K, § 2.18 (Transmission Planning Process) (0.1.0)).

⁵⁷ *Id.* at 6 (citing NorthWestern Corporation (South Dakota), NWE SD OATT, FERC Open Access Transmission Tariff Vol. 2, Attachment K, §§ 4.3.5, 6.3, 5.1.2 (Transmission Planning Process) (0.1.0)).

⁵⁸ *Id.* (citing NorthWestern Corporation (South Dakota), NWE SD OATT, FERC Open Access Transmission Tariff Vol. 2, Attachment K, §§ 7.1, 7.2 (Transmission Planning Process) (0.1.0)).

Transmission Planning Committee regarding the MAPP regional transmission plan. Furthermore, NorthWestern explains, stakeholders may participate in the interregional planning process, as detailed in section 8.0, and may also participate in the Economic Planning Group, which may be formed to consider economic projects.⁵⁹ NorthWestern states that participation in the Regional Planning Group meetings is open to any stakeholder who has signed the MAPP non-disclosure agreement. Finally, NorthWestern states that when Critical Energy Infrastructure Information material is discussed at the Regional Planning Group Meetings, stakeholder attendance will be conditioned upon execution of the MAPP Critical Energy infrastructure Information non-disclosure agreement.⁶⁰

(b) Protests/Comments

34. No protests or comments were filed regarding this issue.

(c) Commission Determination

35. We find that NorthWestern's filing complies with the openness principle. Stakeholders can participate and provide input throughout the MAPP regional transmission planning process, including at meetings of the Economic Planning Group, Regional Planning Group, and Transmission Planning Committee. Further, NorthWestern revised the definition of "stakeholder" to include "any interested party in the MAPP regional [transmission] planning process." Finally, NorthWestern proposes to manage confidentiality and Critical Energy Infrastructure Information by requiring stakeholders to sign the MAPP non-disclosure agreements to participate in the regional transmission planning meetings when Critical Energy Infrastructure Information material is to be discussed.

iii. Transparency

36. The transparency principle requires public utility transmission providers to reduce to writing and make available the basic methodology, criteria, and processes used to develop transmission plans, including how they treat retail native loads, in order to ensure

⁵⁹ *Id.* (citing NorthWestern Corporation (South Dakota), NWE SD OATT, FERC Open Access Transmission Tariff Vol. 2, Attachment K, § 4.3.5 (Transmission Planning Process) (0.1.0)).

⁶⁰ NorthWestern Corporation (South Dakota), NWE SD OATT, FERC Open Access Transmission Tariff Vol. 2, Attachment K, § 6.7 (Transmission Planning Process) (0.1.0).

that standards are consistently applied. To that end, each public utility transmission provider must describe in its planning process the method(s) it will use to disclose the criteria, assumptions and data that underlie its transmission system plans. The transparency principle requires that sufficient information be made available to enable customers, other stakeholders, and independent third parties to replicate the results of planning studies and thereby reduce the incidence of after-the-fact disputes regarding whether planning has been conducted in an unduly discriminatory fashion.⁶¹

(a) **NorthWestern's Filing**

37. NorthWestern asserts that the MAPP regional transmission planning process satisfies the transparency principle. According to NorthWestern, the basic criteria, assumptions, and data that underlie the MAPP regional transmission plan are publicly available to all interested parties through the biennial plan, the MAPP OASIS, and the websites of the North American Reliability Corporation and the Midwest Reliability Organization.⁶² In addition, NorthWestern has revised its Attachment K to state that the underlying criteria, assumptions, and data of the MAPP regional transmission plan shall be made available on the MAPP website and that sufficient additional information will be available, in accordance with the MAPP Critical Energy Infrastructure Information policy and the Commission's Standards of Conduct regulations, to enable a requesting entity to perform planning analyses on the same basis as the Transmission Planning Committee.⁶³ NorthWestern further states that the current MAPP Critical Energy Infrastructure Information policy is available on the MAPP website and MAPP provides all stakeholders equal access, notice, and opportunity to attend planning meetings.⁶⁴

(b) **Protests/Comments**

38. No protests or comments were filed regarding this issue.

⁶¹ Order No. 890, FERC Stats. & Regs. ¶ 31,241 at P 471.

⁶² NorthWestern Transmittal Letter at 6.

⁶³ NorthWestern Corporation (South Dakota), NWE SD OATT, FERC Open Access Transmission Tariff Vol. 2, Attachment K, § 4.3 (Transmission Planning Process) (0.1.0).

⁶⁴ NorthWestern Transmittal Letter at 7.

(c) **Commission Determination**

39. We find that NorthWestern's filing complies with the transparency principle. The basic methodology, criteria, and processes used to develop transmission plans are readily available through various public websites. Further, NorthWestern's proposed Attachment K provides that sufficient additional information will be available, in accordance with Critical Energy Infrastructure Information policy and applicable standards of conduct to enable a requesting entity to perform transmission planning analyses on the same basis as the Transmission Planning Committee.⁶⁵

40. We note that, while we find here that NorthWestern's proposed OATT revisions satisfy the transparency principle, NorthWestern's OATT revisions made to comply with this order, including those made to satisfy the affirmative obligation to plan discussed below in section IV.B.1.c.i.(c), must also comply with the transparency principle. Accordingly, NorthWestern should evaluate, as it develops these further OATT revisions, whether additional changes to its OATT will be required to satisfy the transparency principle and propose such changes, if any as are needed to remain in compliance.

iv. **Information Exchange**

41. The information exchange principle requires network customers to submit information on their projected loads and resources on a comparable basis (e.g., planning horizon and format) as used by public utility transmission providers in planning for their native load. Point-to-point customers are required to submit their projections for need of service over the planning horizon and at what receipt and delivery points. To the extent applicable, transmission customers should also provide information on existing and planned demand resources and their impact on demand and peak demand. In addition, stakeholders should provide proposed demand response resources if they wish to have them considered in the regional transmission planning process.⁶⁶ Public utility transmission providers, in consultation with their customers and other stakeholders, are to develop guidelines and a schedule for the submittal of such customer information.⁶⁷

⁶⁵ See NorthWestern Corporation (South Dakota), NWE SD OATT, FERC Open Access Transmission Tariff Vol. 2, Attachment K, § 4.3.7 (Transmission Planning Process) (0.1.0).

⁶⁶ Order No. 890, FERC Stats. & Regs. ¶ 31,241 at P 487.

⁶⁷ *Id.* PP 486-487.

(a) **NorthWestern's Filing**

42. NorthWestern asserts that the MAPP regional transmission planning process satisfies the information exchange principle. NorthWestern states that section 4.3 of proposed Attachment K describes the process for development of the regional transmission plan. NorthWestern further states that the specific steps and milestones for the MAPP regional transmission planning process, including milestones for information exchange, are detailed in the Regional Planning Group Guidelines and Transmission Planning Committee Procedures publicly available on the MAPP website.⁶⁸ NorthWestern states that the Transmission Planning Committee and Regional Planning Group use milestone dates described in these procedures for the collection of planning data from Transmission Planning Committee members, data analysis, model preparation, study procedures, regulatory collaboration, and plan approval.

(b) **Protests/Comments**

43. No protests or comments were filed regarding this issue.

(c) **Commission Determination**

44. We find that NorthWestern's filing does not comply with the information exchange principle. NorthWestern points to the Regional Planning Group Guidelines and Transmission Planning Committee Procedures as listing specific steps and milestones for the MAPP regional transmission planning process, including information exchange. However, neither the Regional Planning Group Guidelines nor the Transmission Planning Committee Procedures address all of the information exchange requirements. For example, these documents fail to identify the information that stakeholders submit, when stakeholders submit such information, what planning horizon to use, or what format the submission should take. In addition, the latest versions of these documents have yet to be posted on the MAPP website. The information exchange requirements must be incorporated into NorthWestern's OATT rather than in its business practice manuals (i.e., its Regional Planning Group Guidelines and Transmission Planning Committee Procedures). NorthWestern's filing also fails to include a process for stakeholders to provide proposed demand response resources if they wish to have them considered in the regional transmission planning process.⁶⁹ Accordingly, we direct NorthWestern to file, within 120 days of the date of issuance of this order, a further compliance filing that revises its Attachment K to include such details and address the concerns raised above.

⁶⁸ NorthWestern Transmittal Letter at 7.

⁶⁹ See Order No. 890, FERC Stats. & Regs. ¶ 31,241 at P 487.

v. **Comparability**

45. The comparability principle requires public utility transmission providers, after considering the data and comments supplied by customers and other stakeholders, to develop a transmission system plan that meets the specific service requests of their transmission customers and otherwise treats similarly-situated customers (e.g., network and retail native load) comparably in transmission system planning.⁷⁰ In addition, public utility transmission providers must identify, as part of their transmission planning processes, how they will treat resources on a comparable basis, and therefore, how they will determine comparability for purposes of transmission planning.⁷¹ Furthermore, public utility transmission providers are required to identify how they will evaluate and select from competing solutions and resources such that all types of resources are considered on a comparable basis.⁷²

(a) **NorthWestern's Filing**

46. NorthWestern states that the MAPP regional transmission planning process satisfies the comparability principle. NorthWestern explains that the Regional Planning Group Guidelines and the Transmission Planning Committee Procedures available on MAPP's website establish a planning process by which members' and non-members' bona fide requirements for transmission service under members' tariffs are incorporated

⁷⁰ *Id.* P 494.

⁷¹ Order No. 890-A, FERC Stats. & Regs. ¶ 31,261 at P 216.

⁷² *See, e.g., NorthWestern Corp.*, 128 FERC ¶ 61,040, at P 38 (2009) (requiring the transmission provider's OATT to permit sponsors of transmission, generation, and demand resources to propose alternative solutions to identified needs and identify how the transmission provider will evaluate competing solutions when determining what facilities will be included in its transmission plan); *El Paso Elec. Co.*, 128 FERC ¶ 61,063, at P 15 (2009) (same); *N. Y. Indep. Sys. Operator, Inc.*, 129 FERC ¶ 61,044, at P 35 (2009) (*NYISO*) (same). In each of these cases, the Commission stated that tariff language could, for example, state that solutions will be evaluated against each other based on a comparison of their relative economics and effectiveness of performance. Although the particular standard a public utility transmission provider uses to perform this evaluation can vary, the Commission explained that it should be clear from the tariff language how one type of investment would be considered against another and how the public utility transmission provider would choose one resource over another or a competing proposal. *Northwestern*, 128 FERC ¶ 61,040 at P 38 n.31; *El Paso*, 128 FERC ¶ 61,063 at P 15, n.25; *NYISO*, 129 FERC ¶ 61,044 at P 35 n.26.

into the regional plan.⁷³ NorthWestern has also revised its OATT to state that the Transmission Planning Committee and the Regional Planning Group shall solicit input from stakeholders, including additions or changes to transmission, generation, and demand resources, in developing base-line assumptions and models.⁷⁴

(b) **Protests/Comments**

47. No protests or comments were filed regarding this issue.

(c) **Commission Determination**

48. We find that NorthWestern's filing partially complies with the comparability principle. NorthWestern has revised its OATT to provide that sponsors of all types of resources, including transmission, generation, and demand resources, may provide information for use in developing the base-line assumptions and models used in the MAPP regional transmission planning process. However, NorthWestern's Attachment K does not affirmatively state that, once transmission needs for the MAPP region are identified, sponsors of transmission, generation, and demand resources can propose alternative solutions to those identified transmission needs. NorthWestern also fails to identify how the MAPP transmission planning region will evaluate alternative solutions when determining what transmission facilities will be included in the regional transmission plan. In addition, although NorthWestern states that the Regional Planning Group Guidelines and the Transmission Planning Committee Procedures establish a transmission planning process by which members' and non-members' bona fide requirements for transmission service under members' tariffs are incorporated into the regional transmission plan, the provisions that establish such a comparable process must be in the OATT.⁷⁵

49. Accordingly, we direct NorthWestern to file, within 120 days of the date of issuance of this order, a further compliance filing to revise its OATT to state that sponsors of transmission, generation, and demand resources can propose alternative

⁷³ NorthWestern Transmittal Letter at 7.

⁷⁴ NorthWestern Corporation (South Dakota), NWE SD OATT, FERC Open Access Transmission Tariff Vol. 2, Attachment K, §§ 4.3.3.c and 6.11 (Transmission Planning Process) (0.1.0).

⁷⁵ In addition, as we note above in the Information Exchange section, the latest versions of the documents to which NorthWestern refers have yet to be posted on the MAPP website.

solutions to any transmission needs identified as part of the MAPP regional transmission planning process. We further direct NorthWestern to revise its OATT to state how the MAPP regional transmission planning process will evaluate and select from among competing solutions such that all types of resources are considered on a comparable basis.⁷⁶ NorthWestern must also revise its OATT to provide that the MAPP regional transmission planning process, after considering the data and comments supplied by customers and other stakeholders, will develop a regional transmission plan that meets the specific service requests of transmission customers and otherwise treats similarly-situated customers (e.g., network and retail native load) comparably in transmission system planning.⁷⁷

vi. Dispute Resolution

50. The dispute resolution principle requires public utility transmission providers to identify a process to manage disputes that arise from the regional planning process. In order to facilitate resolution of all disputes related to planning activities, a public utility transmission provider's dispute resolution process must be available to address both procedural and substantive planning issues.⁷⁸

(a) NorthWestern's Filing

51. NorthWestern asserts that the MAPP regional transmission planning process satisfies the dispute resolution principle. NorthWestern has revised its OATT to state that all substantive and procedural disputes related to the MAPP regional transmission planning process shall be resolved in accordance with the dispute resolution procedures set forth in the Second Restated MAPP Agreement.⁷⁹ Article 9 of the Second Restated

⁷⁶ Tariff language could, for example, state that solutions will be evaluated against each other based on a comparison of their relative economics and effectiveness of performance. Although the particular standard a transmission provider uses to perform this evaluation can vary, it should be clear from the tariff language how one type of investment would be considered against another and how the transmission provider would choose one resource over another or a competing proposal.

⁷⁷ Order No. 890, FERC Stats. & Regs. ¶ 31,241 at P 494.

⁷⁸ *Id.* P 501.

⁷⁹ NorthWestern Corporation (South Dakota), NWE SD OATT, FERC Open Access Transmission Tariff Vol. 2, Attachment K, § 10.0 (Transmission Planning Process) (0.1.0).

MAPP Agreement includes mediation and arbitration procedures to solve disputes between parties.

(b) **Protests/Comments**

52. No protests or comments were filed regarding this issue.

(c) **Commission Determination**

53. We find that NorthWestern's filing partially complies with the dispute resolution principle. As applied to disputes within the scope of NorthWestern's dispute resolution procedures and NorthWestern's existing OATT dispute resolution procedures, we find that the proposed provisions are consistent with the procedures previously accepted by the Commission.⁸⁰ However, as NorthWestern states, the Second Restated MAPP Agreement, which is the document that describes the MAPP dispute resolution procedures, is no longer on file with the Commission.⁸¹ Therefore, NorthWestern must incorporate the dispute resolution procedures into its OATT rather than relying on the dispute resolution procedures in the Second Restated MAPP Agreement. Accordingly, we direct NorthWestern to file, within 120 days of the date of issuance of this order, a further compliance filing that revises NorthWestern's OATT to include the procedures to address disputes that arise from the regional transmission planning process.⁸²

vii. **Economic Planning Studies**

54. The economic planning studies principle requires public utility transmission providers to account for economic, as well as reliability, considerations in the transmission planning process. The economic planning principle is designed to ensure that economic considerations are adequately addressed when planning for OATT customers as well. The principle requires that the scope of economic studies should not be limited to individual requests for transmission service. Customers must be given the opportunity to obtain studies that evaluate potential upgrades or other investments that

⁸⁰ See, e.g., *NorthWestern Corp.*, 139 FERC ¶ 61,189, at PP 34-36 (2012).

⁸¹ NorthWestern Transmittal Letter at 3.

⁸² The Commission has encouraged transmission providers to incorporate in their OATTs a three step dispute resolution process consisting of negotiation, mediation, and arbitration. See Order No. 890, FERC Stats. & Regs. ¶ 31,241 at P 503.

could reduce congestion or integrate new resources and loads on an aggregated or regional basis.⁸³

(a) **NorthWestern's Filing**

55. NorthWestern asserts that the MAPP regional transmission planning process satisfies the economic planning studies principle. NorthWestern explains that stakeholders, through the Transmission Planning Committee, may request that the Economic Planning Group perform economic planning studies to evaluate potential upgrades or other investments that could reduce congestion or integrate new transmission, generation, or demand resources and loads on an aggregated or regional basis. NorthWestern further explains that the Transmission Planning Committee, with stakeholder input, will commit to address up to five requests per year. NorthWestern states that the requests for studies are submitted to the chairman of the Transmission Planning Committee and collected over a 12-month period ending January 1 of each year, and the Transmission Planning Committee may cluster or batch the requests so the studies can be performed efficiently. NorthWestern states that the Transmission Planning Committee may also attempt to combine the scope of such requests so as not to exceed three studies.⁸⁴

(b) **Protests/Comments**

56. No protests or comments were filed regarding this issue.

(c) **Commission Determination**

57. We find that NorthWestern's filing complies with the economic planning studies principle. Section 11.0 of NorthWestern's Attachment K provides that stakeholders may request that the Economic Planning Group perform up to five economic planning studies to evaluate potential upgrades or other investments that could reduce congestion or integrate new transmission, generation, or demand resources and loads on an aggregated or regional basis. In addition, the Transmission Planning Committee may cluster or batch

⁸³ *Id.* PP 542-543.

⁸⁴ NorthWestern Corporation (South Dakota), NWE SD OATT, FERC Open Access Transmission Tariff Vol. 2, Attachment K, § 11.0 (Transmission Planning Process) (0.1.0).

requests so that the Economic Planning Group can perform studies in the most efficient manner.⁸⁵

c. **Requirement to Plan on a Regional Basis to Identify More Efficient or Cost-Effective Transmission Solutions**

58. Through the regional transmission planning process, public utility transmission providers must evaluate, in consultation with stakeholders, alternative transmission solutions that might meet the needs of the transmission planning region more efficiently or cost-effectively than solutions identified by individual public utility transmission providers in their local transmission planning process.⁸⁶ Public utility transmission providers have the flexibility to develop, in consultation with stakeholders, procedures by which the public utility transmission providers in the region identify and evaluate the set of potential solutions that may meet the region's needs more efficiently or cost-effectively.⁸⁷ In addition, whether or not public utility transmission providers within a transmission planning region select a transmission facility in the regional transmission plan for purposes of cost allocation will depend in part on their combined view of whether the transmission facility is a more efficient or cost-effective solution to their needs.⁸⁸

59. Public utility transmission providers in each transmission planning region, in consultation with stakeholders, must propose what information and data a merchant transmission developer⁸⁹ must provide to the regional transmission planning process to allow the public utility transmission providers in the transmission planning region to

⁸⁵ *Id.*

⁸⁶ Order No. 1000, FERC Stats. & Regs. ¶ 31,323 at P 148.

⁸⁷ *Id.* P 149.

⁸⁸ *Id.* P 331.

⁸⁹ Order No. 1000 defines merchant transmission projects as projects “for which the costs of constructing the proposed transmission facilities will be recovered through negotiated rates instead of cost-based rates.” *Id.* P 119. The Commission noted in Order No. 1000 that “a merchant transmission developer assumes all financial risk for developing its transmission project and constructing the proposed transmission facilities. . .” *Id.* P 163.

assess the potential reliability and operational impacts of the merchant transmission developer's proposed transmission facilities on other systems in the region.⁹⁰

60. Finally, the regional transmission planning process developed by public utility transmission providers, in consultation with stakeholders, must result in a regional transmission plan that reflects the determination of the set of transmission facilities that more efficiently or cost-effectively meet the region's needs.⁹¹ Order No. 1000 does not require that the resulting regional transmission plan be filed with the Commission.

i. Affirmative Obligation to Plan

(a) NorthWestern's Filing

61. Under NorthWestern's proposal, the Transmission Planning Committee process for developing the MAPP regional transmission plan begins with the submittal of MAPP members' local transmission plans to the Transmission Planning Committee through the Regional Planning Group. Then, the Regional Planning Group shall: (i) integrate the member plans into the Regional Planning Group Roll-up Plan; (ii) coordinate the Regional Planning Group Roll-up Plan with the plans of other stakeholders; (iii) evaluate alternative transmission projects submitted by stakeholders or determined through analysis that are potentially more efficient or cost-effective or provide greater benefits; (iv) evaluate transmission projects eligible for regional cost allocation; and (v) cooperate, as necessary, in planning with neighboring transmission systems.⁹² NorthWestern states that the MAPP regional transmission planning process may include study procedures to identify and evaluate alternative projects to meet regional reliability, public policy, and economic needs.⁹³ In addition, to the extent possible, the Regional Planning Group should identify, evaluate with approved metrics, and determine an optimal set of transmission facilities and/or non-transmission alternatives that will meet the needs of the region.⁹⁴ NorthWestern further proposes that the Regional Planning Group will form

⁹⁰ *Id.* P 164; Order No. 1000-A, 139 FERC ¶ 61,132 at PP 297-298.

⁹¹ Order No. 1000, FERC Stats. & Regs. ¶ 31,323 at P 147.

⁹² NorthWestern Corporation (South Dakota), NWE SD OATT, FERC Open Access Transmission Tariff Vol. 2, Attachment K, § 4.3 (Transmission Planning Process) (0.1.0).

⁹³ *Id.* § 4.3.4.c.

⁹⁴ *Id.* § 6.4.

technical study task forces as required to carry out the Regional Planning Group planning responsibilities.⁹⁵ In addition, NorthWestern states that the Transmission Planning Committee may request that the Economic Planning Group perform economic planning studies to evaluate limitations on MAPP transfer capability through transmission loading relief analysis in order to determine transmission constraints in the region.⁹⁶

(b) Protests/Comments

62. AWEA and WOW state that the NorthWestern OATT includes language that suggests that MAPP plans to move beyond creating a regional transmission plan by simply combining all the local transmission owner plans, and will analyze projects submitted by stakeholders or determined through analysis to be more efficient or cost-effective.⁹⁷ However, AWEA and WOW assert that there are several sections of NorthWestern's Attachment K that do not provide enough detail for stakeholders to fully understand the regional transmission planning process. AWEA and WOW state that several sections of NorthWestern's Attachment K use language that indicates that certain procedures "may" be used for analysis or evaluation. They note, for example, that Attachment K states, "[t]he MAPP Regional Planning Process may include the following study procedures," and then details several possible approaches and actions MAPP may take in its study process.⁹⁸ AWEA and WOW argue, however, that the use of this terminology does not allow stakeholders to know what kind of study work will be done and in which situations. AWEA and WOW also note that NorthWestern's Attachment K states that the regional transmission planning process should "identify, evaluate with approved metrics, and determine an optimal set of transmission facilities and/or non-transmission alternatives that will meet the needs of the region."⁹⁹ Yet, according to AWEA and WOW, nowhere does MAPP describe what type of metrics will be used for

⁹⁵ *Id.*

⁹⁶ NorthWestern Transmittal Letter at 8 (citing NorthWestern Corporation (South Dakota), NWE SD OATT, FERC Open Access Transmission Tariff Vol. 2, Attachment K, § 11.0 (Transmission Planning Process) (0.1.0)).

⁹⁷ AWEA and WOW Comments at 11.

⁹⁸ *Id.* at 17 (citing NorthWestern Corporation (South Dakota), NWE SD OATT, FERC Open Access Transmission Tariff Vol. 2, Attachment K, § 4.3.4 (Transmission Planning Process) (0.1.0)).

⁹⁹ *Id.* (citing NorthWestern Corporation (South Dakota), NWE SD OATT, FERC Open Access Transmission Tariff Vol. 2, Attachment K, § 6.4 (Transmission Planning Process) (0.1.0)).

this evaluation. Since these metrics will be critical in determining which transmission additions are ultimately included in the MAPP regional transmission plan, AWEA and WOW argue that it is important to provide more detail on these metrics up front, as well as how and under what situations they may be modified. Therefore, AWEA and WOW request that the Commission require NorthWestern to provide more details regarding how the MAPP regional transmission planning process will be executed so that stakeholders will be able to fully understand how transmission solutions will be evaluated.

(c) **Commission Determination**

63. We find that NorthWestern partially complies with the requirement for public utility transmission providers to evaluate, in consultation with stakeholders, alternative transmission solutions that might meet the needs of the transmission planning region more efficiently or cost-effectively than transmission solutions identified by individual public utility transmission providers in their local transmission planning process. Accordingly, NorthWestern must submit a further compliance filing to revise its OATT, as discussed below.

64. Order No. 1000 requires public utility transmission providers to participate in a transmission planning region that conducts a regional analysis to identify whether there are more efficient or cost-effective transmission solutions to regional transmission needs. It is not sufficient for a transmission planning region to merely “roll-up” local transmission plans without analyzing whether the regional needs, when taken together, can be met more efficiently or cost-effectively by a regional solution.

65. One of the stated purposes of the requirements adopted in Order No. 1000 is “to remedy deficiencies in the requirements of Order No. 890. . . .”¹⁰⁰ The Commission explained the deficiencies as follows:

Order No. 890 required public utility transmission providers to coordinate at the regional level for the purpose of sharing system plans and identifying system enhancements that could relieve congestion or integrate new resources. The Commission did not specify, however, whether such coordination with regard to identifying system enhancements included an obligation for public utility transmission providers to take affirmative steps to identify potential solutions at the regional level that could better meet the needs of the region. As a result, the existing requirements of Order

¹⁰⁰ Order No. 1000, FERC Stats. & Regs. ¶ 31,323 at P 12.

No. 890 permit regional transmission planning processes to be used as a forum merely to confirm the simultaneous feasibility of transmission facilities contained in their local transmission plans. Consistent with the economic planning requirements of Order No. 890, regional transmission planning processes also must respond to requests by stakeholders to perform studies that evaluate potential upgrades or other investments that could reduce congestion or integrate new resources or loads on an aggregated or regional basis. Again, no affirmative obligation was placed on public utility transmission providers within a region to undertake such analyses in the absence of requests by stakeholders. There is also no obligation for public utility transmission providers within the region to develop a single transmission plan for the region that reflects their determination of the set of transmission facilities that more efficiently or cost-effectively meet the region's needs.¹⁰¹

Order No. 1000 addresses these deficiencies by, among other requirements, placing an affirmative obligation on public utility transmission providers to participate in a regional transmission planning process that produces a regional transmission plan.¹⁰²

66. Although NorthWestern's OATT includes language indicating that the MAPP regional transmission planning process will determine through analysis potentially more efficient or cost-effective transmission solutions to transmission needs driven by reliability, economic, and public policy requirement considerations rather than relying exclusively on transmission proposals from individual transmission owners and stakeholders, we agree with AWEA and WOW that NorthWestern's OATT must include more detail as to how the MAPP regional transmission planning process will perform this analysis. For example, NorthWestern's Attachment K states that the MAPP regional transmission planning process "may" include study procedures to identify and evaluate transmission projects to meet regional reliability, public policy and economic needs.¹⁰³ The use of the term "may" makes it unclear whether, and under what circumstances, the

¹⁰¹ *Id.* P 147 (footnotes omitted).

¹⁰² *Id.* P 148.

¹⁰³ NorthWestern Corporation (South Dakota), NWE SD OATT, FERC Open Access Transmission Tariff Vol. 2, Attachment K, § 4.3.4 (Transmission Planning Process) (0.1.0).

MAPP regional transmission planning process will identify and evaluate transmission projects to meet regional transmission needs. In addition, NorthWestern's Attachment K states that MAPP's regional transmission planning process "to the extent possible, should" identify and evaluate "with approved metrics" the optimal set of transmission facilities and/or non-transmission alternatives that will meet the transmission needs of the region.¹⁰⁴ This language does not make clear that the MAPP transmission planning region will undertake a process to identify and evaluate transmission solutions, and, if so, what metrics will be used to conduct such identification and evaluation. Accordingly, as discussed above, we direct NorthWestern, within 120 days of the date of issuance of this order, to revise its OATT to set forth the affirmative obligation that the MAPP transmission planning region has to identify solutions that more efficiently or cost-effectively meet transmission needs driven by reliability and/or economic considerations or by public policy requirements.¹⁰⁵

ii. Planning Horizon

(a) NorthWestern's Filing

67. NorthWestern proposes that the MAPP regional transmission plan will have a 10-year planning horizon.¹⁰⁶

(b) Protests/Comments

68. AWEA and WOW argue that the proposed 10-year planning horizon is too short and will likely prevent the region from evaluating transmission plans that would meet regional needs more efficiently or cost-effectively than plans assessing a longer planning horizon.¹⁰⁷ AWEA and WOW are concerned that the short planning horizon could result in undue discrimination because shorter planning horizons tend to bias the selection of transmission plans towards smaller, local transmission plans, such as those proposed by

¹⁰⁴ *Id.* § 6.4.

¹⁰⁵ We also note that any additional OATT procedures proposed to implement the affirmative obligation discussed above must also comply with the Order No. 890 planning principles.

¹⁰⁶ NorthWestern Corporation (South Dakota), NWE SD OATT, FERC Open Access Transmission Tariff Vol. 2, Attachment K, § 4.1 (Transmission Planning Process) (0.1.0).

¹⁰⁷ AWEA and WOW Comments at 15.

incumbent transmission providers.¹⁰⁸ AWEA and WOW claim that transmission plans crafted for a narrow planning horizon will often prove to be sub-optimal due to a disadvantage in economies of scale.¹⁰⁹ AWEA and WOW stress that longer planning horizons allow greater quantities of load growth and generation resource development to be considered in the transmission planning process and allow for a more cost-effective solution to the long-term needs of the region.¹¹⁰ AWEA and WOW explain that a 10-year planning horizon will result in transmission investments that fall short of the efficient level because, while the costs of transmission assets are front-loaded, the benefits are realized over the life of the asset.¹¹¹ Accordingly, AWEA and WOW encourage the Commission to require a longer planning horizon.¹¹²

(c) **Commission Determination**

69. We disagree with AWEA and WOW that the proposed 10-year planning horizon is necessarily too short and will prevent the region from evaluating transmission plans that would meet regional transmission needs more efficiently or cost-effectively than transmission plans assessing a longer planning horizon. Order No. 1000 did not establish a minimum long-term planning horizon for regional transmission planning.¹¹³ We also note that a 10-year planning horizon is consistent with planning horizons used to comply with the NERC Transmission Planning standards.¹¹⁴ Therefore, we find that a 10-year planning horizon is a reasonable timeframe for use in the regional transmission planning process.

¹⁰⁸ *Id.*

¹⁰⁹ *Id.* at 16.

¹¹⁰ *Id.*

¹¹¹ *Id.*

¹¹² *Id.* at 16-17.

¹¹³ Order No. 1000, FERC Stats. & Regs. ¶ 31,323 at P 157.

¹¹⁴ See Reliability Standard TPL-001-0.1 (System Performance Under Normal Conditions), at Requirement R1.2; Reliability Standard TPL-002-0b (System Performance Following Loss of a Single BES Element), at Requirement R1.2; Reliability Standard TPL-003-0a (System Performance Following Loss of Two or More BES Elements), at Requirement R1.2.

d. **Consideration of Transmission Needs Driven by Public Policy Requirements**

70. Order No. 1000 requires public utility transmission providers to amend their OATTs to describe procedures that provide for the consideration of transmission needs driven by Public Policy Requirements in the local and regional transmission planning processes.¹¹⁵ The Commission clarified in Order No. 1000-A that Order No. 1000 requires that transmission needs driven by Public Policy Requirements be considered just as transmission needs driven by reliability or economic concerns are also considered.¹¹⁶ Public Policy Requirements are requirements established by local, state or federal laws or regulations (i.e., enacted statutes passed by the legislature and signed by the executive and regulations promulgated by a relevant jurisdiction, whether within a state or at the federal level).¹¹⁷ As explained further below, Order No. 1000 specifies that the consideration of transmission needs driven by Public Policy Requirements means: (1) the identification of transmission needs driven by Public Policy Requirements; and (2) the evaluation of potential solutions to meet those identified needs.¹¹⁸

71. To comply with the requirement to identify transmission needs driven by Public Policy Requirements, public utility transmission providers, in consultation with their stakeholders, must establish procedures in their OATTs to identify at the local and regional level those transmission needs driven by Public Policy Requirements for which potential transmission solutions will be evaluated.¹¹⁹ The process for identifying transmission needs driven by Public Policy Requirements must allow stakeholders, including, but not limited to, those responsible for complying with the Public Policy Requirements at issue and the developers of potential transmission facilities that are needed to comply with one or more Public Policy Requirements, an opportunity to provide input and to offer proposals regarding the transmission needs they believe are

¹¹⁵ Order No. 1000, FERC Stats. & Regs. ¶ 31,323 at P 203.

¹¹⁶ Order No. 1000-A, 139 FERC ¶ 61,132 at PP 204, 206, 208-211, 317-319.

¹¹⁷ Order No. 1000, FERC Stats. & Regs. ¶ 31,323 at P 2. Order No. 1000-A clarified that Public Policy Requirements included local laws and regulations passed by a local governmental entity, such as a municipal or county government. Order No. 1000-A, 139 FERC ¶ 61,132 at P 319.

¹¹⁸ Order No. 1000, FERC Stats. & Regs. ¶ 31,323 at P 205.

¹¹⁹ *Id.* PP 206, 207.

driven by Public Policy Requirements.¹²⁰ Public utility transmission providers must explain in their compliance filings how the procedures adopted give all stakeholders a meaningful opportunity to submit what the stakeholders believe are transmission needs driven by Public Policy Requirements.¹²¹

72. In addition, public utility transmission providers, in consultation with stakeholders, must establish a just and reasonable and not unduly discriminatory process through which public utility transmission providers will identify, out of this larger set of needs, those needs for which transmission solutions will be evaluated.¹²² Public utility transmission providers must explain in their compliance filings how their open and transparent transmission planning process determines whether to move forward regarding transmission needs driven by Public Policy Requirements.¹²³ In addition, each public utility transmission provider must post on its website an explanation of: (1) those transmission needs driven by Public Policy Requirements that have been identified for evaluation for potential solutions in the local and regional transmission planning processes; and (2) how other transmission needs driven by Public Policy Requirements introduced by stakeholders were considered during the identification stage and why they were not selected for further evaluation.¹²⁴

73. To comply with the requirement to evaluate potential solutions to meet the identified transmission needs driven by Public Policy Requirements, public utility transmission providers, in consultation with stakeholders, must also establish procedures in their OATTs to evaluate at the local and regional level potential solutions to identified transmission needs driven by Public Policy Requirements.¹²⁵ These procedures must include the evaluation of transmission facilities stakeholders propose to satisfy an

¹²⁰ *Id.* PP 207, 208.

¹²¹ Order No. 1000-A, 139 FERC ¶ 61,132 at P 335.

¹²² Order No. 1000, FERC Stats. & Regs. ¶ 31,323 at P 209.

¹²³ Order No. 1000-A, 139 FERC ¶ 61,132 at P 335.

¹²⁴ Order No. 1000, FERC Stats. & Regs. ¶ 31,323 at P 209; *see also* Order No. 1000-A, 139 FERC ¶ 61,132 at P 325.

¹²⁵ Order No. 1000, FERC Stats. & Regs. ¶ 31,323 at P 211.

identified transmission need driven by Public Policy Requirements.¹²⁶ Stakeholders must be provided an opportunity to provide input during the evaluation of potential solutions to identified needs.¹²⁷ In addition, the Commission and stakeholders must be able to review the record that is created by the process to help ensure that the identification and evaluation decisions are open and fair, and not unduly discriminatory or preferential.¹²⁸ The Commission will review the proposed evaluation procedures to ensure they comply with the objective of meeting the identified transmission needs more efficiently or cost-effectively.¹²⁹

74. Public utility transmission providers must amend their OATTs to describe procedures that provide for the consideration of transmission needs driven by Public Policy Requirements in the local and regional transmission planning processes.¹³⁰ There are no restrictions on the type or number of Public Policy Requirements to be considered as long as any such requirements arise from local, state, or federal laws or regulations that drive transmission needs and as long as the requirements of the procedures required in Order No. 1000 are met.¹³¹ In addition, Order No. 1000 does not preclude any public utility transmission provider from considering in its transmission planning process transmission needs driven by additional public policy objectives not specifically required by local, state or federal laws or regulations. However, Order No. 1000 creates no obligation for any public utility transmission provider or its transmission planning processes to consider transmission needs driven by a public policy objective that is not specifically required by local, state or federal laws or regulations.¹³² In addition, public

¹²⁶ *Id.*; see also *id.* n.191 (“This requirement is consistent with the existing requirements of Order Nos. 890 and 890-A which permit sponsors of transmission and non-transmission solutions to propose alternatives to identified needs.”).

¹²⁷ *Id.* P 220.

¹²⁸ Order No. 1000-A, 139 FERC ¶ 61,132 at P 321.

¹²⁹ Order No. 1000, FERC Stats. & Regs. ¶ 31,323 at P 211.

¹³⁰ *Id.* P 203.

¹³¹ *Id.* P 214; Order No. 1000-A, 139 FERC ¶ 61,132 at P 319.

¹³² Order No. 1000, FERC Stats. & Regs. ¶ 31,323 at P 216.

utility transmission providers are not required to consider Public Policy Requirements themselves as part of the transmission planning process.¹³³

i. Definition of Public Policy Requirements

(a) NorthWestern's Filing

75. NorthWestern has revised its OATT to define public policy requirements as “[t]ransmission needs driven by requirements established by state or federal laws or regulations.”¹³⁴ NorthWestern also revised its OATT to define public policy requirements transmission projects as projects that “address transmission needs arising from requirements established by state or federal laws or regulations and may consist of a number of individual facilities that constitute a single transmission project for cost allocation purposes.”¹³⁵ These definitions apply to both NorthWestern’s local transmission planning process and to the MAPP regional transmission planning process.

(b) Protests/Comments

76. AWEA and WOW contend that MAPP’s definition of public policy requirements should be revised to explicitly include the consideration of laws and regulations enacted by local governments. AWEA and WOW also note that Order No. 1000 permitted transmission providers to adopt a broader definition of a public policy requirement than set forth in Order No. 1000. They state that the Commission should direct NorthWestern to include future public policy objectives in the definition of public policy requirements so that the transmission process is sufficiently flexible for reasonably foreseeable public policy objectives and regulatory requirements.¹³⁶

(c) Commission Determination

77. We find that NorthWestern’s proposed definition of public policy requirements partially complies with Order No. 1000. NorthWestern correctly includes in the proposed

¹³³ Order No. 1000-A, 139 FERC ¶ 61,132 at P 204.

¹³⁴ NorthWestern Corporation (South Dakota), NWE SD OATT, FERC Open Access Transmission Tariff Vol. 2, Attachment K, § 2.11 (Transmission Planning Process) (0.1.0).

¹³⁵ *Id.* § 2.12.

¹³⁶ AWEA and WOW Comments at 7.

definition transmission needs driven by requirements established by state or federal laws or regulations. However, Order No. 1000-A further clarifies that the definition of public policy requirements includes local laws and regulations passed by a local governmental entity, such as a municipal or county government.¹³⁷ Therefore, we direct NorthWestern to submit, within 120 days of the date of issuance of this order, a further compliance filing to revise the definitions in its OATT of public policy requirements and public policy requirement transmission projects to explicitly include local laws or regulations along with state or federal laws or regulations.

78. We will not require NorthWestern to adopt a broader definition of public policy requirements in its OATT with respect to consideration of potential future public policy objectives, as requested by AWEA and WOW. Order No. 1000 creates no obligation for any public utility transmission provider or its transmission planning processes to consider transmission needs driven by a public policy objective that is not specifically required by local, state or federal laws or regulations.¹³⁸ Therefore, we decline AWEA and WOW's suggestion that we require NorthWestern to include reasonably foreseeable public policy objectives and regulatory requirements in the definition of public policy requirements.

ii. Consideration of Transmission Needs Driven by Public Policy Requirements in the Regional Transmission Planning Process

(a) NorthWestern's Filing

79. With regard to consideration of public policy requirements in the regional transmission planning process, NorthWestern's proposed Attachment K states that transmission needs driven by MAPP members' public policy requirements will be rolled up with the members' plans and may be evaluated for potential solutions in the regional transmission planning process. NorthWestern's proposed Attachment K further provides that explanations of why other suggested transmission needs, if any, were not evaluated will be documented in the MAPP regional transmission plan.¹³⁹

¹³⁷ Order No. 1000-A, 139 FERC ¶ 61,132 at P 319.

¹³⁸ Order No. 1000, FERC Stats. & Regs. ¶ 31,323 at P 216.

¹³⁹ NorthWestern Corporation (South Dakota), NWE SD OATT, FERC Open Access Transmission Tariff Vol. 2, Attachment K, § 4.3.4 (Transmission Planning Process) (0.1.0).

80. In addition, NorthWestern has revised its Attachment K to provide that: (1) the MAPP regional transmission planning process allows stakeholders to provide input on transmission needs which are driven by public policy requirements;¹⁴⁰ (2) the Regional Planning Group, to the extent possible, should encourage stakeholder participation to ensure that the Regional Planning Group may consider and incorporate the appropriate transmission needs and public policy requirements obligations into the MAPP regional transmission plan;¹⁴¹ (3) the Transmission Planning Committee shall establish procedures, standards, and requirements for the development of integrated transmission plans by the Regional Planning Group, including consideration of the MAPP transmission owning members' public policy requirements;¹⁴² (4) the MAPP regional transmission planning process may include study procedures to: (i) analyze transmission projects submitted into the transmission planning process that address reliability or load service requirements that were not included in the roll-up process, address economic considerations, and/or address transmission needs driven by the members' public policy requirements; and (ii) identify and evaluate alternative projects to meet regional reliability, public policy and economic needs (assess impacts on transmission owning members plans).¹⁴³

81. Under NorthWestern's proposed Attachment K, stakeholders may submit their input on transmission needs driven by public policy requirements as provided to individual transmission providers, the Regional Planning Group, or the Transmission Planning Committee as provided for in the OATT, the Transmission Planning Committee Procedures, or the individual transmission providers' local transmission planning process.¹⁴⁴

(b) Protests/Comments

82. AWEA and WOW assert that NorthWestern does not provide sufficient detail in its OATT to ensure that transmission needs driven by public policy requirements will be considered on a regional basis.¹⁴⁵ AWEA and WOW assert that NorthWestern's

¹⁴⁰ *Id.* § 4.3.5.

¹⁴¹ *Id.* § 6.4.

¹⁴² *Id.* § 3.3b.

¹⁴³ *Id.* § 4.3.4.

¹⁴⁴ *Id.* § 7.3.

¹⁴⁵ AWEA and WOW Comments at 11.

proposed OATT provisions must provide more detail with respect to how NorthWestern will determine which regional transmission needs will be included in regional modeling and must explain the process and explicit procedures under which NorthWestern will identify transmission needs driven by public policy requirements on a regional basis and will include them in the development of regional transmission plans.¹⁴⁶ AWEA and WOW argue that NorthWestern needs to make explicit how all identified regional transmission needs driven by public policy requirements will be evaluated for solutions in the MAPP regional transmission planning process and request that the Commission require NorthWestern in a further compliance filing to describe in more detail the procedures MAPP will use to identify regional transmission needs driven by public policy requirements and the process MAPP will follow to select such needs for evaluation in a regional transmission plan.¹⁴⁷

(c) **Commission Determination**

83. We find that NorthWestern's filing partially complies with the requirement to describe procedures that provide for the consideration of transmission needs driven by public policy requirements in the regional transmission planning process. NorthWestern has revised its OATT to allow stakeholders in the regional transmission planning process to provide input, in general, into transmission needs driven by public policy requirements. Moreover, NorthWestern's proposed OATT revisions provide that the MAPP regional transmission planning process may include study procedures to analyze transmission projects submitted into the transmission planning process that address transmission needs driven by public policy requirements and to identify and evaluate alternative transmission projects to meet those public policy requirements. However, we find that NorthWestern has not complied with Order No. 1000's requirements that it establish procedures to identify transmission needs driven by public policy requirements and to evaluate at the regional level potential transmission solutions to meet those identified transmission needs. Accordingly, we will require NorthWestern to file a further compliance filing revising its OATT to fully comply with these requirements, as discussed below.

84. First, we agree with AWEA and WOW that NorthWestern has not established actual procedures in its OATT to identify at the regional level those transmission needs driven by public policy requirements for which potential transmission solutions will be evaluated. For example, it is not clear in NorthWestern's OATT when and how stakeholders can propose transmission needs driven by public policy requirements for

¹⁴⁶ *Id.* at 12.

¹⁴⁷ *Id.* at 13.

potential evaluation in the MAPP regional transmission planning process. Therefore, we direct NorthWestern to submit, in a further compliance filing, revisions to its OATT to include procedures to identify at the regional level transmission needs driven by public policy requirements that allow stakeholders an opportunity to provide input and to offer transmission proposals regarding the transmission needs they believe are driven by public policy requirements. NorthWestern must describe these procedures in sufficient detail in its OATT such that the process for stakeholders to provide input and offer transmission proposals regarding transmission needs they believe are driven by public policy requirements in the regional transmission planning process is transparent to all interested stakeholders.

85. NorthWestern has also not complied with the requirement to include in its OATT a process through which the MAPP regional transmission planning process will identify, from the larger set of transmission needs driven by public policy requirements that may be proposed, transmission needs for which transmission solutions will be evaluated.¹⁴⁸ Therefore, we direct NorthWestern to submit a further compliance filing, as discussed below, to include in its OATT a just and reasonable and not unduly discriminatory process through which the MAPP regional transmission planning process will identify, out of the larger set of potential transmission needs driven by public policy requirements that may be proposed, those transmission needs for which transmission solutions will be evaluated in the MAPP regional transmission planning process. NorthWestern must explain in the further compliance filing how the open and transparent MAPP regional transmission planning process determines whether to move forward regarding transmission needs driven by public policy requirements.

86. While NorthWestern proposes to document in the MAPP regional transmission plan those suggested transmission needs driven by public policy requirements for which potential transmission solutions were not evaluated, we find that NorthWestern's proposal is not sufficient to comply with the requirements of Order No. 1000. Order No. 1000 requires that each public utility transmission provider post on its website an explanation of both: (1) those transmission needs driven by public policy requirements that have been identified for evaluation for potential transmission solutions in the regional transmission planning process; and (2) why other suggested transmission needs driven by public policy requirements introduced by stakeholders were not selected for further evaluation.¹⁴⁹ NorthWestern has not proposed to post an explanation of the suggested transmission needs driven by public policy requirements for which potential transmission solutions will be evaluated. Moreover, NorthWestern has proposed to

¹⁴⁸ Order No. 1000, FERC Stats. & Regs. ¶ 31,323 at P 209.

¹⁴⁹ *Id.*; see also Order No. 1000-A, 139 FERC ¶ 61,132 at P 325.

document those suggested transmission needs driven by public policy requirements for which potential transmission solutions were not evaluated in the MAPP regional transmission plan rather than post them on its website. Thus, NorthWestern must revise its OATT to provide that there will be a posting on the NorthWestern or MAPP website that describes: (1) those transmission needs driven by public policy requirements that have been identified for evaluation for potential transmission solutions in the MAPP regional transmission planning processes; and (2) those transmission needs driven by public policy requirements introduced by stakeholders that were not identified for evaluation for potential transmission solutions in the MAPP regional transmission planning process and why they were not selected for further evaluation.

87. Finally, we find that NorthWestern does not fully comply with the requirement that it establish procedures in its OATT to evaluate at the regional level potential transmission solutions to identified transmission needs driven by public policy requirements, including those proposed by stakeholders.¹⁵⁰ While NorthWestern's revised OATT indicates that the MAPP regional transmission planning process may include study procedures to analyze transmission projects submitted into the transmission planning process that address transmission needs driven by public policy requirements and to identify and evaluate alternative projects to meet public policy transmission needs, as we find in sections IV.B.1.c.i.(c) and IV.B.2.d.iii of this order, NorthWestern has not established procedures to evaluate regional transmission facilities, including those to address transmission needs driven by public policy requirements, as required by Order No. 1000. Consistent with our other directives in this order, we thus direct NorthWestern to establish procedures in its OATT to evaluate at the regional level potential transmission solutions to identified transmission needs driven by public policy requirements, including those proposed by stakeholders. We note that such procedures must provide stakeholders an opportunity to provide input during the evaluation of potential transmission solutions to identified transmission needs.¹⁵¹

88. As discussed above, we direct NorthWestern to file, within 120 days of the date of issuance of this order, a further compliance filing that includes the following OATT revisions. First, NorthWestern must revise its OATT to include procedures to identify at the regional level transmission needs driven by public policy requirements that allow stakeholders an opportunity to provide input and to offer transmission proposals regarding the transmission needs they believe are driven by public policy requirements. Second, NorthWestern must revise its OATT to describe a just and reasonable and not unduly discriminatory process through which the MAPP regional transmission planning

¹⁵⁰ Order No. 1000, FERC Stats. & Regs. ¶ 31,323 at P 211.

¹⁵¹ *Id.* P 220.

process will identify, out of the larger set of potential transmission needs driven by public policy requirements that may be proposed, those transmission needs for which transmission solutions will be evaluated in the MAPP regional transmission planning process. Third, NorthWestern must revise its OATT to provide that there will be a posting on the NorthWestern or MAPP website that describes: (1) those transmission needs driven by public policy requirements that have been identified for evaluation for potential transmission solutions in the MAPP regional transmission planning processes; and (2) those transmission needs driven by public policy requirements introduced by stakeholders that were not identified for evaluation for potential transmission solutions in the MAPP regional transmission planning process and why they were not selected for further evaluation. Finally, NorthWestern must revise its OATT to include procedures to evaluate at the regional level potential transmission solutions to identified transmission needs driven by public policy requirements, including those proposed by stakeholders, that provide stakeholders an opportunity to provide input.

iii. Consideration of Transmission Needs Driven by Public Policy Requirements in the Local Transmission Planning Process

(a) NorthWestern's Filing

89. NorthWestern's local transmission planning process is set out in section 13 of NorthWestern's Attachment K.¹⁵² To comply with the requirement to consider transmission needs driven by public policy requirements in its local transmission planning process, NorthWestern has revised section 13 of its Attachment K to state, "NorthWestern shall have an open planning process that provides all stakeholders the opportunity to provide input into the transmission needs driven by Public Policy Requirements during its quarter one open meeting."¹⁵³ NorthWestern has also revised its OATT to state, "NorthWestern, after consultation with stakeholders during the annual

¹⁵² NorthWestern Corporation (South Dakota), NWE SD OATT, FERC Open Access Transmission Tariff Vol. 2, Attachment K, § 13 (Transmission Planning Process) (0.1.0). NorthWestern states that it plans its local transmission system jointly with the Western Area Power Administration (Western) Upper Great Plains Region. Because NorthWestern jointly plans with the Western Upper Great Plains Region, NorthWestern includes information about the Western Upper Great Plains Region transmission planning process in section 14 of NorthWestern's Attachment K. However, for purposes of NorthWestern's compliance with Order No. 1000, we did not review section 14 of NorthWestern's OATT.

¹⁵³ *Id.* § 13.6.2.1. *See also id.* § 13.4.

stakeholder meeting, will select the Public Policy Requirements and Public Policy Requirements Projects to be evaluated in the local area transmission plan.”¹⁵⁴ NorthWestern will post on its website “a list of Public Policy Requirements and Public Policy Requirements Projects that will be evaluated in the transmission planning process and why other suggested Public Policy Requirements and Public Policy Requirements Projects will not be evaluated.”¹⁵⁵ NorthWestern’s revised OATT also provides that “[a]ny stakeholder can provide alternate solutions to any transmission needs identified in the local transmission plan as part of the planning process.”¹⁵⁶ In addition, NorthWestern revised its OATT to state, “[t]he evaluation process and selection criteria for inclusion of Public Policy Requirements Projects in the local transmission plan will be the same as those used for any other local project in the local transmission plan.”¹⁵⁷

(b) Protests/Comments

90. AWEA and WOW state that they appreciate that the NorthWestern OATT provides clearly defined opportunities in the local transmission planning process for stakeholders to propose transmission to support public policy requirements and to comment on proposed solutions at the local level before the local transmission plans are rolled up into the MAPP regional transmission planning process.¹⁵⁸ However, due to the lack of detail in the regional transmission planning process, they are concerned that local transmission projects may not actually be rolled-up into the MAPP regional transmission plan to address identified transmission needs driven by public policy requirements on a regional level.¹⁵⁹

(c) Commission Determination

91. We find that NorthWestern’s proposal partially complies with the requirement to consider transmission needs driven by public policy requirements in the local transmission planning process. Stakeholders have an opportunity at NorthWestern’s first

¹⁵⁴ *Id.* § 13.6.2.2.

¹⁵⁵ *Id.* § 13.6.2.3.

¹⁵⁶ *Id.* § 13.6.1.6.

¹⁵⁷ *Id.* § 13.6.2.4.

¹⁵⁸ AWEA and WOW Comments at 10.

¹⁵⁹ *Id.* at 10-11.

quarter local transmission planning stakeholder meeting to offer transmission proposals regarding transmission needs they believe are driven by public policy requirements.¹⁶⁰ Stakeholders then have an opportunity to provide input at the NorthWestern annual stakeholder meeting about what transmission needs driven by public policy requirements should be evaluated for potential transmission solutions in NorthWestern's local transmission planning process.¹⁶¹ After consulting with stakeholders at the annual meeting, NorthWestern will decide which transmission needs driven by public policy requirements will be evaluated in the local transmission planning process and will post on its website a list of the transmission needs driven by public policy requirements that will be evaluated at the local level and why other suggested transmission needs driven by public policy requirements will not be evaluated.¹⁶² Any stakeholder can provide alternate transmission solutions to any transmission need identified in the local transmission planning process.¹⁶³ Finally, the evaluation process and selection criteria for transmission projects meant to identify transmission needs driven by public policy requirements in NorthWestern's local transmission planning process will be the same as for any other local transmission project in NorthWestern's local transmission planning process.¹⁶⁴

92. We therefore find that NorthWestern satisfies Order No. 1000's requirements that each public utility transmission provider revise its OATT to: (1) include procedures to identify at the local level transmission needs driven by public policy requirements that allow stakeholders an opportunity to provide input and to offer transmission proposals regarding the transmission needs they believe are driven by public policy requirements; (2) provide that there will be a posting on the NorthWestern website that describes (i) those transmission needs driven by public policy requirements that have been identified for evaluation for potential transmission solutions in the local transmission planning process and (ii) those transmission needs driven by public policy requirements introduced by stakeholders that were not identified for evaluation for potential transmission solutions

¹⁶⁰ NorthWestern Corporation (South Dakota), NWE SD OATT, FERC Open Access Transmission Tariff Vol. 2, Attachment K, § 13.6.2.1 (Transmission Planning Process) (0.1.0).

¹⁶¹ *Id.* § 13.6.2.2.

¹⁶² *Id.*; *id.* § 13.6.2.3.

¹⁶³ *Id.* § 13.6.1.6.

¹⁶⁴ *Id.* § 13.6.2.4. *See also id.* § 13.6.3 (describing how NorthWestern will conduct its assessment of needs at the local level).

in the local transmission planning process and why they were not selected for further evaluation; and (3) include procedures to evaluate at the local level potential transmission solutions to identified transmission needs driven by public policy requirements, including those proposed by stakeholders.

93. However, NorthWestern has not met the requirement to describe a just and reasonable and not unduly discriminatory process through which it will identify, out of the larger set of potential transmission needs driven by public policy requirements that may be proposed, those transmission needs for which transmission solutions will be evaluated in the local transmission planning process. As noted above, while NorthWestern will decide which transmission needs driven by public policy requirements to identify for further evaluation after consulting with stakeholders, NorthWestern does not describe the process it will use to do so. Accordingly, we direct NorthWestern to submit, within 120 days of the date of issuance of this order, a further compliance filing to revise its OATT to include a just and reasonable and not unduly discriminatory process through which NorthWestern will identify, out of the larger set of transmission needs driven by public policy requirements that may be proposed, those transmission needs for which transmission solutions will be evaluated in the local transmission planning process. NorthWestern must explain in its compliance filing how its local transmission planning process determines whether to move forward regarding transmission needs driven by public policy requirements.¹⁶⁵

94. Regarding AWEA and WOW's concern that there is a lack of detail in the OATT about how local transmission needs driven by public policy requirements will be rolled up and considered in the MAPP regional transmission planning process, we note that, as described earlier, NorthWestern must submit a compliance filing revising its OATT to provide more detail about how it will consider transmission needs driven by public policy requirements at the regional level.¹⁶⁶ AWEA and WOW will have an opportunity to raise any remaining concerns they have about the incorporation of local transmission needs driven by public policy requirements into the MAPP regional transmission planning process when NorthWestern submits its further compliance filing providing those additional details.

2. Nonincumbent Transmission Developer Reforms

95. Order No. 1000 institutes a number of reforms that seek to ensure that nonincumbent transmission developers have an opportunity to participate in the

¹⁶⁵ Order No. 1000-A, 139 FERC ¶ 61,132 at P 335.

¹⁶⁶ See *supra* section IV.B.1.d.ii.(c).

transmission development process. These reforms involve the elimination of federal rights of first refusal from Commission-jurisdictional tariffs and agreements, and the development of requirements regarding qualification criteria for transmission developers and processes for evaluating proposals for new transmission facilities.

a. Federal Rights of First Refusal

96. Order No. 1000 requires that each public utility transmission provider eliminate provisions in Commission-jurisdictional tariffs and agreements that establish a federal right of first refusal for an incumbent transmission provider with respect to transmission facilities selected in a regional transmission plan for purposes of cost allocation.¹⁶⁷ Order No. 1000 defines a transmission facility selected in a regional transmission plan for purposes of cost allocation as a transmission facility that has been selected pursuant to a transmission planning region's Commission-approved regional transmission planning process for inclusion in a regional transmission plan for purposes of cost allocation because it is a more efficient or cost-effective solution to regional transmission needs.¹⁶⁸ If a public utility transmission provider's tariff or other Commission-jurisdictional agreements do not contain a federal right of first refusal provision, a public utility transmission provider should state this in its compliance filing.¹⁶⁹

97. The requirement in Order No. 1000 to eliminate a federal right of first refusal does not apply to local transmission facilities,¹⁷⁰ which are defined as transmission facilities located solely within a public utility transmission provider's retail distribution service territory or footprint that are not selected in the regional transmission plan for purposes of cost allocation.¹⁷¹ The requirement also does not apply to the right of an incumbent

¹⁶⁷ Order No. 1000, FERC Stats. & Regs. ¶ 31,323 at P 313. The phrase "a federal right of first refusal" refers only to rights of first refusal that are created by provisions in Commission-jurisdictional tariffs or agreements. Order No. 1000-A, 139 FERC ¶ 61,132 at P 415.

¹⁶⁸ Order No. 1000, FERC Stats. & Regs. ¶ 31,323 at PP 5, 63.

¹⁶⁹ *Id.* P 314, n.294.

¹⁷⁰ *Id.* PP 226, 258, 318.

¹⁷¹ *Id.* P 63. The Commission clarified in Order No. 1000-A that a local transmission facility is one that is located within the geographical boundaries of a public utility transmission provider's retail distribution service territory, if it has one; otherwise the area is defined by the public utility transmission provider's footprint. In the case of
(continued . . .)

transmission provider to build, own, and recover costs for upgrades to its own transmission facilities, regardless of whether an upgrade has been selected in the regional transmission plan for purposes of cost allocation.¹⁷² In addition, the Commission noted that the requirement does not remove, alter or limit an incumbent transmission provider's use and control of its existing rights-of-way under state law.¹⁷³

98. The Commission clarified in Order No. 1000-A that Order No. 1000 does not require elimination of a federal right of first refusal for a new transmission facility if the regional cost allocation method results in an allocation of 100 percent of the facility's costs to the public utility transmission provider in whose retail distribution service territory or footprint the facility is to be located.¹⁷⁴ The Commission also clarified in Order No. 1000-A that the phrase "selected in a regional transmission plan for purposes of cost allocation" excludes a new transmission facility if the costs of that facility are borne entirely by the public utility transmission provider in whose retail distribution service territory or footprint that new transmission facility is to be located.¹⁷⁵ However, the Commission acknowledged in Order No. 1000-A that there may be a range of examples of multi-transmission provider zones, and it would address whether a cost

an RTO or ISO whose footprint covers the entire region, local transmission facilities are defined by reference to the retail distribution service territories or footprints of its underlying transmission owning members. Order No. 1000-A, 139 FERC ¶ 61,132 at P 429.

¹⁷² Order No. 1000, FERC Stats. & Regs. ¶ 31,323 at PP 226, 319; Order No. 1000-A, 139 FERC ¶ 61,132 at P 426. The Commission stated in Order No. 1000 that upgrades to transmission facilities included such things as tower change outs or reconductoring, regardless of whether or not an upgrade has been selected in the regional transmission plan for purposes of cost allocation. Order No. 1000, FERC Stats. & Regs. ¶ 31,323 at P 319. The Commission clarified in Order No. 1000-A that the term "upgrade" means an improvement to, addition to, or replacement of a part of, an existing transmission facility. The term does not refer to an entirely new transmission facility. Order No. 1000-A, 139 FERC ¶ 61,132 at P 426.

¹⁷³ Order No. 1000, FERC Stats. & Regs. ¶ 31,323 at P 319.

¹⁷⁴ Order No. 1000-A, 139 FERC ¶ 61,132 at P 423.

¹⁷⁵ *Id.*

allocation to a multi-transmission provider zone is regional on a case-by-case basis based on the facts presented on compliance.¹⁷⁶

i. NorthWestern's Filing

99. NorthWestern states that its Attachment K has never included a provision that established a federal right of first refusal. As such, NorthWestern contends that no revision to its Attachment K is necessary to satisfy the requirement of Order No. 1000 to eliminate provisions in Commission-jurisdictional OATTs and agreements that establish a federal right of first refusal.¹⁷⁷

ii. Protests/Comments

100. No protests or comments were filed regarding this issue.

iii. Commission Determination

101. We find that NorthWestern's filing complies with the requirement to eliminate a federal right of first refusal because NorthWestern's OATT does not contain a federal right of first refusal provision.

b. Qualification Criteria

102. Order No. 1000 requires each public utility transmission provider to revise its OATT to demonstrate that the regional transmission planning process in which it participates has established appropriate qualification criteria for determining an entity's eligibility to propose a transmission project for selection in the regional transmission plan for purposes of cost allocation, whether that entity is an incumbent transmission provider or a nonincumbent transmission developer.¹⁷⁸ Appropriate qualification criteria must be fair and not unreasonably stringent when applied to either the incumbent transmission provider or nonincumbent transmission developer.¹⁷⁹ These criteria must not be unduly discriminatory or preferential and must provide each potential transmission developer the

¹⁷⁶ *Id.* P 424; Order No. 1000-B, 141 FERC ¶ 61,044 at P 40.

¹⁷⁷ NorthWestern Transmittal Letter at 10.

¹⁷⁸ Order No. 1000, FERC Stats. & Regs. ¶ 31,323 at PP 225, 323.

¹⁷⁹ *Id.* P 324.

opportunity to demonstrate that it has the necessary financial resources and technical expertise to develop, construct, own, operate, and maintain transmission facilities.¹⁸⁰

103. The qualification criteria should also allow for the possibility that an existing public utility transmission provider already satisfies the criteria.¹⁸¹ There must be procedures in place for timely notifying transmission developers of whether they satisfy the region's qualification criteria and opportunities to remedy any deficiencies.¹⁸² In addition, the qualification criteria should not be applied to an entity proposing a transmission project for consideration in the regional transmission planning process if that entity does not intend to develop the proposed transmission project.¹⁸³

104. The Commission clarified in Order No. 1000-A that it would be an impermissible barrier to entry to require, as part of the qualification criteria, that a transmission developer demonstrate that it has, or can obtain, state approvals necessary to operate in a state, including state public utility status and the right to eminent domain, to be eligible to propose a transmission facility.¹⁸⁴

i. NorthWestern's Filing

105. Under NorthWestern's proposal, a transmission developer may submit a transmission project for potential selection in the MAPP regional transmission plan for purposes of cost allocation. To sponsor a transmission project, a transmission developer must meet the following qualification criteria: (1) the transmission developer and its team must be technically and financially capable of completing the project in a timely and competent manner and operating and maintaining the facilities consistent with Good Utility Practice and applicable reliability criteria for the life of the project; and (2) the

¹⁸⁰ *Id.* P 323.

¹⁸¹ *Id.* P 324.

¹⁸² *Id.*

¹⁸³ *Id.* P 324 n.304; Order No. 1000-A, 139 FERC ¶ 61,132 at n.520.

¹⁸⁴ Order No. 1000-A, 139 FERC ¶ 61,132 at P 441.

transmission developer must meet any additional requirements per Transmission Planning Committee Procedures.¹⁸⁵

106. NorthWestern proposes that the Transmission Planning Committee will have the responsibility for determining whether a transmission developer meets the qualification criteria.¹⁸⁶ An existing transmission developer may already meet these qualification criteria and may demonstrate qualification by referring to a recent Transmission Planning Committee eligibility ruling. However, the Transmission Planning Committee may require a transmission developer to demonstrate eligibility for each proposed transmission project. Should a transmission developer be found deficient, the Transmission Planning Committee may allow it time to remedy any deficiency.¹⁸⁷ NorthWestern states that these qualification criteria are nondiscriminatory, as they apply to any transmission developer, whether an incumbent or nonincumbent.¹⁸⁸

ii. Protests/Comments

107. No protests or comments were filed regarding this issue.

iii. Commission Determination

108. We find that the qualification criteria provisions in NorthWestern's filing partially comply with the requirements of Order No. 1000. NorthWestern has proposed qualification criteria for determining an entity's eligibility to propose a transmission project for selection in the regional transmission plan for purposes of cost allocation, and the same criteria apply to incumbent transmission providers and nonincumbent transmission developers. However, NorthWestern has not demonstrated that the criteria are "fair and not unreasonably stringent when applied to either an incumbent transmission provider or nonincumbent transmission developers,"¹⁸⁹ as required by Order No. 1000, because NorthWestern does not explain how the Transmission Planning Committee will

¹⁸⁵ NorthWestern Corporation (South Dakota), NWE SD OATT, FERC Open Access Transmission Tariff Vol. 2, Attachment K, § 12.2.1 (Transmission Planning Process) (0.1.0).

¹⁸⁶ *Id.*

¹⁸⁷ *Id.*

¹⁸⁸ NorthWestern Transmittal Letter at 11.

¹⁸⁹ *See* Order No. 1000, FERC Stats. & Regs. ¶ 31,323 at P 324.

evaluate whether a transmission developer meets these criteria. In addition, it is not clear that the qualification criteria provide each potential transmission developer the opportunity to demonstrate that it has the necessary financial resources and technical expertise to develop a transmission facility selected in the regional transmission plan for purposes of cost allocation because NorthWestern does not explain what information a transmission developer should provide to demonstrate it meets the proposed qualification criteria. Finally, a transmission developer must meet additional requirements per Transmission Planning Committee Procedures, but such requirements are not included in the OATT. Accordingly, we direct NorthWestern to file, within 120 days of the date of issuance of this order, a further compliance filing to demonstrate that its proposed qualification criteria are fair and not unreasonably stringent when applied to either an incumbent transmission provider or nonincumbent transmission developer and to describe how a potential transmission developer can demonstrate it meets these criteria. As part of this further compliance filing, NorthWestern must also delete the provision in its OATT that states that in order to sponsor a Regionally Beneficial Project for regional cost allocation, the project sponsor must meet “any additional requirements per [Transmission Planning Committee] Procedures.”¹⁹⁰

109. In addition, NorthWestern has revised its OATT to state that the Transmission Planning Committee “may” allow time for a transmission developer to remedy any deficiency,¹⁹¹ but Order No. 1000 requires that there *must* be opportunities for a transmission developer to do so.¹⁹² NorthWestern’s OATT also does not make clear that the qualification criteria apply only to an entity proposing a transmission project that it intends to develop. Accordingly, we direct NorthWestern to file, within 120 days of the date of issuance of this order, a further compliance filing to revise its OATT to include procedures for timely notifying potential transmission developers of whether they satisfy the qualification criteria and to provide opportunities to remedy any deficiencies. NorthWestern must also revise its OATT in the further compliance filing to make clear that the qualification criteria do not apply to “an entity proposing a transmission project for consideration in the regional transmission planning process if that entity does not intend to develop the proposed transmission project.”¹⁹³

¹⁹⁰ NorthWestern Corporation (South Dakota), NWE SD OATT, FERC Open Access Transmission Tariff Vol. 2, Attachment K, § 12.2.1 (Transmission Planning Process) (0.1.0).

¹⁹¹ *Id.*

¹⁹² Order No. 1000, FERC Stats. & Regs. ¶ 31,323 at P 324.

¹⁹³ *Id.* n.304.

c. Information Requirements

110. Order No. 1000 requires that each public utility transmission provider revise its OATT to identify the information that a prospective transmission developer must submit in support of a transmission project the developer proposes in the regional transmission planning process.¹⁹⁴ The public utility transmission provider must identify this information in sufficient detail to allow a proposed transmission project to be evaluated in the regional transmission planning process on a basis comparable to other transmission projects that are proposed in this process.¹⁹⁵ The information requirements must not be so cumbersome that they effectively prohibit transmission developers from proposing transmission projects, yet not be so relaxed that they allow for relatively unsupported proposals.¹⁹⁶ They may require, for example, relevant engineering studies and cost analyses and may request other reports or information from the transmission developer that are needed to facilitate evaluation of the transmission project in the regional transmission planning process.¹⁹⁷

111. Each public utility transmission provider must also revise its OATT to identify the date by which information in support of a transmission project must be submitted to be considered in a given transmission planning cycle.¹⁹⁸ Each transmission planning region may determine for itself what deadline is appropriate and may use rolling or flexible dates to reflect the iterative nature of their regional transmission planning process.¹⁹⁹

i. NorthWestern's Filing

112. NorthWestern proposes that the deadline by which a transmission developer must submit information in support of a transmission project proposed for consideration in the MAPP regional transmission plan for a particular planning cycle is April 1. NorthWestern states that such information must be submitted "in accordance with the individual local transmission planning processes of those transmission providers, or to the

¹⁹⁴ *Id.* P 325.

¹⁹⁵ *Id.* P 326.

¹⁹⁶ *Id.*

¹⁹⁷ *Id.*

¹⁹⁸ *Id.* P 325.

¹⁹⁹ *Id.* P 327.

Regional Planning Group or Transmission Planning Committee in accordance with the MAPP Regional Planning Group Guidelines.”²⁰⁰ NorthWestern notes that these guidelines are currently being developed and, when completed, they will require information demonstrating compliance with the MAPP regional planning criteria, including but not limited to load flow (steady state, contingency, and loss analysis), transient stability, voltage stability, small signal stability, and economic analyses. In addition, NorthWestern states that a transmission developer will be required to provide sufficient information to allow the Regional Planning Group to determine that the proposed transmission project qualifies for selection in the regional transmission plan for purposes of cost allocation (i.e., information demonstrating the cost-effectiveness and technical sufficiency of the project).²⁰¹

ii. Protests/Comments

113. No protests or comments were filed regarding this issue.

iii. Commission Determination

114. We find that the provisions in NorthWestern’s filing dealing with information requirements for submitting transmission proposals partially comply with the requirements of Order No. 1000. NorthWestern has identified the date, April 1, by which information in support of a transmission project must be submitted to be considered in a given transmission planning cycle.

115. However, NorthWestern has failed to include provisions in its OATT that establish the information that a prospective transmission developer must submit in support of a transmission project for consideration in the regional transmission planning process. Instead, the provisions included in NorthWestern’s filing defer the listing of information requirements for submitting transmission proposals for transmission projects to the Regional Planning Group Guidelines. We find that it is inappropriate for Attachment K to defer the information requirements entirely to the Transmission Planning Committee Procedures because Order No. 1000 required that public utility transmission providers revise their OATTs to identify the information requirements.²⁰² Accordingly, we direct

²⁰⁰ NorthWestern Corporation (South Dakota), NWE SD OATT, FERC Open Access Transmission Tariff Vol. 2, Attachment K, § 7.3 (Transmission Planning Process) (0.1.0).

²⁰¹ NorthWestern Transmittal Letter at 13.

²⁰² Order No. 1000, FERC Stats. & Regs. ¶ 31,323 at P 325.

NorthWestern to file, within 120 days of the date of issuance of this order, a further compliance filing that identifies in its OATT the information that a prospective transmission developer must submit in support of a transmission project for consideration in the regional transmission planning process in sufficient detail to allow a proposed transmission project to be evaluated on a basis comparable to other transmission projects that are proposed in that process. Additionally, such information must not include the requirement that prospective transmission developers perform studies that are more appropriately performed in the regional transmission planning process, as described below.

116. We also note that NorthWestern's proposal would require a transmission developer, as part of the information requirements, to demonstrate that its proposed transmission project complies with the MAPP regional transmission planning criteria, including but not limited to load flow (steady state, contingency, and loss analysis), transient stability, voltage stability, small signal stability, and economic analyses.²⁰³ We find that requiring the prospective transmission developer to perform such studies in order to propose a project for consideration in the regional transmission planning process is unreasonable and such requirements could be so cumbersome as to effectively prohibit transmission developers from proposing transmission projects.²⁰⁴ We conclude that such detailed studies are more appropriately performed in the regional transmission planning process to determine whether or not to select a proposed transmission project in the regional transmission plan for purposes of cost allocation. The information requirements should permit a transmission developer to submit any studies and analysis it performed to support its proposed transmission project. However, the transmission planning region must conduct the studies and analysis that it will use to evaluate proposed transmission projects as part of the regional transmission planning process, as discussed in section IV.B.1.c above. Consequently, in its 120-day compliance filing, the information requirements that NorthWestern must include in its OATT may not include a requirement that, to *propose* a transmission project in the regional transmission planning process, the prospective transmission developer perform load flow (steady state, contingency, and loss analysis), transient stability, voltage stability, small signal stability, and economic analyses.

²⁰³ NorthWestern Transmittal Letter at 13.

²⁰⁴ Order No. 1000, FERC Stats. & Regs. ¶ 31,323 at P 326.

d. **Evaluation Process for Proposals for Selection in the Regional Transmission Plan for Purposes of Cost Allocation**

117. Order No. 1000 requires each public utility transmission provider to amend its OATT to describe a transparent and not unduly discriminatory process for evaluating whether to select a proposed transmission facility in the regional transmission plan for purposes of cost allocation.²⁰⁵ Public utility transmission providers should both explain and justify the non-discriminatory evaluation process proposed in their compliance filings.²⁰⁶

118. The evaluation process must ensure transparency and provide the opportunity for stakeholder coordination.²⁰⁷ The public utility transmission providers in a transmission planning region must use the same process to evaluate a new transmission facility proposed by a nonincumbent transmission developer as it does for a transmission facility proposed by an incumbent transmission developer.²⁰⁸ When cost estimates are part of the selection criteria, the regional transmission planning process must scrutinize costs in the same manner whether the transmission project is sponsored by an incumbent or nonincumbent transmission developer.²⁰⁹ The evaluation process must culminate in a determination that is sufficiently detailed for stakeholders to understand why a particular transmission project was selected or not selected in the regional transmission plan for purposes of cost allocation.²¹⁰

i. **NorthWestern's Filing**

119. NorthWestern states that the Regional Planning Group is responsible for analyzing regional solutions that may be more cost-effective or efficient than a transmission project

²⁰⁵ *Id.* P 328; Order No. 1000-A, 139 FERC ¶ 61,132 at P 452.

²⁰⁶ Order No. 1000-A, 139 FERC ¶ 61,132 at P 268.

²⁰⁷ Order No. 1000, FERC Stats. & Regs. ¶ 31,323 at P 328, *order on reh'g*, Order No. 1000-A, 139 FERC ¶ 61,132 at P 454.

²⁰⁸ Order No. 1000-A, 139 FERC ¶ 61,132 at P 454.

²⁰⁹ *Id.* P 455.

²¹⁰ Order No. 1000, FERC Stats. & Regs. ¶ 31,323 at P 328, *order on reh'g*, Order No. 1000-A, 139 FERC ¶ 61,132 at P 267.

included in a local plan. NorthWestern states that the MAPP regional transmission plan will provide documentation of all transmission projects considered in the regional transmission planning process “including alternatives that were not selected and transmission projects not eligible for regional cost allocation.”²¹¹ NorthWestern also states that its proposed OATT revisions will require the Regional Planning Group, to the extent possible, to “evaluate with approved metrics, and determine an optimal set of transmission facilities or non-transmission alternatives that will meet the needs of the region.”²¹²

120. NorthWestern proposes that, to qualify for selection in the regional transmission plan for the purposes of cost allocation, a transmission project must be designated as a Regionally Beneficial Project, which is defined as a reliability, economic, or public policy requirements project that: (1) has been proposed in accordance with the MAPP regional transmission planning process; (2) is eligible for inclusion in the MAPP regional transmission plan; and (3) has regional benefits since it replaces a transmission project in the Regional Planning Group Roll-up plan by solving a need at a lower cost.²¹³ NorthWestern states that transmission projects will be selected in the regional transmission plan for purposes of cost allocation through an analysis of their technical sufficiency and cost-effectiveness. Specifically, NorthWestern states that MAPP will perform an analysis of a transmission project’s technical sufficiency that will involve removing any local transmission projects that will be replaced by the Regionally Beneficial Project and verifying that the needs and requirements of the original, local transmission project(s) are met and that no new reliability violations have been created. NorthWestern states that this technical sufficiency analysis will also verify that a plan including the Regionally Beneficial Project does not accelerate a future problem within the 10-year planning horizon. However, NorthWestern states that, if the total cost of the Regionally Beneficial Project plus the mitigation cost for fixing any such accelerated problem is no greater than the original plan, and there is sufficient time to mitigate the accelerated problem, then the technical sufficiency analysis may still be satisfied.²¹⁴

²¹¹ NorthWestern Corporation (South Dakota), NWE SD OATT, FERC Open Access Transmission Tariff Vol. 2, Attachment K, § 4.3 (Transmission Planning Process) (0.1.0).

²¹² *Id.* § 6.4.

²¹³ *Id.* § 12.1.

²¹⁴ NorthWestern Transmittal Letter at 12-13.

121. NorthWestern states that, with respect to cost-effectiveness, NorthWestern proposes to incorporate a benefit-to-cost ratio of 1.25 to 1 that must be satisfied by any potential Regionally Beneficial Project. To calculate this ratio and verify a transmission project's cost-effectiveness, NorthWestern states that it will take the following steps: (1) calculate the total capital and applicable annual costs of the original, local transmission project(s) proposed to be replaced by the Regionally Beneficial Project per Transmission Planning Committee procedures; (2) calculate the total capital and applicable annual costs of the Regionally Beneficial Projects per Transmission Planning Committee procedures; and (3) calculate each beneficiary's share of the Regionally Beneficial Project cost. NorthWestern states that the Regionally Beneficial Project costs must be less than the original transmission project(s) annual costs. Furthermore, each beneficiary's share of the Regionally Beneficial Project cost must be less than the cost of its original, local project(s).

ii. Protests/Comments

122. No protests or comments were filed regarding this issue.

iii. Commission Determination

123. We find that NorthWestern's proposed method of evaluating proposed transmission projects does not comply with the requirements of Order No. 1000. NorthWestern's OATT provides only limited detail about how the MAPP regional transmission planning process will evaluate a transmission facility proposed by a potential transmission developer. In addition, as we find above, although NorthWestern's OATT includes language indicating that the MAPP regional transmission planning process will determine through analysis potentially more efficient or cost-effective transmission solutions to regional transmission needs rather than relying exclusively on transmission proposals from individual transmission owners and stakeholders, NorthWestern's OATT must include more detail as to how the MAPP regional transmission planning process will perform this analysis.²¹⁵ NorthWestern's OATT also does not make clear that the MAPP regional transmission planning process will identify and evaluate transmission solutions other than those proposed by transmission developers, and, if so, what metrics will be used to conduct such identification and evaluation.²¹⁶ This additional detail will necessarily impact the evaluation process for selection in the regional transmission plan for purposes of cost allocation. Accordingly, we direct NorthWestern to file, within 120 days of the date of issuance of this order, a

²¹⁵ See *supra* P 66.

²¹⁶ *Id.*

further compliance filing that describes in its OATT a transparent and not unduly discriminatory process for evaluating whether to select a proposed transmission facility in the MAPP regional transmission plan for purposes of cost allocation.²¹⁷ NorthWestern should both explain and justify the proposed evaluation criteria, including how they apply in a not unduly discriminatory manner to sponsored transmission projects, transmission projects proposed by stakeholders, and transmission projects identified in the MAPP regional transmission planning process.

124. In addition, we note that Order No. 1000 requires that the evaluation process must culminate in a determination that is sufficiently detailed for stakeholders to understand why a particular transmission project was selected or not selected in the regional transmission plan for purposes of cost allocation.²¹⁸ While the Commission in Order No. 1000 recognized that the process for evaluating whether to select a transmission facility in the regional transmission plan for purposes of cost allocation will likely vary from region to region,²¹⁹ such evaluation must consider “the relative efficiency and cost-effectiveness of [any proposed transmission] solution.”²²⁰ We find that NorthWestern’s displaced cost method for considering the relative efficiency and cost-effectiveness of a Regionally Beneficial Project does not comply with the requirements of Order No. 1000 for the same reasons that we find NorthWestern’s proposed displaced cost method for cost allocation does not comply with the requirements of Order No. 1000.²²¹ Therefore, we require NorthWestern, in the further compliance filing, to: (1) propose OATT revisions providing how MAPP will consider the relative efficiency and cost-effectiveness of proposed transmission solutions, as part of its evaluation of transmission solutions proposed in the regional transmission planning process; (2) explain how MAPP will ensure its evaluation of transmission solutions proposed in the regional transmission planning process will culminate in a determination that is sufficiently detailed for stakeholders to understand why a particular transmission project was selected or not selected as a more efficient or cost-effective solution in the regional transmission plan for purposes of cost allocation; and (3) propose OATT revisions to further explain the

²¹⁷ Order No. 1000, FERC Stats. & Regs. ¶ 31,323 at P 328, *order on reh’g*, Order No. 1000-A, 139 FERC ¶ 61,132 at P 452.

²¹⁸ Order No. 1000, FERC Stats. & Regs. ¶ 31,323 at P 328, *order on reh’g*, Order No. 1000-A, 139 FERC ¶ 61,132 at P 267.

²¹⁹ Order No. 1000, FERC Stats. & Regs. ¶ 31,323 at P 323.

²²⁰ *Id.* n.307.

²²¹ *See infra* section IV.3.iii.

process the Transmission Planning Committee will use to ultimately approve the regional transmission plan.²²²

e. **Reevaluation Process for Proposals for Selection in the Regional Transmission Plan for Purposes of Cost Allocation**

125. Each public utility transmission provider must amend its OATT to describe the circumstances and procedures under which public utility transmission providers in the regional transmission planning process will reevaluate the regional transmission plan to determine if delays in the development of a transmission facility selected in a regional transmission plan for purposes of cost allocation require evaluation of alternative transmission solutions, including those that the incumbent transmission provider proposes, to ensure the incumbent transmission provider can meet its reliability needs or service obligations.²²³ If an evaluation of alternatives is needed, the regional transmission planning process must allow the incumbent transmission provider to propose solutions that it would implement within its retail distribution service territory or footprint, and if that solution is a transmission facility, then the proposed transmission facility should be evaluated for possible selection in the regional transmission plan for purposes of cost allocation.²²⁴

i. **NorthWestern's Filing**

126. NorthWestern states that the proposed MAPP regional transmission planning process will take into consideration transmission project delays. NorthWestern proposed revisions to its OATT to state:

Project delays shall be taken into consideration during this process and to the extent a delay in a project creates a need for additional mitigation solutions, the project sponsor shall

²²² NorthWestern has proposed revisions to its OATT stating that the Transmission Planning Committee will approve the MAPP regional transmission plan but provides no detail on how the approval will occur. *See* NorthWestern Corporation (South Dakota), NWE SD OATT, FERC Open Access Transmission Tariff Vol. 2, Attachment K, § 4.3.6 (Transmission Planning Process) (0.1.0).

²²³ Order No. 1000, FERC Stats. & Regs. ¶ 31,323 at PP 263, 329, *order on reh'g*, Order No. 1000-A, 139 FERC ¶ 61,132 at P 477.

²²⁴ Order No. 1000, FERC Stats. & Regs. ¶ 31,323 at P 329.

identify those needs. Alternative solutions required because of delays in the development of a transmission facility that was selected in the MAPP Regional Plan for cost allocation shall be included in the MAPP Regional Plan.²²⁵

ii. Protests/Comments

127. No protests or comments were filed regarding this issue.

iii. Commission Determination

128. We find that the provisions in NorthWestern's filing dealing with the reevaluation of proposed transmission projects partially comply with the requirements of Order No. 1000. NorthWestern states transmission project delays will be considered during the MAPP regional transmission planning process. We understand this to mean that transmission project delays will be considered during every MAPP regional transmission planning cycle, which would allow MAPP to identify transmission needs resulting from transmission project delays on a biennial basis. We find that such circumstances for reevaluation would comply with the requirements of Order No. 1000, but that NorthWestern's filing is not sufficiently clear for us to make that determination here. Accordingly, we require NorthWestern to file a further compliance filing, as described below, that revises its OATT to clarify that the MAPP regional transmission planning process will consider transmission project delays, and any resulting transmission needs, in each regional transmission planning cycle.

129. Furthermore, while Order No. 1000 required that the incumbent transmission provider must be able to propose solutions if an evaluation of alternatives is needed to ensure the incumbent transmission provider can meet its reliability needs or service obligations, under NorthWestern's OATT provisions, it is unclear whether an incumbent transmission provider may propose solutions and whether such solutions, if they are transmission facilities, are eligible for selection in the regional transmission plan for purposes of cost allocation. As such, NorthWestern must clarify that the MAPP regional transmission planning process will include an incumbent transmission provider's ability to propose solutions in the case that a transmission project's delays necessitate an evaluation of alternatives, and that such solutions, if they are transmission facilities, will

²²⁵ NorthWestern Corporation (South Dakota), NWE SD OATT, FERC Open Access Transmission Tariff Vol. 2, Attachment K, § 4.3.4 (Transmission Planning Process) (0.1.0).

be evaluated for selection in the MAPP regional transmission plan for purposes of cost allocation.

130. NorthWestern's filing also states that the transmission developer of a delayed transmission project will be responsible for identifying whether mitigation solutions are needed. However, Order No. 1000 required that *public utility transmission providers, through the regional transmission planning process*, be responsible for determining whether delays in the development of a transmission facility selected in the regional transmission plan for purposes of cost allocation require evaluation of alternative solutions. Therefore, we find that NorthWestern's proposal that the transmission developer is to be responsible for identifying whether, in the case of a transmission project delay, mitigation solutions are necessary does not comply with the requirements of Order No. 1000. We require NorthWestern to revise its Attachment K to clarify that the MAPP transmission planning region, which is the region NorthWestern is relying on to comply with Order No. 1000, will be responsible for determining whether delays in the development of a transmission facility selected in the regional transmission plan for purposes of cost allocation require evaluation of alternative solutions.

131. As discussed above, we direct NorthWestern to file, within 120 days of the date of issuance of this order, a further compliance filing that revises its OATT to: (1) clarify that the MAPP regional transmission planning process will consider transmission project delays, and any resulting transmission needs, in each regional transmission planning cycle; (2) clarify that the MAPP regional transmission planning process allows an incumbent transmission provider to propose solutions in the case that a transmission project's delays necessitate an evaluation of alternatives, and that such solutions, if they are transmission facilities, are evaluated for selection in the MAPP regional transmission plan for purposes of cost allocation; and (3) provide that MAPP will be responsible for determining whether delays in the development of a transmission facility selected in the regional transmission plan for purposes of cost allocation require evaluation of alternative solutions.

f. Cost Allocation for Projects Selected in the Regional Transmission Plan for Purposes of Cost Allocation

132. Order No. 1000 requires each public utility transmission provider to participate in a regional transmission planning process that provides that a nonincumbent transmission developer has an opportunity comparable to that of an incumbent transmission developer to allocate the cost of a transmission facility through a regional cost allocation method or methods.²²⁶ A nonincumbent transmission developer must have the same eligibility as an

²²⁶ Order No. 1000, FERC Stats. & Regs. ¶ 31,323 at P 332.

incumbent transmission developer to use a regional cost allocation method or methods for any sponsored transmission facility selected in the regional transmission plan for purposes of cost allocation.²²⁷ If a transmission project is selected in a regional transmission plan for purposes of cost allocation, Order No. 1000 requires that the transmission developer of that transmission facility (whether incumbent or nonincumbent) must be able to rely on the relevant cost allocation method or methods within the region should it move forward with its transmission project.²²⁸

133. Order No. 1000 specifies that the regional transmission planning process could use a non-discriminatory competitive bidding process as the mechanism to ensure that all projects are eligible to be considered for selection in the regional transmission plan for purposes of cost allocation.²²⁹ A region may use or retain an existing mechanism that relies on a competitive solicitation to identify preferred solutions to regional transmission needs, and such an existing process may require little or no modification to comply with the framework adopted in Order No. 1000.²³⁰ The regional transmission planning process could allow the sponsor of a transmission project selected in the regional transmission plan for purposes of cost allocation to use the regional cost allocation method associated with the transmission project.²³¹ If it uses a sponsorship model, the regional transmission planning process would also need to have a fair and not unduly discriminatory mechanism to grant to an incumbent transmission provider or nonincumbent transmission developer the right to use the regional cost allocation method for unsponsored transmission facilities selected in the regional transmission plan for purposes of cost allocation.²³²

i. NorthWestern's Filing

134. NorthWestern proposes that the MAPP regional transmission planning process implement a sponsorship model, where a qualified transmission developer can submit a transmission project for potential selection in the MAPP regional transmission plan for

²²⁷ *Id.*

²²⁸ *Id.* P 339.

²²⁹ *Id.* P 336.

²³⁰ *Id.* P 321.

²³¹ *Id.* P 336.

²³² *Id.*

purposes of cost allocation. If a transmission project that was submitted by a qualified transmission developer is selected in the MAPP regional transmission plan for purposes of cost allocation, then the costs of the selected project are eligible to be allocated using the MAPP regional cost allocation method.²³³ NorthWestern's proposed OATT further provides that "[p]rojects sponsored by an enrolled entity may be eligible to have cost allocated under the MAPP regional cost allocation method."²³⁴ Such enrollment is available to public and non-public utility transmission providers that are also MAPP Transmission Planning Committee members.²³⁵

ii. Protests/Comments

135. No protests or comments were filed regarding this issue.

iii. Commission Determination

136. We find that the provisions in NorthWestern's filing dealing with cost allocation for nonincumbent transmission projects do not comply with the requirement to provide a nonincumbent transmission developer an opportunity comparable to that of an incumbent transmission developer to allocate the cost of a transmission facility through a regional cost allocation method or methods. NorthWestern's proposal requires that, for consideration in the regional transmission plan for purposes of cost allocation, a transmission project must be submitted by an entity that has already enrolled in the MAPP regional transmission planning process. However, such enrollment is limited to electric utilities, transmitting utilities, and other entities generating energy for sale or resale in the MAPP region.²³⁶ Consequently, these provisions exclude from access to the

²³³ NorthWestern Corporation (South Dakota), NWE SD OATT, FERC Open Access Transmission Tariff Vol. 2, Attachment K, § 12.4 (Transmission Planning Process) (0.1.0).

²³⁴ *Id.* § 4.2.

²³⁵ These eligible entities include: Ames Municipal Electric System, Basin Electric Power Cooperative, Corn Belt Power Cooperative, Heartland Consumers Power District, MN Municipal Power Agency, MN Municipal Utilities Association, Minnkota Power Cooperative, Missouri River Energy Services, NorthWestern Energy, Rochester Public Utilities, and Western Area Power Administration, Upper Great Plains Region. *See* NorthWestern Corporation (South Dakota), NWE SD OATT, FERC Open Access Transmission Tariff Vol. 2, Attachment K, § 4.2 (Transmission Planning Process) (0.1.0).

²³⁶ NorthWestern's proposed revisions to Attachment K state that "[e]nrollment in the MAPP Regional Planning Process is open to public and nonpublic utility transmission
(continued . . .)

regional cost allocation method any transmission project that, for example, is sponsored by a nonincumbent transmission developer who has yet to develop transmission facilities in the MAPP region and who, therefore, cannot yet be an enrolled member of the MAPP Transmission Planning Committee. We find that such provisions establish a process that does not provide nonincumbent transmission developers with an opportunity that is comparable to that of an incumbent transmission developer to allocate the cost of a transmission facility through the MAPP regional cost allocation method. Accordingly, we direct NorthWestern to file, within 120 days of the date of issuance of this order, a further compliance filing that revises its Attachment K to provide that a transmission project need not be submitted by an enrolled entity to be eligible for selection in the regional transmission plan for purposes of cost allocation.

137. We further find that NorthWestern has proposed a project sponsorship model, as described in Order No. 1000, but has failed to propose a “mechanism to grant to an incumbent transmission provider or nonincumbent transmission developer the right to use the regional cost allocation method for unsponsored transmission facilities”²³⁷ to the extent one is selected in the regional transmission plan for purposes of cost allocation. Accordingly, we direct NorthWestern to file, within 120 days of the date of issuance of this order, a further compliance filing that revises its Attachment K to establish a fair and not unduly discriminatory mechanism that MAPP will use to grant a transmission developer the right to use the regional cost allocation method for unsponsored transmission facilities.

3. Cost Allocation

138. Order No. 1000 requires each public utility transmission provider to have in place a method, or set of methods, for allocating the costs of new transmission facilities selected in the regional transmission plan for purposes of cost allocation.²³⁸ Each public utility transmission provider must show on compliance that its regional cost allocation method or methods are just and reasonable and not unduly discriminatory or preferential

providers that are MAPP [Transmission Planning Committee] members. Transmission projects sponsored by an enrolled entity may be eligible to have costs allocated under the MAPP regional cost allocation method.” See NorthWestern Corporation (South Dakota), NWE SD OATT, FERC Open Access Transmission Tariff Vol. 2, Attachment K, § 4.2 (Transmission Planning Process) (0.1.0). See also MAPP Second Restated Agreement at 4.1.

²³⁷ Order No. 1000, FERC Stats. & Regs. ¶ 31,323 at P 336.

²³⁸ *Id.* P 558.

by demonstrating that each method satisfies six regional cost allocation principles described in Order No. 1000.²³⁹ The Commission took a principles-based approach because it recognized that regional differences may warrant distinctions in cost allocation methods among transmission planning regions.²⁴⁰ In addition, Order No. 1000 permits participant funding, but not as a regional or interregional cost allocation method.²⁴¹

139. If a public utility transmission provider is in an RTO or ISO, Order No. 1000 requires that the regional cost allocation method or methods be set forth in the RTO or ISO OATT. In a non-RTO/ISO transmission planning region, each public utility transmission provider located within the region must set forth in its OATT the same language regarding the cost allocation method or methods that is used in its transmission planning region.²⁴² Each public utility transmission provider must have a regional cost allocation method for any transmission facility selected in a regional transmission plan for purposes of cost allocation.²⁴³

140. Regional Cost Allocation Principle 1 specifies that the cost of transmission facilities must be allocated to those within the transmission planning region that benefit from those facilities in a manner that is at least roughly commensurate with estimated benefits. Cost allocation methods must clearly and definitively specify the benefits and the class of beneficiaries.²⁴⁴ In determining the beneficiaries of transmission facilities, a regional transmission planning process may consider benefits including, but not limited to, the extent to which transmission facilities, individually or in the aggregate, provide for maintaining reliability and sharing reserves, production cost savings and congestion relief, and/or meeting Public Policy Requirements.²⁴⁵ Regional Cost Allocation Principle

²³⁹ *Id.* P 603.

²⁴⁰ *Id.* P 604.

²⁴¹ *Id.* P 723.

²⁴² *Id.* P 558.

²⁴³ *Id.* P 690.

²⁴⁴ Order No. 1000-A, 139 FERC ¶ 61,132 at P 678.

²⁴⁵ Order No. 1000, FERC Stats. & Regs. ¶ 31,323 at P 622.

1 precludes an allocation where the benefits received are trivial in relation to the costs to be borne.²⁴⁶

141. Order No. 1000 does not prescribe a particular definition of “benefits” or “beneficiaries.”²⁴⁷ The Commission stated in Order No. 1000-A that while Order No. 1000 does not define benefits and beneficiaries, it does require the public utility transmission providers in each transmission planning region to be definite about benefits and beneficiaries for purposes of their cost allocation methods.²⁴⁸ In addition, for a cost allocation method or methods to be accepted by the Commission as Order No. 1000-compliant, they will have to specify clearly and definitively the benefits and the class of beneficiaries.²⁴⁹ A benefit used by public utility transmission providers in a regional cost allocation method or methods must be an identifiable benefit, and the transmission facility cost allocated must be roughly commensurate with that benefit.²⁵⁰ Each regional transmission planning process must provide entities who will receive regional or interregional cost allocation an understanding of the identified benefits on which the cost allocation is based.²⁵¹ The public utility transmission providers in a transmission planning region may propose a cost allocation method that considers the benefits and costs of a group of new transmission facilities, although there is no requirement to do so.²⁵²

142. The regional transmission plan must include a clear cost allocation method or methods that identify beneficiaries for each of the transmission facilities selected in a regional transmission plan for purposes of cost allocation.²⁵³ Order No. 1000-A stated that public utility transmission providers in each transmission planning region, in consultation with their stakeholders, may consider proposals to allocate costs directly to

²⁴⁶ *Id.* P 639.

²⁴⁷ *Id.* P 624.

²⁴⁸ Order No. 1000-A, 139 FERC ¶ 61,132 at P 679.

²⁴⁹ *Id.* P 678.

²⁵⁰ Order No. 1000, FERC Stats. & Regs. ¶ 31,323 at P 625.

²⁵¹ Order No. 1000-A, 139 FERC ¶ 61,132 at P 746.

²⁵² Order No. 1000, FERC Stats. & Regs. ¶ 31,323 at PP 627, 641.

²⁵³ *Id.* P 11; Order No. 1000-A, 139 FERC ¶ 61,132 at P 585.

generators as beneficiaries that could be subject to regional or interregional cost allocation, but any such allocation must not be inconsistent with the generator interconnection process under Order No. 2003.²⁵⁴

143. Regional Cost Allocation Principle 2 specifies that those that receive no benefit from transmission facilities, either at present or in a likely future scenario, must not be involuntarily allocated any of the costs of those transmission facilities.²⁵⁵ All cost allocation methods must provide for allocation of the entire prudently incurred cost of a transmission project to prevent stranded costs.²⁵⁶ To the extent that public utility transmission providers propose a cost allocation method or methods that consider the benefits and costs of a group of new transmission facilities and adequately support their proposal, Regional Cost Allocation Principle 2 would not require a showing that every individual transmission facility in the group of transmission facilities provides benefits to every beneficiary allocated a share of costs of that group of transmission facilities.²⁵⁷

144. The Commission clarified in Order No. 1000-A that public utility transmission providers may rely on scenario analyses in the preparation of a regional transmission plan and the selection of new transmission facilities in the regional transmission plan for purposes of cost allocation. Regional Cost Allocation Principle 2 would be satisfied if a transmission project or group of transmission projects is shown to have benefits in one or more of the transmission planning scenarios identified by public utility transmission providers in their Commission-approved Order No. 1000-compliant cost allocation methods.²⁵⁸ The Commission clarified in Order No. 1000-B that it did not intend to remove the “likely future scenarios” concept from transmission planning and that likely future scenarios can be an important factor in public utility transmission providers’ consideration of transmission projects and in the identification of beneficiaries consistent with the cost causation principle.²⁵⁹

²⁵⁴ Order No. 1000-A, 139 FERC ¶ 61,132 at P 680.

²⁵⁵ Order No. 1000, FERC Stats. & Regs. ¶ 31,323 at P 637.

²⁵⁶ *Id.* P 640.

²⁵⁷ *Id.* P 641.

²⁵⁸ Order No. 1000-A, 139 FERC ¶ 61,132 at P 690.

²⁵⁹ Order No. 1000-B, 141 FERC ¶ 61,044 at P 72.

145. Regional Cost Allocation Principle 3 specifies that if a benefit to cost threshold is used to determine which transmission facilities have sufficient net benefits to be selected in a regional transmission plan for the purpose of cost allocation, the threshold must not be so high that transmission facilities with significant positive net benefits are excluded from cost allocation. Public utility transmission providers may choose to use such a threshold to account for uncertainty in the calculation of benefits and costs. If adopted, such a threshold may not include a ratio of benefits to costs that exceeds 1.25 unless the transmission planning region or public utility transmission provider justifies, and the Commission approves, a higher ratio.²⁶⁰

146. Regional Cost Allocation Principle 4 specifies that the allocation method for the cost of a transmission facility selected in a regional transmission plan for purposes of cost allocation must allocate costs solely within that transmission planning region unless another entity outside the region or another transmission planning region voluntarily agrees to assume a portion of those costs. However, the transmission planning process in the original region must identify consequences for other transmission planning regions, such as upgrades that may be required in another region and, if the original region agrees to bear costs associated with such upgrades, then the original region's cost allocation method or methods must include provisions for allocating the costs of the upgrades among the beneficiaries in the original region.²⁶¹

147. Regional Cost Allocation Principle 5 specifies that the cost allocation method and data requirements for determining benefits and identifying beneficiaries for a transmission facility must be transparent with adequate documentation to allow a stakeholder to determine how they were applied to a proposed transmission facility.²⁶²

148. Regional Cost Allocation Principle 6 specifies that a transmission planning region may choose to use a different cost allocation method for different types of transmission facilities in the regional transmission plan, such as transmission facilities needed for reliability, congestion relief, or to achieve Public Policy Requirements.²⁶³ If the public utility transmission providers choose to have a different cost allocation method for each type of transmission facility, there can be only one cost allocation method for each

²⁶⁰ Order No. 1000, FERC Stats. & Regs. ¶ 31,323 at P 646.

²⁶¹ *Id.* P 657.

²⁶² *Id.* P 668.

²⁶³ *Id.* P 685.

type.²⁶⁴ In addition, if public utility transmission providers choose to propose a different cost allocation method or methods for different types of transmission facilities, each method would have to be determined in advance for each type of facility.²⁶⁵ A regional cost allocation method for one type of regional transmission facility or for all regional transmission facilities may include voting requirements for identified beneficiaries to vote on proposed transmission facilities.²⁶⁶ However, the public utility transmission providers in a region may not designate a type of transmission facility that has no regional cost allocation method applied to it.²⁶⁷

i. NorthWestern's Filing

149. According to NorthWestern, under section 12.4 of Attachment K, MAPP administers a transparent and not unduly discriminatory process for allocating the cost of transmission projects selected for regional cost allocation. NorthWestern states that MAPP cost allocation procedures are intended to allocate costs “roughly commensurate” with estimated benefits. NorthWestern states that those who are not identified as a beneficiary of a transmission project do not have to pay for it.²⁶⁸ NorthWestern states that section 12.4.1 describes a displaced cost method of regional cost allocation (which it calls the Aggregate Benefits Method), which is also to be defined further in the Transmission Planning Committee Procedures. NorthWestern states that the OATT includes two steps for the displaced cost method: (1) quantify the benefits as the total capital and applicable annual costs of each of the original transmission projects in the Regional Planning Group Roll-up Plan, per Transmission Planning Committee Procedures, for each MAPP Transmission Owning Member for their transmission projects that could be replaced by a Regionally Beneficial Project; and (2) allocate the capital and applicable annual costs of the Regionally Beneficial Project, per Transmission Planning Committee Procedures, to each MAPP Transmission Owning Member based on their respective share of the sum of all benefits quantified in the first step.²⁶⁹

²⁶⁴ *Id.* P 686; *see also id.* P 560.

²⁶⁵ *Id.* P 560.

²⁶⁶ *Id.* P 689.

²⁶⁷ *Id.* P 690.

²⁶⁸ NorthWestern Corporation (South Dakota), NWE SD OATT, FERC Open Access Transmission Tariff Vol. 2, Attachment K, § 12.4 (Transmission Planning Process) (0.1.0).

²⁶⁹ *Id.* § 12.4.1.

NorthWestern also acknowledges that while it is not proposing it as a regional cost allocation method, MAPP will continue to offer a subscription rights option for obtaining funding for a proposed transmission project.²⁷⁰

150. In addition, NorthWestern clarifies that the Regional Planning Group is required to determine the cost allocation for each qualified transmission project.²⁷¹ The beneficiaries are identified through the technical sufficiency and cost-effectiveness analyses described above. To be a beneficiary, an entity's share of a Regionally Beneficial Project's cost must be less than the cost of its original transmission project that would be displaced by the Regionally Beneficial Project.

151. NorthWestern asserts that its proposed regional cost allocation method satisfies the six cost allocation principles of Order No. 1000.²⁷² According to NorthWestern, the requirement that costs be allocated in a way that is roughly commensurate with benefits is ensured through the processes to identify beneficiaries via the technical sufficiency and cost-effectiveness analyses, the 1.25 benefit-to-cost ratio, and the requirement that a beneficiary's share of a Regionally Beneficial Project's cost must be less than the cost of its original transmission project that would be displaced by the Regionally Beneficial Project. In addition, NorthWestern states that the aggregate benefits test ensures that a beneficiary is not allocated more than its proportionate share of benefits created by a transmission project. NorthWestern asserts that these aforementioned processes ensure a transparent method for identifying beneficiaries and ensure that a non-beneficiary will not be involuntarily allocated costs. NorthWestern notes that section 12.4 provides that those who are not identified as a beneficiary of a transmission project do not have to pay for it involuntarily. The benefit to cost threshold ratio of 1.25 in Attachment K is within the allowable range permitted by Order No. 1000. Moreover, NorthWestern contends that under the MAPP intra-regional cost allocation method, costs can only be allocated solely within the MAPP region. Finally, NorthWestern argues that the intra-regional cost allocation method in MAPP is applicable to all Regionally Beneficial Projects and does not distinguish among reliability, economic, and public policy requirements projects.

ii. Protests/Comments

152. AWEA and WOW argue that NorthWestern's cost allocation proposal does not satisfy all of Order No. 1000's Regional Cost Allocation Principles. AWEA and WOW

²⁷⁰ NorthWestern Transmittal Letter at 15.

²⁷¹ *Id.*

²⁷² *Id.*

state that NorthWestern's cost allocation proposal fails to satisfy the requirement of Order No. 1000's first Regional Cost Allocation Principle that costs be allocated in a manner that is at least roughly commensurate with estimated benefits because the proposal does not include a full consideration of benefits, without which costs cannot be assumed to be allocated commensurate with the benefits.²⁷³ AWEA and WOW state that while NorthWestern's cost allocation proposal considers benefits related to reliability, economics, and public policy through its consideration of the avoided costs of local transmission projects, it does not consider other potential benefits such as reduced losses, increased reserve sharing, and potential additional reliability or economic benefits that may result from a new regional transmission project. AWEA and WOW state that public policy benefits that should be considered include avoided carbon tax, or avoided renewable portfolio standards penalties in the case of renewable energy resources. AWEA and WOW argue that the Commission required that cost allocation must consider not only the parties who cause the need for a new transmission line, but also parties who did not necessarily cause the need for the new line but who will benefit from the new project.²⁷⁴

153. AWEA and WOW argue that NorthWestern's filing fails to comply with Order No. 1000's Regional Cost Allocation Principle 5, which requires that methods for determining benefits and beneficiaries be transparent with adequate documentation to allow stakeholders to determine how those methods were applied to a proposed transmission facility.²⁷⁵ AWEA and WOW allege that MAPP does not have a functional method of considering economic or public policy benefits at either the local or regional level. AWEA and WOW state, for example, that MAPP has indicated that a regional transmission project would have economic benefits if it replaced a local transmission project identified by the transmission owner to meet economic benefits. A similar situation occurs for public policy benefits. AWEA and WOW argue that the lack of clarity on how benefits are identified does not meet the Commission's requirements.²⁷⁶

154. AWEA and WOW argue that the Commission requires that benefit definitions in cost allocation methods include benefits related to likely future scenarios. AWEA and WOW state that the NorthWestern proposal does not appear to consider reliability, economic, or public policy benefits based on scenario analysis. The lack of consideration

²⁷³ AWEA and WOW Comments at 21-22.

²⁷⁴ *Id.* at 22 (citing Order No. 1000 FERC Stats. & Regs. ¶ 31,323 at PP 535-537).

²⁷⁵ *Id.* at 23.

²⁷⁶ *Id.*

of future needs results in an analysis of benefits that is incomplete and may not consider possible future benefits from a regional transmission project.²⁷⁷

155. Lastly, AWEA and WOW state that NorthWestern's use of a benefit-to-cost ratio is too limited. The NorthWestern approach is not a benefit-to-cost ratio but a comparison of the costs of replaced local transmission projects with the costs of an alternative regional project. AWEA and WOW state that 1.25 seems excessive in that NorthWestern is not calculating the total potential benefits from a regional project, but only the avoided costs of local projects that the regional project replaces. AWEA and WOW request that the Commission require a full accounting of benefits by MAPP if the 1.25 benefit-to-cost ratio is used as a threshold for regional cost allocation.²⁷⁸

iii. Commission Determination

156. We find that NorthWestern's filing does not comply with the regional cost allocation principles of Order No. 1000. NorthWestern proposes a single cost allocation method for allocating the costs of new transmission facilities selected in the regional transmission plan for purposes of cost allocation, regardless of whether a project will serve transmission needs driven by reliability concerns, economic considerations, or public policy requirements, or some combination thereof. Therefore, we consider here whether the proposed cost allocation method adequately assesses the potential benefits of all such transmission facilities. As a threshold matter, we find that NorthWestern's proposed displaced cost method does not satisfy Cost Allocation Principle 1 and, thus, we reject NorthWestern's cost allocation proposal as a whole.²⁷⁹ Accordingly, we direct NorthWestern to file, within 120 days of the date of issuance of this order, a further compliance filing that proposes a cost allocation method or methods for transmission facilities selected in the regional transmission plan for purposes of cost allocation that adequately assesses the potential benefits associated with addressing reliability, economic, and public policy-related transmission needs in a manner that satisfies the six Regional Cost Allocation Principles described in Order No. 1000.

157. We agree with AWEA and WOW that using a single displaced cost method to account for benefits associated with addressing reliability, economic and public policy-

²⁷⁷ *Id.* at 23-24.

²⁷⁸ *Id.* at 24-25.

²⁷⁹ We note that the use of a displaced cost method may satisfy the regional cost allocation principles when used to measure reliability benefits. *See Public Service Co. of Colorado*, 142 FERC ¶ 61,206, at P 311 (2013).

related transmission needs does not satisfy Order No. 1000's regional cost allocation principles. Specifically, we find that NorthWestern's proposed cost allocation method for all transmission facilities selected in the regional transmission plan for purposes of cost allocation does not comply with Regional Cost Allocation Principle 1. Relying on the displaced cost method alone to allocate the costs of a transmission facility selected in the regional transmission plan for purposes of cost allocation does not allocate costs in a manner that is at least roughly commensurate with estimated benefits because it does not adequately assess the potential benefits provided by that transmission facility. The displaced cost method as proposed only considers as benefits the cost savings that result when a local transmission project is displaced due to the selection of a transmission facility in the regional transmission plan for purposes of cost allocation, failing to account for other benefits associated with addressing economic and public policy-related transmission needs that the regional transmission facility provides and limiting the consideration by stakeholders on a more aggregated basis of whether a particular transmission facility may represent the more efficient or cost-effective means of fulfilling a given transmission need. This limitation is inconsistent with the requirements of Order No. 1000.

158. The proposed displaced cost method fails to account for benefits that were not identified in the local transmission planning processes but that could be recognized at the regional level through a regional analysis of more efficient or cost-effective solutions to regional transmission needs. The following example helps illustrate the concern: Member A has an economic transmission project in its local transmission plan that costs \$50 million and Member B has an economic transmission project in its local transmission plan that also costs \$50 million (for a total cost of \$100 million). Each of the local economic transmission projects provides \$75 million in economic benefits, for a total of \$150 million in economic benefits. Under NorthWestern's proposal, a regional transmission project that can displace the need for Member A's and Member B's local economic transmission projects must cost less than \$80 million to be selected in the regional transmission plan for purposes of cost allocation (to meet the 1.25 benefit-to-cost ratio); there is no consideration of the value of further benefits that could be realized by the regional economic transmission project. For instance, there may be a regional economic transmission project that could provide the same economic benefits (i.e., \$150 million) as the local economic transmission projects, thus replacing both Member A's and Member's B's local economic transmission projects, but would also bring an additional \$30 million of economic benefits to each member (such that the regional economic transmission project provides a total of \$210 million in economic benefits). However, if this regional economic transmission project costs \$120 million, it would not be approved under NorthWestern's displaced cost method because it is more expensive than the two local transmission projects, and the additional \$60 million in economic benefits would not be recognized. In short, under NorthWestern's proposal, the region could identify a regional transmission project that costs a total of \$120 million and provides \$105 million dollars in economic benefits to each member (for a total of \$210

million in economic benefits), but that regional economic transmission project will not qualify for selection in the regional transmission plan for purposes of cost allocation, even though it would have a higher benefit-to-cost ratio,²⁸⁰ and provide more benefits, than the economic transmission projects in the local transmission plans.

159. Furthermore, under NorthWestern's proposed regional cost allocation method, a regional transmission facility that results in a more efficient or cost-effective transmission solution than what is included in the roll-up of local transmission plans would not be eligible for regional cost allocation if there is no transmission facility in the local transmission plans that it would displace. We therefore conclude that NorthWestern's proposed regional cost allocation method fails to allow for the possibility of resolving transmission needs or realizing opportunities at a regional level where, in the local transmission planning process, the benefits of resolving the identified transmission need or realizing the identified opportunity did not outweigh the costs of doing so. The following scenario illustrates this concern: Member A and Member B of a transmission planning region both recognize the possibility of building local transmission facilities to achieve \$100 million each in production cost savings in their local transmission planning processes, for a total of \$200 million of savings. In each case, though, the local transmission facility needed to realize the identified production cost savings would cost \$150 million. Because the cost of each transmission facility (\$150 million) would outweigh its benefits (\$100 million) in each local transmission plan, neither would be included in either of the members' local transmission plans. However, even if a regional transmission facility was proposed or otherwise identified in the regional transmission planning process that realized the same \$100 million of benefits for both Member A and Member B (i.e., a total of \$200 million in benefits), but costs only \$150 million in total, such regional transmission facility would not be selected in the regional transmission plan for purposes of cost allocation under NorthWestern's proposed cost allocation method because the local transmission facilities considered were not included in the local transmission plan and, therefore, could not be displaced.

160. In a similar fashion, NorthWestern's proposal does not provide a method to "clearly and definitively specify the benefits and the class of beneficiaries" associated with transmission facilities needed to address public policy requirements that are selected in the regional transmission plan for purposes of cost allocation.²⁸¹

²⁸⁰ Specifically, each of the local economic transmission projects has benefit-to-cost ratio of 1.5 to 1. The regional economic transmission project has a benefit-to-cost ratio of 1.75 to 1 for each member.

²⁸¹ See Order No. 1000-A, 139 FERC ¶ 61,132 at P 678.

161. In sum, we find that a regional transmission planning process that only considers whether a proposed transmission facility would displace transmission facilities in a local transmission plan and allocates costs on that basis alone does not adequately assess the potential benefits associated with addressing reliability, economic, and public-policy related transmission needs on a regional basis and may not account for transmission needs not identified or identified in isolation, and thus not resolved, in the local transmission planning processes. We thus conclude that NorthWestern's proposed regional cost allocation method does not allocate costs in a manner that is at least roughly commensurate with estimated benefits and, accordingly, does not comply with the requirements of Order No. 1000.

162. We note, however, that a regional cost allocation method that includes, but does not rely solely upon, displaced costs could be a reasonable approach for allocating costs in a manner that is at least roughly commensurate with benefits.²⁸² Such an approach could recognize additional benefits of transmission while also accounting for the value of displacing the costs of certain transmission projects from the roll-up of local transmission plans. For example, in addition to identifying as benefits the costs of displaced transmission facilities in local transmission plans, a regional cost allocation method could also identify economic benefits, such as cost savings resulting from reduced losses, production cost savings, or congestion relief,²⁸³ and benefits associated with addressing public policy-related transmission needs. Order No. 1000 allows a public utility transmission provider through its participation in a transmission planning region to distinguish among transmission needs driven by reliability, economics, and public policy requirements as long as each of the three types is considered in the regional transmission planning process and there is a means for allocating the costs of each type of transmission facility to beneficiaries.²⁸⁴

²⁸² See, e.g., *Public Service Co. of Colorado*, 142 FERC ¶ 61,206 at P 314 (finding that the use of production cost savings and reductions in reserve sharing requirements reasonably identifies beneficiaries and accounts for economic benefits); *id.* P 317 (finding that identifying beneficiaries, defining benefits, and allocating costs based on the number of megawatts of public policy resources enabled by a transmission project to address transmission needs driven by public policy requirements allocates costs in a manner that is at least roughly commensurate with estimated benefits because it reflects which entities are expected to rely on particular public policy resources to meet applicable public policy requirements).

²⁸³ Order No. 1000, FERC Stats. & Regs. ¶ 31,323 at P 622.

²⁸⁴ *Id.* P 689.

163. Given that we find that NorthWestern's proposed displaced cost method does not comply with Regional Cost Allocation Principle 1 when it is applied to all transmission projects selected in the regional transmission plan for purposes of cost allocation, we will not make a finding on whether NorthWestern's proposed regional cost allocation method complies with Regional Cost Allocation Principles 2 through 6. Similarly, because we require NorthWestern to file a revised cost allocation method, we will not rule on AWEA and WOW's assertions regarding the use of scenario analysis and NorthWestern's failure to comply with the transparency requirements of Regional Cost Allocation Principle 5. We will evaluate whether NorthWestern's revised proposal complies with all six of Order No. 1000's Regional Cost Allocation Principles in the order addressing NorthWestern's revised proposal.

The Commission orders:

(A) NorthWestern's compliance filing is hereby accepted, as modified, effective October 1, 2013, subject to a further compliance filing, as discussed in the body of this order.

(B) NorthWestern is hereby directed to submit a further compliance filing, within 120 days of the date of this order, as discussed in the body of this order.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.