

124 FERC ¶ 61,265  
UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Joseph T. Kelliher, Chairman;  
Sudeen G. Kelly, Marc Spitzer,  
Philip D. Moeller, and Jon Wellinghoff.

Southern Company Services, Inc.

Docket No. OA08-37-000

ORDER ON COMPLIANCE FILING

(Issued September 18, 2008)

1. On December 7, 2007, pursuant to section 206 of the Federal Power Act (FPA),<sup>1</sup> Southern Company Services, Inc. (Southern), submitted its transmission planning process as a proposed attachment to its Open Access Transmission Tariff (OATT), as required by Order No. 890.<sup>2</sup> In this order, we accept Southern's compliance filing, as modified, as in compliance with Order No. 890, as discussed below.

**I. Background**

2. In Order No. 890, the Commission reformed the *pro forma* OATT to clarify and expand the obligations of transmission providers to ensure that transmission service is provided on a non-discriminatory basis. One of the Commission's primary reforms was designed to address the lack of specificity regarding how customers and other stakeholders should be treated in the transmission planning process.<sup>3</sup> To remedy the

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<sup>1</sup> 16 U.S.C. § 824e (2006).

<sup>2</sup> *Preventing Undue Discrimination and Preference in Transmission Service*, Order No. 890, 72 Fed. Reg. 12,266 (Mar. 15, 2007), FERC Stats. & Regs. ¶ 31,241, *order on reh'g*, Order No. 890-A, 73 Fed. Reg. 2984 (Jan. 16, 2008), FERC Stats. & Regs. ¶ 31,261 (2007), *order on reh'g*, Order No. 890-B, 123 FERC ¶ 61,299 (2008).

<sup>3</sup> The Commission, among other things, also amended the *pro forma* OATT to require greater consistency and transparency in the calculation of Available Transfer Capability and standardization of charges for generator and energy imbalance services. The Commission also revised various policies governing network resources, rollover rights, and reassignments of transmission capacity. These reforms have been or will be addressed in other orders.

potential for undue discrimination in planning activities, the Commission directed all transmission providers to develop a transmission planning process that satisfies nine principles and to clearly describe that process in a new attachment (proposed Attachment K) to their OATTs.

3. As discussed more fully below, the nine planning principles each transmission provider was directed by Order No. 890 to address in its proposed Attachment K planning process are: (1) coordination; (2) openness; (3) transparency; (4) information exchange; (5) comparability; (6) dispute resolution; (7) regional participation; (8) economic planning studies; and (9) cost allocation for new projects. The Commission also directed transmission providers to address the recovery of planning-related costs. The Commission explained that it adopted a principles-based reform to allow for flexibility in implementation of and to build on transmission planning efforts and processes already underway in many regions of the country. However, the Commission also explained that although Order No. 890 allows for flexibility, each transmission provider has a clear obligation to address each of the nine principles in its transmission planning process, and that all of these principles must be fully addressed in the tariff language filed with the Commission. The Commission emphasized that tariff rules must be specific and clear to facilitate compliance by transmission providers and place customers on notice of their rights and obligations.<sup>4</sup>

## **II. Compliance Filing**

4. Southern states in its transmittal letter that its proposed Attachment K codifies the Southeastern Regional Transmission Planning Process in which it participates along with the Alabama Electric Cooperative (AEC), Dalton Utilities, Georgia Transmission Corporation (GTC), Municipal Electric Authority of Georgia (MEAG), and South Mississippi Power Association (SMEPA) (collectively, Attachment K Sponsors). The proposed Attachment K also includes an additional document, proposed Exhibit K-2, which relates to inter-regional economic studies performed through the Southeast Inter-Regional Participation Process (SIRPP). Southern explains that Duke Energy Carolinas, LLC (Duke), Entergy Operating Companies (Entergy), E.ON U.S., LLC (E.ON U.S.), Progress Energy Carolinas, Inc. (Progress), South Carolina Public Service Authority

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<sup>4</sup> As the Commission explained in Order No. 890, not all rules and practices related to transmission service, or planning activities in particular, need be codified in the transmission provider's OATT. Rules, standards and practices that relate to, but do not significantly affect, transmission service may be placed on the transmission provider's website, provided there is a link to those business practices on its Open Access Same-Time Information System (OASIS). *See* Order No. 890, FERC Stats. & Regs. ¶ 31,241 at P 1649-55. Transmission providers could therefore use a combination of tariff language in proposed Attachment K and a reference to planning manuals on their website, to satisfy their planning obligations under Order No. 890.

(Santee Cooper), South Carolina Electric & Gas Company (SCE&G) and the Tennessee Valley Authority (TVA) (collectively, SIRPP Participants) also participate in the SIRPP. Southern states that, taken together, these planning processes satisfy the requirements of Order No. 890.

### **III. Notice of Filing and Responsive Pleadings**

5. Notice of Southern's filing was published in the *Federal Register*, 72 Fed. Reg. 71,883 (2007), with interventions and protests due on or before December 28, 2007. The Commission extended this comment period until January 7, 2008.

6. On December 18, 2008, Dalton Utilities filed a motion to intervene. On December 19, 2007, the Florida Public Service Commission, and on December 27, 2007, the Alabama Public Service Commission filed notices of intervention. On December 31, 2007, Duke filed a motion to intervene. On January 7, 2008, Electric Power Supply Association filed a motion to intervene, and GTC, Alabama Municipal Electric Authority (AMEA), MEAG, North Carolina Electric Membership Corporation (NCEMC) and Electricities of North Carolina, Inc. (Electricities) (collectively, NC Customers), and Energy Consulting Group, LLC (Energy Consulting) filed motions to intervene and comments. On January 22, 2008, PowerSouth Energy Cooperative (PowerSouth) filed a motion for late-filed intervention, motion to intervene, and comments. On January 22, 2008, SCE&G filed an answer to NC Customers' comments, and Southern filed a general answer. On February 1, 2008, the Georgia Public Service Commission (Georgia Commission) filed a motion to intervene out of time. On February 5, 2008, SMEPA filed a motion to intervene out of time and comments.

7. GTC supports the proposed Attachment K compliance filing, particularly the SIRPP. GTC states that the SIRPP defines a clear method and process for the performance of planning studies regarding prospective transfers on a broader inter-regional basis. GTC recommends that the Commission approve the planning process set forth in Southern's proposed Attachment K.

8. MEAG filed comments supportive of Southern's proposed Attachment K compliance filing. Specifically, MEAG states that, as a non-jurisdictional transmission service provider, it will operate as described in Southern's proposed Attachment K compliance filing, and after Commission approval of Southern's filing, will request its Board of Directors to approve the addition of a planning attachment to MEAG's OATT that is similar in substance to Southern's proposed Attachment K compliance filing.

9. PowerSouth states that it participated in the discussions leading to the transmission planning process adopted and described in Southern's proposed Attachment K compliance filing, and PowerSouth supports Southern's filing as an acceptable compliance step in the Order No. 890 process. PowerSouth further states that it is too

early to fully evaluate Southern's proposed Attachment K, but that it supports Southern's filing as a valid platform for initial implementation of Order No. 890.

10. SMEPA also states that it participated in the discussions leading to the transmission planning process proposed in Southern's proposed Attachment K compliance filing and supports Southern's filing as in compliance with Order No. 890.

#### **IV. Discussion**

##### **A. Procedural Matters**

11. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2008), the notices of intervention and timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding. Pursuant to Rule 214(d) of the Commission's Rules of Practice and Procedures, 18 C.F.R. § 385.214(d) (2008), we will grant the late-filed motions to intervene given the movants' interest in the proceeding, the early stage of the proceeding, and the absence of undue prejudice or delay.

12. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2008), prohibits an answer to a protest unless otherwise ordered by the decisional authority. We will accept the answers of Southern and SCE&G because they have provided information that assisted us in our decision-making process.

##### **B. Substantive Matters**

13. We find that Southern's proposed Attachment K transmission planning process, with certain modifications, complies with each of the nine planning principles and other planning requirements adopted in Order No. 890. Accordingly, we will accept Southern's proposed Attachment K to be effective December 7, 2007, subject to a further compliance filing as discussed below. We will direct Southern to file the compliance filing within 90 days of the issuance of this order.

14. Moreover, while we will accept Southern's transmission planning process in proposed Attachment K, we nevertheless encourage further refinements and improvements to Southern's planning process as Southern and its customers and other stakeholders gain more experience through actual implementation of this process. Commission staff will also periodically monitor the implementation of the planning process to determine if adjustments are necessary and will inform the transmission provider and the Commission of any such recommendations. Specifically, beginning in 2009, the Commission will convene regional technical conferences similar to those conferences held in 2007 leading up to the filing of the proposed Attachment K compliance filings. The focus of the 2009 regional technical conferences will be to determine the progress and benefits realized by each transmission provider's transmission

planning process, obtain customer and other stakeholder input, and discuss any areas which may need improvement.

**C. Compliance with Order No. 890's Planning Principles**

**1. Coordination**

15. In order to satisfy the coordination principle, transmission providers must provide customers and other stakeholders the opportunity to participate fully in the planning process. The purpose of the coordination requirement, as stated in Order No. 890, is to eliminate the potential for undue discrimination in planning by opening appropriate lines of communication between 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. In its proposed Attachment K planning process, each transmission provider must clearly identify the details of how its planning process will be coordinated with interested parties.<sup>5</sup>

**a. Southern's Filing**

16. Southern states that, each calendar year, the Southeastern Regional Transmission Planning Process will conduct four meetings that are open to all stakeholders.<sup>6</sup> At the first annual meeting, held in the first quarter, stakeholders form the Regional Planning Stakeholders' Group (RPSG) for that planning cycle.<sup>7</sup> The RPSG is comprised of two

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<sup>5</sup> Order No. 890, FERC Stats. & Regs. ¶ 31,241 at P 451-454.

<sup>6</sup> Section 1.47 of Southern's OATT defines stakeholder as follows: "[a]ny Eligible Customer, generation owner/development company, state or federal regulatory agency, and anyone capable of providing Ancillary Services under the Tariff is eligible to be a Stakeholder under the Tariff. In addition, any Transmission Owner, Transmission Operators, or Transmission Planner as those terms or their successors are used under the NERC Functional Model, as may be amended from time to time, are eligible to be a Stakeholder under the Tariff."

<sup>7</sup> Proposed Attachment K, section 1.2.1.

members each from eight industry sectors<sup>8</sup> and is charged with representing the stakeholders when decisions are to be made, with all votes requiring a simple majority. For example, the RPSG will select the economic planning studies to be performed by Southern and the Attachment K Sponsors at this meeting. Southern will provide technical experts and interactive training for the RPSG, explaining the underlying methodology and criteria utilized to develop transmission expansion plans.

17. In the second quarter, Southern and the Attachment K Sponsors will convene a meeting to present their preliminary transmission expansion plans. Stakeholders will have the opportunity to provide input and feedback, including alternatives that the stakeholders would like Southern and the Attachment K Sponsors to consider. In the third quarter, preliminary results of economic planning studies will be reviewed. Finally, in the fourth quarter Southern and the Attachment K Sponsors will convene an Annual Planning Summit and Assumptions Input Meeting. At the Summit, Southern will provide an overview of its 10 year transmission expansion plan and present the final results of economic planning studies, as well as address any issues raised by Stakeholders. At the Assumptions Input Meeting, stakeholders are given the opportunity to provide input regarding the data gathering and transmission model assumptions that will be used for the development of the following year's transmission expansion plan.

18. The proposed Attachment K also sets forth the method for posting information to stakeholders and for setting meetings and issuing reports. Meeting details and a projected meeting schedule for each calendar year will be posted on the Regional Planning Website. A registration page is also provided on the website to allow stakeholders to register for an electronic distribution list to receive meeting notices and other announcements.

**b. Protests/ Comments**

19. AMEA contends that Southern fails to identify the weight that will be given to input provided by stakeholders and customers. Energy Consulting expresses concern that Southern's planning process will be conducted primarily in private and provides the opportunity for discrimination, thereby requiring that stakeholders replicate Southern's planning studies. Energy Consulting states that this places an undue financial burden on stakeholders and prevents full participation. Energy Consulting also states that only allowing for four meetings per year is not enough for meaningful participation. Energy Consulting states that the resulting lack of transparency will cause apathy among

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<sup>8</sup> Proposed Attachment K, section 1.3.1. The eight industry sectors are: (1) transmission owners/operators; (2) transmission service customers; (3) cooperative utilities; (4) municipal utilities; (5) power marketers; (6) generation owners/developers; (7) Independent System Operators/Regional Transmission Organizations; and (8) demand-side management/demand-side response.

stakeholders. Energy Consulting requests that the Commission direct Southern to include a subcommittee of the stakeholder group in its planning process as it produces the preliminary plan, the final plan, and the evaluation of the economic planning studies. Energy Consulting states that this involvement need not concern daily issues, but should be frequent enough to allow inclusion of stakeholders and openness as system issues are revealed and solutions are proposed and evaluated.

**c. Answer**

20. Southern responds that it will give serious consideration to the input provided by stakeholders. As to Energy Consulting's suggestion that a stakeholder subcommittee be developed, Southern responds that Order Nos. 890 and 890-A make clear that stakeholders are not "co-equals" in the transmission planning process and "the ultimate responsibility for planning remains with transmission providers."<sup>9</sup> Southern contends that the proposed Attachment K process strikes an appropriate balance between satisfying the collaborative principles in Order No. 890 and Southern's daily activities required to plan the integrated transmission system. Southern states that Energy Consulting's proposed subcommittee system would disrupt that balance.

21. In addition, Southern objects to Energy Consulting's assertion that many decisions will be made out of the public eye and that stakeholder participation will not be meaningful. Southern states that its process will be very transparent, through proposed Attachment K processes, meetings, postings, information exchanges, and training. Further, Southern states that its proposed Attachment K allows stakeholders to provide comments and alternatives to the draft regional transmission plan: "[t]he transmission expansion plan/enhancement alternatives suggested by the Stakeholders will be considered by the Transmission Provider for possible inclusion in the transmission expansion plan."<sup>10</sup> In addition, Southern notes that aggrieved stakeholders may pursue dispute resolution, report any concerns to the Commission's Enforcement Staff, and/or file a complaint with the Commission.

**d. Commission Determination**

22. We find that Southern's proposed Attachment K partially complies with the coordination principle stated in Order No. 890. Southern identifies in detail how its planning process will be coordinated with interested parties, including the Annual Transmission Planning Summit, and the RPSG. However, it appears that Southern's definition of stakeholder provided in section 1.47 of its OATT may exclude certain interested parties that may not fit within that definition, such as developers of alternative

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<sup>9</sup> Quoting Order No. 890, FERC Stats. & Regs. ¶ 31,241 at P 454; Order No. 890-A, FERC Stats. & Regs. ¶ 31,261 at P 188.

<sup>10</sup> Proposed Attachment K, section 3.5.3(4).

resources. Accordingly, in a compliance filing to be made within 90 days of issuance of this order, Southern is directed to revise the definition of stakeholder so that it clearly provides that all interested parties may participate as stakeholders in its Attachment K planning process.

23. In addition, it is unclear whether stakeholders are provided an opportunity to review and give input regarding the methodology and criteria used to develop Southern's transmission plans prior to being finalized. Under section 1.2.4.1 of Southern's Attachment K, stakeholders are provided an opportunity to review and comment on the data gathering and transmission model assumptions that will be used in development of the transmission plan for the following year. Section 1.2.1 provides that Southern will then explain and discuss at the first annual meeting the underlying methodology and criteria used to develop the plan. However, Southern does not state whether those methodologies and criteria will be final or subject to stakeholder review and comment. In Order No. 890, the Commission found that customers must be included at the early stages of development of a transmission plan and not merely given an opportunity to comment on transmission plans that were developed in the first instance without their input.<sup>11</sup> Accordingly, we direct Southern to revise its Attachment K in a compliance filing to be made within 90 days of issuance of this order to provide an opportunity for stakeholders to review and comment on the methodology and criteria used to develop transmission plans prior to that methodology and criteria being finalized.

24. While AMEA questions what weight will be given to input provided by stakeholders and customers, we do not find that Order No. 890 requires that any particular weighted structure be employed. In Order Nos. 890 and 890-A, the Commission did not prescribe specific requirements for coordination, such as the weight to be given to stakeholder input, nor did it require development of transmission plans on a co-equal basis between the transmission provider and participating stakeholders. The Commission stated that transmission planning is ultimately an obligation and responsibility of the transmission provider and specifically stated that stakeholders are not given a "formal vote" on the transmission plan.<sup>12</sup>

## 2. Openness

25. 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

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<sup>11</sup> Order No. 890, FERC Stats. & Regs. ¶ 31,241 at P 454.

<sup>12</sup> Order No. 890, FERC Stats. & Regs. ¶ 31,241 at P 454; Order No. 890-A, FERC Stats. & Regs. ¶ 31,261 at P 188-189.



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.<sup>13</sup> Transmission providers, in consultation with affected parties, must also develop mechanisms to manage confidentiality and Critical Energy Infrastructure Information (CEII) concerns, such as confidentiality agreements and password protected access to information.<sup>14</sup>

**a. Southern's Filing**

26. According to Southern, the transmission planning meetings held throughout the year are open to all stakeholders as announced on the Regional Planning Website, a link to which is provided on Southern's website, and to registered users by email.<sup>15</sup> CEII information will be password protected in a secure section on the website and accessible to stakeholders that have been certified to access CEII data.<sup>16</sup> CEII certification is accomplished by executing the Confidentiality Agreement contained in Southern's proposed Attachment K as Exhibit K-1. Stakeholders may request that information submitted to Southern receive confidential or CEII treatment on a case-by-case basis.<sup>17</sup>

**b. Commission Determination**

27. We find that Southern's proposed Attachment K, with the modifications required to the definition of stakeholder, partially complies with the openness principle stated in Order No. 890. Southern will provide an opportunity for all affected parties to participate in its transmission planning process. The proposed Attachment K provides for the notification of meetings to stakeholders through the Regional Planning Website and to registered users by e-mail. Additionally, the proposal contains provisions to allow stakeholders to access CEII by meeting certain certification requirements.

28. We also find that the proposed Attachment K contains adequate provisions for the treatment of both CEII and confidential information submitted by stakeholders. For

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<sup>13</sup> The Commission made clear in Order No. 890-A that any circumstances under which participation in a planning meeting is limited should be clearly described in the transmission provider's proposed Attachment K planning process, as all affected parties must be able to understand how, and when, they are able to participate in planning activities. *See* Order No. 890-A, FERC Stats. & Regs. ¶ 31,261 at P 194.

<sup>14</sup> Order No. 890, FERC Stats. & Regs. ¶ 31,241 at P 460.

<sup>15</sup> Proposed Attachment K, sections 2.1 and 2.2.

<sup>16</sup> Proposed Attachment K, section 2.3.2.

<sup>17</sup> Proposed Attachment K, section 2.4.

example, under section 2.4 of Southern's Attachment K, should a stakeholder consider any non-CEII information submitted to Southern to be confidential (e.g., competitively sensitive), the entity must notify Southern, which will then address the treatment of such information on a case-by-case basis. However, while Southern's Attachment K adequately describes how stakeholders may obtain CEII information, it does not address how stakeholders may obtain access to confidential information utilized by Southern in the planning process that is not CEII. In particular, the Confidentiality Agreement included in Southern's Attachment K provides that stakeholders may not obtain data unless they first request and obtain from the Commission the most recent Form No. 715, including CEII, for Southern. This effectively requires participants to meet the criteria for accessing CEII even if the data which they seek includes confidential information that is not CEII. Accordingly, in a compliance filing to be made within 90 days of issuance of this order, Southern is directed to make a compliance filing addressing how stakeholders may obtain access to confidential information utilized in the planning process that is not CEII.

### 3. Transparency

29. The transparency principle requires 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 that standards are consistently applied. To that end, each 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.<sup>18</sup> The Commission specifically found that simple reliance on Form Nos. 714 and 715 failed to provide sufficient information to provide transparency in planning because those forms were designed for different purposes. Transmission providers also were directed to provide information regarding the status of upgrades identified in the transmission plan.

30. The Commission explained that sufficient information should 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. The Commission explained in Order No. 890 that simultaneous disclosure of transmission planning information should alleviate Standards of Conduct concerns regarding disclosure of information. The Commission also specifically addressed consideration of demand resources in transmission planning. Where demand resources are capable of providing the functions assessed in a transmission planning process, and can be relied

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<sup>18</sup> In Order No. 890-A, the Commission made clear that this includes disclosure of transmission base case and change case data used by the transmission provider, as these are basic assumptions necessary to adequately understand the results reached in a transmission plan. *See* Order No. 890-A, FERC Stats. & Regs. ¶ 31,261 at P 199.

upon on a long-term basis, they should be permitted to participate in that process on a comparable basis.<sup>19</sup>

**a. Southern's Filing**

31. In section 3 of its proposed Attachment K, Southern states that it will provide stakeholders via postings on the Regional Planning Website and at transmission planning meetings, with transmission plans and planning information, national and regional reliability standards, internal planning policies and criteria, and software versions used for analyses, as well as the status of upgrades identified in the transmission plan. As noted above, Southern will also provide interactive training sessions to stakeholders on the criteria and methodology to facilitate stakeholders' ability to replicate transmission planning studies.<sup>20</sup> Presentations will be made by the transmission provider at the Annual Transmission Planning Summit and Assumptions Input Meeting on data sources and preliminary model assumptions used for the following year's ten year transmission plan. Preliminary modeling assumptions include study case definitions, resource assumptions, planned retirements, renewable resources under consideration, and demand-side options under consideration.<sup>21</sup> As a part of this process, the proposed Attachment K also provides procedures by which stakeholders are required to submit questions and receive information and updates, as well as provide input including the ability to propose alternatives to the development of the plan.<sup>22</sup>

**b. Protests/ Comments**

32. AMEA states that Southern does not provide a flowchart diagramming the steps of the planning process, from initiation to execution, as recommended in the Staff White Paper.<sup>23</sup> Moreover, AMEA asserts that the Staff White Paper recommended that transmission owners describe the transmission planning methodology and protocols used to develop transmission plans. AMEA states that Southern's reference to its website is insufficient, and that Southern should amend section 3 of its proposed Attachment K to include the methodology, criteria used, process for establishing assumptions, methodology for determining import and export capability in regional studies, description

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<sup>19</sup> Order No. 890, FERC Stats. & Regs. ¶ 31,241 at P 471-479.

<sup>20</sup> Proposed Attachment K, section 3.5.1.1.

<sup>21</sup> Proposed Attachment K, section 3.5.2.

<sup>22</sup> Proposed Attachment K, section 3.4.

<sup>23</sup> Preventing Undue Discrimination and Preference in Transmission Service, *Notice of White Paper*, Order No. 890, Transmission Planning Process, Staff White Paper, Docket Nos. RM05-17-000 and RM05-25-000 (2007) (Staff White Paper).

of criteria for the design of new facilities or the qualification of demand resources, and a description of any software or analytical tools used.

**c. Answer**

33. Southern responds that, as its methodology, criteria used, and process for establishing assumptions evolve, it would be unwieldy to amend the OATT each time. For this reason, Southern contends that AMEA's approach, to post these elements in the OATT and not on OASIS, is not practicable.

**d. Commission Determination**

34. We find that Southern's proposed Attachment K partially complies with the transparency principle stated in Order No. 890. The proposed Attachment K describes the process Southern will use to disclose the criteria, assumptions, and data that underlie its transmission system plans. The details of the basic methodology will be provided on its website and Southern will also provide training sessions to stakeholders. However, in section 3.2 of Southern's proposed Attachment K, Southern states that it will only provide certain specified information used in developing its transmission plans, such as national and regional reliability standards, internal planning policies and criteria, and software versions used for analysis. Southern does not state clearly that it will provide all information necessary for stakeholders to replicate the results of its planning studies, which could extend beyond the specified categories of information. Accordingly, we direct Southern to submit a compliance filing within 90 days of issuance of this order revising section 3.2 of its Attachment K to state that any additional information needed to replicate the results of its transmission planning studies will be provided.

35. While we agree with AMEA that a flowchart as described in the Staff White Paper would help illustrate the process described in the tariff provisions, such requirement was not imposed by the Commission in Order No. 890. We encourage Southern to provide such a flowchart to its stakeholders as it further develops its transmission planning process.

**4. Information Exchange**

36. 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 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. As the Commission made clear in Order No. 890-A, these projections are intended only to give the transmission provider additional data to consider in its planning activities, and should not be treated as

a proxy for actual reservations.<sup>24</sup> Transmission providers, in consultation with their customers and other stakeholders, are to develop guidelines and a schedule for the submittal of such customer information.

37. The Commission also provided that, to the extent applicable, transmission customers should provide information on existing and planned demand resources and their impacts on demand and peak demand. Stakeholders, in turn, should provide proposed demand resources if they wish to have them considered in the development of the transmission plan. The Commission stressed that information collected by transmission providers to provide transmission service to their native load customers must be transparent and equivalent information must be provided by transmission customers to ensure effective planning and comparability. In Order No. 890-A, the Commission made clear that customers should only be required to provide cost information for transmission and generation facilities as necessary for the transmission provider to perform economic planning studies requested by the customer, and that the transmission provider must maintain the confidentiality of this information. To this end, transmission providers must clearly define in their proposed Attachment K the information sharing obligations placed on customers in the context of economic planning.<sup>25</sup>

38. The Commission emphasized that transmission planning is not intended to be limited to the mere exchange of information and after the fact review of transmission provider plans. The planning process is instead intended to provide a meaningful opportunity for customers and stakeholders to engage in planning along with their transmission providers. To that end, the Commission clarified that information exchange relates to planning, not other studies performed in response to interconnection or transmission service requests.<sup>26</sup>

**a. Southern's Filing**

39. Section 4 of Southern's proposed Attachment K requires network transmission customers to submit their ten-year load and resource forecasts by September 1 of each year.<sup>27</sup> Such forecasts are to reflect any demand resource assets the network customer has. Long-term firm point-to-point customers are required to provide by September 1 of each year their projected usage of service, including redirects, resells and rollover

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<sup>24</sup> Order No. 890-A, FERC Stats. & Regs. ¶ 31,261 at P 207.

<sup>25</sup> *Id.* at P 206.

<sup>26</sup> Order No. 890, FERC Stats. & Regs. ¶ 31,241 at P 486-88.

<sup>27</sup> Proposed Attachment K, section 4.1.

rights,<sup>28</sup> while interconnection customers are required to provide planned additions and upgrades, retirements, and environmental restrictions.<sup>29</sup> Stakeholders having demand resource assets not associated with a load already incorporated into the transmission expansion plan may bring those resources to Southern's attention at the Annual Transmission Planning Summit and Assumptions Input Meeting to ensure they are considered in the planning process.<sup>30</sup>

**b. Protests/ Comments**

40. AMEA states that, although Southern specifies the type of information customers should submit, it does not describe the means by which customers and Southern are to exchange information. AMEA notes that Commission staff has suggested that data exchange between transmission providers and customers could be accomplished through automated means such as an "e-room."

**c. Answer**

41. Southern responds that it will describe the means by which customers are to submit information on its Regional Planning Website.

**d. Commission Determination**

42. We find that Southern's proposed Attachment K complies with the information exchange principle stated in Order No. 890. Section 4 of Southern's proposed Attachment K provides terms for the type of information to be submitted by customers by the annual September 1 deadline. Southern states in its answer that it will describe the means for the submittal of customer information on its Regional Planning Website. We agree with Southern that it is unnecessary to include this information in the Attachment K tariff language. In Order No. 890, the Commission directed transmission providers to develop guidelines for submission of planning-related information in consultation with stakeholders.<sup>31</sup> It is sufficient for Southern to post these guidelines on its Regional Planning Website, provided they have been developed in consultation with its stakeholders.

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<sup>28</sup> Proposed Attachment K, section 4.3.

<sup>29</sup> Proposed Attachment K, section 4.5.

<sup>30</sup> Proposed Attachment K, section 4.4.

<sup>31</sup> Order No. 890, FERC Stats. & Regs. ¶ 31,241 at P 486.

## 5. Comparability

43. The comparability principle requires 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. In Order No. 890, the Commission expressed concern that transmission providers have historically planned their transmission systems to address their own interests without regard to, or ahead of, the interests of their customers. Through the comparability principle, the Commission required that the interests of transmission providers and their similarly-situated customers be treated on a comparable basis during the planning process. The Commission also explained that demand resources should be considered on a comparable basis to the service provided by comparable generation resources where appropriate.<sup>32</sup> Lastly, in Order No. 890-A, the Commission clarified that, as part of its Attachment K planning process, each transmission provider is required to identify how it will treat resources on a comparable basis and, therefore, should identify how it will determine comparability for purposes of transmission planning.<sup>33</sup>

### a. Southern's Filing

44. Southern's Attachment K states that its planning process ensures that the transmission system is planned to meet the needs of both Southern and its network and firm point-to-point customers on a comparable and non-discriminatory basis. Southern contends that comparability is demonstrated by the fact that some of its largest customers, such as AEC, GTC and TVA, are also cosponsors of either Southern's proposed Attachment K or the SIRPP. Southern states that its proposed planning process provides more than sufficient opportunities and information for stakeholders to confirm that transmission service is provided on a non-discriminatory and comparable basis.

### b. Protests/ Comments

45. Energy Consulting states that Southern does not sufficiently address comparability in its compliance filing. Energy Consulting acknowledges that Southern's transmittal letter states that Southern is committed to providing comparable and non-discriminatory transmission service, but argues that Southern failed to state specifically how comparability in transmission planning will be achieved.

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<sup>32</sup> Order No. 890, FERC Stats. & Regs. ¶ 31,241 at P 494-95.

<sup>33</sup> Order No. 890-A, FERC Stats. & Regs. ¶ 31,261 at P 216.

**c. Answer**

46. Southern disagrees it failed to address comparability, noting that its statement that its proposed planning process provides sufficient opportunities and information for stakeholders to confirm that transmission service is provided on a non-discriminatory and comparable basis.

**d. Commission Determination**

47. We find that Southern's proposed Attachment K complies with the comparability principle stated in Order No. 890. As Southern notes, comparability is a core legal obligation that implicates each of the eight other principles identified by the Commission in Order No. 890. Under Southern's proposed planning process, all participants will have the opportunity to provide input and participate in reliability and economic planning activities.

48. However, we note that Order No. 890-A was issued on December 27, 2007, after Southern submitted its order No. 890 Attachment K compliance filing. In Order No. 890-A, the Commission provided additional guidance, among other things, as to how the transmission provider can achieve compliance with the comparability principle. Specifically, the Commission stated that the transmission provider needed to identify as part of its Attachment K planning process "how it will treat resources on a comparable basis and, therefore, should identify how it will determine comparability for purposes of transmission planning."<sup>34</sup> Here, Southern has not addressed how it will treat demand resources comparably. Since Order No. 890-A was issued subsequent to the filing before us, Southern did not have an opportunity to demonstrate that it complies with this requirement of Order No. 890-A. Therefore, we will direct Southern to file within 90 days of issuance of this order, a compliance filing providing the necessary demonstration required by Order No. 890-A.<sup>35</sup>

**6. Dispute Resolution**

49. The dispute resolution principle requires transmission providers to identify a process to manage disputes that arise from the planning process. The Commission explained that an existing dispute resolution process may be utilized, but that transmission providers seeking to rely on an existing dispute resolution process must specifically address how its procedures will address matters related to transmission

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<sup>34</sup> Order No. 890-A, FERC Stats. & Regs. ¶ 31,261 at P 216; *see also* Order No. 890, FERC Stats. & Regs. ¶ 31,241 at P 479, 487, 494 and 549.

<sup>35</sup> For example, tariff language should provide for participation throughout the transmission planning process by sponsors of transmission solutions, generation solutions, and solutions utilizing demand resources.



planning. The Commission encouraged transmission providers, customers, and other stakeholders to utilize the Commission's Dispute Resolution Service (DRS) to help develop a three step dispute resolution process, consisting of negotiation, mediation, and arbitration. In order to facilitate resolution of all disputes related to planning activities, a transmission provider's dispute resolution process must be available to address both procedural and substantive planning issues. The Commission made clear, however, that all affected parties retain any rights they may have under FPA section 206 to file complaints with the Commission.<sup>36</sup>

**a. Southern's Filing**

50. Southern states that substantive or procedural disputes between it and stakeholders arising under the Southeast Regional Transmission Planning Process shall first be referred to designated senior representatives for resolution on an informal basis. In the event the designated representatives are unable to resolve the dispute within 30 days, or upon unanimous agreement, they may refer the matter to the Commission's Alternative Means of Dispute Resolution,<sup>37</sup> the Commission's Arbitration process,<sup>38</sup> or any other dispute resolution processes to which the parties agree.<sup>39</sup> The proposal provides that disputes referred in this manner will be noticed to other stakeholders on the Regional Planning Website, who may also participate in such a dispute resolution process. Southern also states that nothing in its proposed dispute resolution procedures limits the rights of any party to file a complaint with the Commission under FPA section 206.

**b. Protests/ Comments**

51. AMEA asserts that Southern has not tailored its dispute resolution procedures to particular disputes under proposed Attachment K. AMEA states that Southern should clarify its alternative dispute resolution methods, such as private mediation or arbitration pursuant to the American Arbitration Association (AAA) procedures, as well as whether notice of such alternative procedures will be posted to the Regional Planning Website.

**c. Answer**

52. Southern states that it cannot yet categorize what types of disputes will arise from the proposed Attachment K process. Southern further states that, assuming parties agree

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<sup>36</sup> Order No. 890, FERC Stats. & Regs. ¶ 31,241 at P 501-503.

<sup>37</sup> 18 C.F.R. § 385.604 (2008).

<sup>38</sup> 18 C.F.R. § 385.605 (2008).

<sup>39</sup> Proposed Attachment K, sections 5.1 and 5.2.

to procedures other than the Commission's procedures, other dispute resolution procedures may be used.

**d. Commission Determination**

53. We find that Southern's proposed Attachment K partially complies with the dispute resolution principle stated in Order No. 890. Southern provides a process by which the principals, or senior representatives, to a dispute may attempt to resolve issues bilaterally prior to agreeing to bring the matter to the alternative dispute resolution processes of mediation and arbitration. The proposed Attachment K refers to the Commission's rules in this regard. We disagree with AMEA that Southern's procedures must specifically refer to the AAA procedures or that those procedures be included on Southern's Regional Planning Website. Southern's Attachment K provides for using the Commission's dispute resolution procedures, as well as other procedures that parties may agree to utilize, which could include the AAA procedures. However, we agree that Southern should post a notice on the Regional Planning Website when parties agree to use any dispute resolution procedures, regardless of whether they involve the Commission. In a compliance filing to be made with 90 days of issuance of this order, we direct Southern to modify its Attachment K to provide that it will also post on the Regional Planning Website when parties agree to utilize procedures other than the Commission's dispute resolution procedures.

54. In addition, Southern has failed to propose dispute resolution procedures to be used for transmission planning activities outside the Southeastern Regional Transmission Planning Process, such its participation in the economic planning studies conducted through the SIRPP. Accordingly, we direct Southern to propose in a compliance filing to be made within 90 days of issuance of this order, dispute resolution procedures for transmission planning activities beyond the Southeastern Regional Transmission Planning Process.

**7. Regional Participation**

55. The regional participation principle provides that, in addition to preparing a system plan for its own control area on an open and nondiscriminatory basis, each transmission provider is required to coordinate with interconnected systems to: (1) share system plans to ensure that they are simultaneously feasible and otherwise use consistent assumptions and data; and (2) identify system enhancements that could relieve congestion or integrate new resources. The Commission stated that the specific features of the regional planning effort should consider and accommodate, where appropriate, existing institutions, as well as physical characteristics of the region and historical practices. The Commission declined to mandate the geographic scope of particular planning regions, instead stating that the geographic scope of a planning process should be governed by the integrated nature of the regional power grid and the particular reliability and resource issues affecting individual regions and subregions. The

Commission also made clear that reliance on existing NERC planning processes may not be sufficient to meet the requirements of Order No. 890, unless they are open and inclusive and address both reliability and economic considerations. To the extent a transmission provider's implementation of the NERC processes is not appropriate for such economic issues, individual regions or subregions must develop alternative processes.<sup>40</sup>

56. In Order No. 890-A, the Commission clarified that, while the obligation to engage in regional coordination is directed to transmission providers, participation in such processes is not limited to transmission providers and should be open to all interested customers and stakeholders.<sup>41</sup> In Order No. 890-A, the Commission also emphasized that effective regional planning should include coordination among regions and subregions as necessary, in order to share data, information, and assumptions to maintain reliability and allow customers to consider resource options that span the regions.<sup>42</sup>

**a. Southern's Filing**

57. Southern states that it coordinates with the other proposed Attachment K Sponsors in developing the transmission expansion plan for this region, which is provided to stakeholders for their input and review.<sup>43</sup> Southern also states that it satisfies the regional participation principle through its participation in several regional processes including: the Southeast Reliability Corporation (SERC) sub-regional process; the Florida Reliability Coordination Council (FRCC) sub-regional process; and the SIRPP.<sup>44</sup>

58. First, Southern attaches to its transmittal letter the SERC Reliability White Paper, which discusses the reliability planning process used by transmission providers in the southeast.<sup>45</sup> Although the SERC Reliability White Paper is not a part of Southern's proposed Attachment K, section 6.4 of Southern's proposed Attachment K states that

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<sup>40</sup> Order No. 890, FERC Stats. & Regs. ¶ 31,241 at P 523-528.

<sup>41</sup> Order No. 890-A, FERC Stats. & Regs. ¶ 31,261 at P 226.

<sup>42</sup> *Id.*

<sup>43</sup> Proposed Attachment K, section 6.2; December 7, 2007 Transmittal Letter at 10.

<sup>44</sup> Proposed Attachment K, sections 6.3, 6.4, and 6.5; December 7, 2007 Transmittal Letter at 9-13.

<sup>45</sup> See *Reliability Planning in the Southeast and the Relationship between Reliability and Economic Planning*, December 7, 2007 compliance filing, Exhibit C (SERC Reliability White Paper).

documentation of this reliability planning process will be posted on Southern's Regional Planning Website.

59. The Reliability White Paper states that the SERC inter-regional reliability planning process is a "bottom-up" process, with the bulk of the substantive transmission planning occurring as participating transmission owners develop their regional reliability expansion plans. A SERC-wide inter-regional reliability assessment will determine whether the different regional reliability expansion plans are simultaneously feasible and assess other reliability criteria. Stakeholders are able to participate in this process by providing input into the development of the regional reliability plans. Furthermore, should the SERC-wide inter-regional assessment identify projected planning criteria concerns that were not addressed in the various regional reliability plans, then any such additional issues (and corresponding solutions) are addressed by the participating transmission owners at the regional level, with stakeholders providing input in these regional forums.<sup>46</sup>

60. Second, Southern's proposed Attachment K provides that Southern will coordinate with the FRCC to perform planning studies for reliability and economic planning purposes. Southern states that it coordinates with the FRCC through a reliability coordination arrangement that provides for exchanges of information and system data between Southern and the FRCC for the coordination of planning and operations in the interest of reliability, as well as provides the mechanism for regional studies and recommendations designed to improve the reliability of the interconnected bulk power system. Southern states that arrangements also have been made to address stakeholder requests for economic planning studies that transverse Southern's interface with Florida.

61. Lastly, as discussed more fully below in the section on economic planning studies, Southern also joined with the SIRPP Participants to develop the SIRPP to enhance inter-regional coordination efforts in compliance with the requirements of Order No. 890. Southern explains that the SIRPP will provide a means for conducting stakeholder-requested economic planning studies across multiple interconnected systems and is also intended to provide stakeholders more access to the reliability planning that occurs at the SERC-wide level. For example, Southern explains that SIRPP Participants will review with stakeholders the regional data, assumptions, and reliability assessments that are being performed on an inter-regional (i.e., SERC-wide basis).<sup>47</sup> As noted above, Southern incorporates the SIRPP inter-regional economic planning process into its Attachment K planning process as Exhibit K-2.

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<sup>46</sup> *Id.*

<sup>47</sup> December 7, 2007 Transmittal Letter at 10-11.

**b. Protests/ Comments**

62. Energy Consulting states that the Commission directed transmission providers to state in their transmittal letter the reasons why a particular sub-region or region was chosen, and that specific features of the regional planning effort should consider and accommodate existing institutions, as well as physical characteristics of the region and historical practices. Energy Consulting contends that Southern's transmittal letter does not address these factors and, instead, only states that the economic planning regions were designated within SERC because all of the SERC-registered transmission providers in the Southeastern sub-region of SERC participated in the proposed Attachment K process. Energy Consulting disagrees that SERC should be considered an appropriate region for economic planning purposes. Energy Consulting also complains that Southern's proposed Attachment K will reclassify many of the current planning studies from regional to inter-regional studies, which would delay study completion, restrict stakeholder participation, limit studies to bulk power transfers, prevent any reasonable cost allocation across reliability and economic upgrades, and provide transmission providers a safe-harbor from complying with Order No. 890. Finally, Energy Consulting asserts that Southern's transmittal letter does not discuss how the planning process will evolve over time, as instructed by Commission staff in the Staff White Paper.

63. Energy Consulting also contends that the SIRPP is a regional planning process that must independently comply with the nine principles of Order No. 890. Energy Consulting requests that the Commission direct Southern, and all companies who have also filed the SIRPP as part of their Attachment K compliance filings, to modify the SIRPP to be in compliance with the intent of Order No. 890 as it applies to regional planning.

64. NC Customers understand that the SIRPP initially was developed to facilitate economic studies. However, NC Customers argue that for any planning process to meet the requirements of Order No. 890, it must address both reliability and economic considerations. NC Customers contend that an open, inclusive and regional transmission planning process should address all expansions, including reliability and economic upgrades, required to serve all load-serving transmission consumers within the region reliably and economically. As a result, NC Customers argue that a serious gap in regional reliability planning exists, given that the SERC reliability assessment process does not constitute a coordinated reliability planning process across seams.

65. NC Customers believe that a possible solution is for the SIRPP to be expanded beyond the facilitation of economic studies to also address reliability studies. NC Customers also believe processes should be set up to facilitate both reliability and economic studies on a coordinated basis across seams throughout the region. NC Customers state that these processes may not be suitable for the entire SIRPP to undertake but may instead involve a subgroup of the SIRPP depending upon the geographic nature of the studies undertaken. NC Customers argue that at a minimum, the

affected transmission providers should include the load serving entities that are in the affected control areas in the study process and should comply with the principles of Order No. 890. NC Customers offer several additional recommendations to address what it views as additional SIRPP shortcomings, such as creating a forum to design and implement studies that would examine designated network resources that are used to serve load in more than one region and coordinate the timing of studies between the regional and inter-regional groups and SERC assessments in one-year cycles.

**c. Answers**

66. Regarding Energy Consulting's concerns on the geographic scope of the region, Southern answers that the Commission, in Order No. 890, "declined[d] to mandate the geographic scope of particular planning regions."<sup>48</sup> Southern contends that its regional planning process builds upon existing transmission planning processes that include an integrated footprint covering all transmission providers in the Southeastern sub-region of SERC that includes VACAR, Southern, TVA, and Entergy. It also argues this constitutes an appropriately sized region under Order No. 890.

67. Southern further replies to Energy Consulting's criticism of inter-regional studies that will now go through the SIRPP, by countering that the process will allow for additional stakeholder participation. Regarding Energy Consulting's comments that studies are limited to bulk power transfers, Southern states that Order No. 890 provides for openness and transparency regarding planning of the bulk power system, but not the subtransmission or distribution planning; therefore, it is appropriate that the transmission planning is limited to the study of bulk power movement.

68. Southern also disagrees with NC Customers that SERC's reliability processes need to be modified. Southern contends that the opportunities for stakeholders to affect the development of regional reliability planning studies provides the necessary level of openness, transparency, and coordination for purposes of satisfying its obligations under Order No. 890. With regard to seams issues, Southern argues that Order No. 890 did not find the existing NERC processes were inadequately addressing seams reliability issues and, instead, concluded that seams issues are beyond the scope of Order No. 890 and should be addressed on a case-by-case basis.<sup>49</sup> Southern also argues that Order No. 890-A provided that inter-regional processes, such as the SIRPP, need not satisfy all nine principles.<sup>50</sup> As to the specific aspects that the SIRPP should address, Southern responds that stakeholders can participate at both the regional level and inter-regional levels; data will be made publicly available through the inter-regional and regional transmission

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<sup>48</sup> *Quoting* Order No. 890, FERC Stats. & Regs. ¶ 31,241 at P 527.

<sup>49</sup> *Citing* Order No. 890, FERC Stats. & Regs. ¶ 31,241 at P 626.

<sup>50</sup> *Citing* Order No. 890-A, FERC Stats. & Regs. ¶ 31,261 at P 224, 226.

planning processes; and Southern commits to giving serious consideration to input provided by stakeholders and to providing feedback to stakeholders on their suggested alternatives.

69. SCE&G argues that NC Customers effectively seek a single transmission planning region that includes all of SERC and PJM. SCE&G asserts that transmission providers are allowed to set their own regional transmission planning boundaries, although they must coordinate between regions. SCE&G characterizes the SIRPP as a tool for coordination of possible economic issues, not for transmission planning, and that the other eight principles of Order No. 890 do not apply to SIRPP. Moreover, SCE&G argues that adoption of the modifications requested by NC Customers would lead to duplicative transmission planning processes.

**d. Commission Determination**

70. We find that Southern's Attachment K partially complies with the regional participation principle stated in Order No. 890. Southern describes the various processes that can be used to coordinate regional reliability and economic planning, such as coordination with the other proposed Attachment K Sponsors and participation in inter-regional processes with the SERC, FRCC, and the SIRPP. However, it is unclear which other transmission owners it intends to coordinate with in these activities, the particular activities that will be coordinated, or how those activities will be coordinated. For example, Southern references certain SERC-wide reliability assessments to assess whether individual reliability expansion plans are simultaneously feasible, but it provides no details regarding who the other transmission providers are and how this will be done. Similarly, Southern only states generally that it will exchange information and system data with the FRCC for the coordination of planning and operations in the interest of reliability. Southern does not identify the timelines and milestones for the coordination of models and system plans with either SERC or FRCC. A description of how stakeholders can participate in these regional participation processes is lacking, as is a description of how these various processes will interact with each other and Southern's own planning activities. Accordingly, we direct Southern to amend its Attachment K in a compliance filing to be made within 90 days of issuance of this order to describe in detail its process for coordinating with interconnected systems to share system plans to ensure that they are simultaneously feasible and otherwise use consistent assumptions and data and identify system enhancements that could relieve congestion or integrate new resources.

71. With regard to Energy Consulting's concerns over the geographic scope of regional planning, we find that Southern's coordination with other transmission owners through SERC, FRCC, and SIRPP processes, as modified above, is sufficient to satisfy its regional planning obligations under Order No. 890. In Order No. 890, the Commission declined to mandate the geographic scope of particular planning regions. Instead, the Commission stated that the scope of a particular planning region should be governed by

the integrated nature of the regional power grid and the particular reliability and resource issues affecting individual regions and sub-regions.<sup>51</sup> Energy Consulting has not demonstrated how the regional scope of Southern's planning activities, taken together, is insufficient to comply with Order No. 890.

72. With regard to regional economic planning, we disagree with NC Customers that the SIRPP process must be expanded to include reliability planning in order to comply with Order No. 890. As described above, Southern has mechanisms in place to achieve regional coordination of reliability planning activities, and we have directed Southern to provide additional information regarding how stakeholders can participate in those activities.<sup>52</sup> NC Customers can bring to the Commission's attention any continuing concerns regarding the inadequacy of Southern's regional reliability planning activities, as modified, upon review of that compliance filing.

73. We also disagree with Energy Consulting and NC Customers that the SIRPP must comply independently with all nine planning principles of Order No. 890. The SIRPP Participants have committed to using the SIRPP process to satisfy their obligations under Order No. 890 to engage in economic planning on a regional basis. The obligation to comply with the requirements of Order No. 890 fall on transmission providers, not the processes in which they participate. In Order No. 890-A, for example, the Commission specifically denied a request to expand the regional participation principle to expressly require regions to adopt interregional planning processes subject to the same nine principles applicable to individual regions.<sup>53</sup> The Commission concluded that effective regional planning should include coordination among regions, and each of these regions or sub-regions should coordinate as necessary to share data, information and assumptions in order to maintain reliability and allow customers to consider resource options that span the regions. Southern's participation in the SIRPP complies with that requirement as it relates to economic planning activities.

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<sup>51</sup> Order No. 890, FERC Stats. & Regs. ¶ 31,241 at P 527.

<sup>52</sup> The Commission did not, as Southern contends, conclude that all seams issues are beyond the scope of Order No. 890. The passage cited by Southern responded to requests (opposed by Southern) to implement broader reforms in non-organized markets in order to coordinate redispatch and other operations with neighboring organized markets. *See id.* at P 605-22. The Commission concluded that "*such* seams issues" were beyond the scope of the proceeding and better addressed on a case-by-case basis. *Id.* P 626 (emphasis added). In comparison, the Commission specifically required transmission providers to address the coordination of their own planning activities with those of their neighbors. *See id.* P 523.

<sup>53</sup> Order No. 890-A, FERC Stats. & Regs. ¶ 31,261 at P 226.



## 8. Economic Planning Studies

74. The economic planning studies principle requires transmission providers to account for economic, as well as reliability, considerations in the transmission planning process. The Commission explained in Order No. 890 that good utility practice requires vertically-integrated transmission providers to plan not only to maintain reliability, but also to consider whether transmission upgrades can reduce the overall cost of serving native load. The economic planning principle is designed to ensure that economic considerations are adequately addressed when planning for OATT customers as well. The Commission emphasized 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 could reduce congestion or integrate new resources and loads on an aggregated or regional basis.

75. All transmission providers, including RTOs and ISOs, were directed to develop procedures to allow stakeholders to identify a certain number of high priority studies annually and a means to cluster or batch requests to streamline processing. The Commission determined that the cost of the high priority studies would be recovered as part of the transmission provider's overall OATT cost of service, while the cost of additional studies would be paid by any stakeholder requesting the study.<sup>54</sup>

76. In Order No. 890-A, the Commission made clear that the transmission provider's planning process must clearly describe the process by which economic planning studies can be requested and how they will be prioritized.<sup>55</sup> The Commission also made clear that a transmission provider's affiliates should be treated like any other stakeholder and, therefore, their requests for studies should be considered comparably, pursuant to the process outlined in the transmission provider's planning process.<sup>56</sup> Additionally, in Order No. 890-A, the Commission clarified that, to the extent an RTO or ISO delegates any of its responsibilities in the context of economic planning, it will be the obligation of the RTO or ISO, as the transmission provider, to ensure ultimate compliance with the requirements of Order No. 890.<sup>57</sup>

### a. Southern's Filing

77. Southern's proposed Attachment K provides for economic planning studies conducted by Southern and the Attachment K Sponsors, by the SIRPP, and in

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<sup>54</sup> Order No. 890, FERC Stats. & Regs. ¶ 31,241 at P 542-551.

<sup>55</sup> Order No. 890-A, FERC Stats. & Regs. ¶ 31,261 at P 236.

<sup>56</sup> *Id.* P 237.

<sup>57</sup> *Id.* P 238.

coordination with the FRCC. With regard to the economic studies performed by the Attachment K Sponsors, stakeholders may request that up to five economic planning studies be performed annually, as selected at each of the first annual RPSG meetings.<sup>58</sup> Studies are confined to sensitivity requests for bulk power transfers, and study periods shall be at least five years in advance, based on the assumption that the upgrades would require at least five years to construct. Studies should identify meaningful information for moving large amounts of power beyond that currently feasible, whether such transfers are internal to the region or from the region to interconnected regions. In addition, studies will provide estimates of required upgrades, timing for their construction and costs for completion.<sup>59</sup> When selecting studies to be performed, both Southern and the RPSG will consider clustering similar economic planning study requests. Any decisions by Southern to cluster studies will be made in consultation with the RPSG.

78. As for the economic planning study process, stakeholders will be prompted to request studies at the Annual Transmission Planning Summit, and Regional Planning Website announcements and email notifications will be provided.<sup>60</sup> At the first RPSG meeting, the RPSG will discuss and select the studies to be requested, which will then be posted by Southern on the Regional Planning Website.<sup>61</sup> The studies' assumptions will be posted on the Regional Planning Website and stakeholders will have 30 days to provide comments.<sup>62</sup> Preliminary results of the studies will be posted on the website at least 10 calendar days prior to their presentation at the second RPSG meeting.<sup>63</sup> In the second RPSG meeting, Southern will explain the studies' results, alternatives, methodology, criteria, and related considerations pertaining to those preliminary results. Stakeholders may submit alternative solutions within thirty days of the second RPSG

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<sup>58</sup> Proposed Attachment K, section 7.1. Additional studies will only be performed at the expense of the requesting stakeholder. Southern will provide interested stakeholders a non-binding good faith cost estimate to be paid in advance and trued-up as necessary upon completion.

<sup>59</sup> Proposed Attachment K, section 7.2.

<sup>60</sup> Proposed Attachment K, section 7.6.1.

<sup>61</sup> Proposed Attachment K, section 7.6.2.

<sup>62</sup> Proposed Attachment K, sections 7.6.3 & 7.6.4.

<sup>63</sup> Proposed Attachment K, section 7.6.5.

meeting. The final results of the studies will be presented, including a review of stakeholder alternatives, at the annual meeting.<sup>64</sup>

79. Study requests that are inter-regional will be evaluated as part of the SIRPP. Southern states that the SIRPP Participants have committed to study up to five inter-regional economic planning studies per year. In addition to submitting inter-regional economic study requests through each transmission owner, stakeholders also will be able to directly request the performance of an inter-regional economic study through an SIRPP stakeholder group.<sup>65</sup> Southern states that these inter-regional economic studies consist of an initial Step 1, which consists of a high level screen of the request, followed by a more detailed Step 2 evaluation only if the SIRPP stakeholder group decides to pursue a more detailed study of the request.

80. To facilitate the development of these inter-regional economic studies and to provide for stakeholder feedback and interaction, the SIRPP provides for an annual series of three meetings with stakeholders, who organize themselves into the stakeholder group. Through these meetings, the stakeholder group will be allowed to select the five annual inter-regional economic studies and provide input regarding the assumptions, criteria, and methodologies used for each inter-regional economic study. A SIRPP study coordination team will perform the studies, developing inter-regional study assumptions and additional model development, as well as coordinating with stakeholders and impacted external planning processes. Entergy and the ICT shall provide transmission planning personnel to serve on SIRPP coordination team. After a study is completed, the coordination team will distribute applicable reports to the SIRPP transmission owners and stakeholders, subject to appropriate confidentiality restrictions.

81. Members of the SIRPP stakeholder group may also request data and information that would facilitate their ability to replicate study results if they first: request and obtain

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<sup>64</sup> Proposed Attachment K, section 7.6.6. The final results shall be posted on the Regional Planning Website at least ten calendar days prior to the annual meeting.

<sup>65</sup> A valid stakeholder under the SIRPP is defined as “any eligible customer, generation owner/development company, state or federal agency, and any organization capable of providing Ancillary Services under one of the Participating Transmission Owners’ OATTs.” See Exhibit K-2 (Southeast Inter-Regional Participation Process) of Southern’s Attachment K at 6. In addition, any transmission owner, transmission operator, or transmission planner as those terms or their successors are used in the NERC Functional Model, as may be amended from time to time, are eligible stakeholders under the SIRPP. Authorized agents of the above identified stakeholder organizations will also be permitted to represent those organizations in the SIRPP. Any individual wishing to become a SIRPP member can make an application for membership on the SIRPP website. *Id.*

from FERC the Form No. 715 data (including CEII data) for the relevant participating transmission owner(s); have a current SERC Confidentiality Agreement in place; have a current SIRPP Confidentiality Agreement in place; and formally request the data on the SIRPP website. The SIRPP transmission owners will process such requests and, if approved, provide the data to the stakeholder group member. Southern adds that several elements of the SIRPP will be developed in more detail in the future, for example: (i) a process for inter-regional transmission upgrade(s) resulting from inter-regional economic planning studies, and (ii) possible changes in meeting procedures governing the stakeholder group.

82. With regard to economic planning with the FRCC, Southern states that arrangements have been made to address stakeholder requests for economic planning studies that transverse Southern's interface with Florida. Southern's Attachment K states that the procedures adopted by Southern and the FRCC to govern these studies are posted on the Regional Planning Website. Southern provides a copy of those procedures as Exhibit D to its transmittal letter.

**b. Protests/ Comments**

83. AMEA states that Southern should clarify its policies on the exchange of economic planning data with requesting parties, as well as its policies regarding the use of generic industry data in place of customer-specific data.

84. Energy Consulting contends that Southern's proposed Attachment K compliance filing improperly limits the type of economic planning studies that may be performed to a small subset of those that will be beneficial to stakeholders by barring studies for non-bulk power transfer related to congestion issues, the integration of new resources/load, implementation of distributed generation or many renewable resource options. Further, Energy Consulting expresses concern that the proposed Attachment K allows Southern to cluster stakeholder suggestions and arrive at the five allowed economic planning studies. Energy Consulting would prefer that stakeholders select the five allowed economic planning studies. Energy Consulting states that the Commission should direct Southern to revise its proposed Attachment K to broaden the scope allowed for economic planning studies to be consistent with Order Nos. 890 and 890-A and to clearly state that the economic planning studies requests approved by the RPSG will not be revised or clustered without the approval of the RPSG.

85. Energy Consulting also contends that Southern's proposed economic planning studies do not include evaluation of the economic benefits of new transmission and, instead, the economic planning studies are performed to alleviate reliability constraints. Energy Consulting is concerned that, if Southern does not consider which alternative has the lowest cost for the transmission system, the result will be weighted to justify new transmission alternatives that benefit Southern and, therefore, unduly discriminate against others' alternatives and deprive Southern's native load of the benefits of a lower cost

alternative. Energy Consulting requests that the Commission direct Southern to modify its proposed Attachment K to require Southern to determine the economic and other benefits due to the proposed addition of new transmission, in compliance with the nine principles set forth in Order No. 890.

86. Energy Consulting also raises a concern as to the ability of stakeholders to participate in the SIRPP's planning process, because there will be only three meetings a year and it is unclear if stakeholders will be able to review the relevant materials in advance. Energy Consulting argues that many decisions will be made out of the public eye, and that stakeholder participation will not be meaningful. Therefore, Energy Consulting requests that the Commission direct Southern, as well as other companies that attached the SIRPP to their proposed Attachment K compliance filings, to modify the SIRPP to include a subcommittee of the stakeholder group in its planning process as it produces the initial plan, the final plan, and the report of the SIRPP economic planning studies. According to Energy Consulting, this involvement need not concern daily issues, but should be frequent enough to allow inclusion of stakeholders and openness as system issues are revealed and solutions are proposed and evaluated.

87. Energy Consulting also states that there should be a dispute resolution process at the SIRPP level, to allow settlement of disputes between participating transmission owners and Southern's stakeholders or between any of the parties and the SIRPP itself. Energy Consulting expresses concern that, without such a process, the relevant participating transmission owner could decline to settle the dispute. For these reasons, Energy Consulting requests that the Commission direct Southern, as well as other companies that filed the SIRPP with their proposed Attachment K compliance filings, to include a dispute resolution process in the SIRPP consistent with Order No. 890.

**c. Answer**

88. Regarding AMEA's concern regarding data exchange, Southern states that it does not understand the clarification that AMEA is seeking. In response to commenter concerns that Southern's economic planning is only for studying bulk power transfers, Southern reiterates that Order No. 890 directs it to focus on planning for its bulk transmission system, not subtransmission or distribution. Southern also states that its customers are primarily interested in planning for its bulk transmission system and that planning for subtransmission and distribution need not be conducted on a regional basis and is beyond the scope of its proposed Attachment K. Southern also disagrees that it is not considering the economic benefits of various proposals. Southern states that it will have an open and transparent planning process that involves stakeholders. While Southern focuses on reliability requirements, it will strive to adopt improvements that reliably address the issues identified in transmission plans on a least-cost basis.

89. Regarding Energy Consulting's concern that SIRPP decisions will be made out of the public eye, Southern responds that the three annual SIRPP meetings will allow for

transparency and openness, and that the SIRPP adds another layer to the openness, transparency, and coordination provisions throughout its proposed Attachment K. Regarding Energy Consulting's concerns over the lack of a SIRPP-level dispute resolution process, Southern points out that the SIRPP is part of the proposed Attachment K process, and that a stakeholder could seek resolution of a SIRPP dispute through a dispute resolution process set out in the transmission provider's proposed Attachment K.

**d. Commission Determination**

90. We find that Southern's proposed Attachment K partially complies with the economic planning studies principle stated in Order No. 890. Southern has identified a process for stakeholders to request studies that evaluate potential upgrades or investments that could reduce congestion or integrate new resources. In response to a request, Southern and the Attachment K Sponsors will identify the upgrades necessary to accommodate transfers on the bulk power system. Southern will also coordinate with the SIRPP Participants to perform economic planning studies of an inter-regional nature, and with the FRCC to study bulk power transfers that involve Southern and the FRCC.

91. However, section 7.2 of Southern's proposed Attachment K states that the economic planning studies it conducts with the Attachment K Sponsors will be confined to sensitivity requests for bulk power transfers and shall only be for a future year that is at least five years or more from the current year. We are concerned that limiting sensitivity requests to upgrades on the bulk power system could exclude economic studies related to other facilities that Southern may use to provide transmission service under its OATT. It is also inappropriate for Southern to limit studies to years that are five years or more in the future or to consider only reliability requirements instead of enhancing the economic operation of the regional transmission grid. In Order No. 890, the Commission stated that customers must be allowed to request studies that evaluate potential upgrades or investments without limiting the types of resources to be studied.<sup>66</sup> Therefore, we direct Southern to modify its Attachment K in a compliance filing to be made within 90 days of issuance of this order to provide the opportunity for stakeholders to request studies that evaluate all potential upgrades or other investments on Southern's transmission system that could reduce congestion or integrate new resources.

92. Regarding Energy Consulting's protest concerning the clustering of studies, Order No. 890 specifically permits transmission providers to include provisions that permit clustering in coordination with stakeholders.<sup>67</sup> Pursuant to section 7.4 of Southern's proposed Attachment K, studies will be clustered in coordination with stakeholders through the RPSG. We therefore disagree with Energy Consulting that Southern's

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<sup>66</sup> Order No. 890, FERC Stats. & Regs. ¶ 31,241 at P 544.

<sup>67</sup> *Id.* P 547.

clustering process requires revision. We also note, in response to Energy Consulting, that if a stakeholder desires a specific study not developed by the stakeholder process or beyond the five permitted, section 7.5 allows for additional studies at the expense of the requesting party.<sup>68</sup>

93. With regard to economic planning on a regional basis, we find that the SIRPP, an inter-regional process created to conduct stakeholder requested economic planning studies across multiple interconnected systems, is an open and coordinated process that generally satisfies the requirements of the economic planning studies principle as it relates to those entities that participate in the SIRPP. The SIRPP consolidates the data and assumptions developed at the participating transmission owners' planning level to use in the development of inter-regional models, which ensures consistency throughout the regional and inter-regional economic planning processes. There will be three specific meetings with stakeholders, although stakeholders also will be able to comment and provide input throughout the process. Participating transmission owners will perform up to five inter-regional economic planning studies annually, as selected by stakeholders at the first annual meeting, and the study coordination team will coordinate with stakeholders throughout the process regarding study assumptions, initial analysis and final draft reports. In addition, the SIRPP calls for the formation of a SIRPP stakeholder group to provide a structure to facilitate the stakeholders' participation in the inter-regional process and to work with the participating transmission owners.

94. We are concerned, however, that the definition of stakeholder in the SIRPP process may unduly restrict the ability of all interested parties to participate in the inter-regional economic planning process. We also agree with Energy Consulting that stakeholders should have an appropriate amount of time to review information before meetings. Although Southern states that the SIRPP stakeholder group will provide timely input on study assumptions and results, it does not obligate transmission owning members in the SIRPP process to provide study information in advance of meetings of the stakeholder group. In addition, Southern's Attachment K does not provide that requests may be clustered or batched by the SIRPP stakeholder group to streamline processing of economic studies, as section 7.4 of its proposed Attachment K only provides that "[i]t is foreseeable that clustering of requests may occur during the SIRPP." Accordingly, we direct Southern to revise its Exhibit K-2, in a compliance filing to be submitted within 90 days of issuance of this order, to provide for: participation by any interested party in the SIRPP stakeholder group; the distribution of information that is to be discussed at a stakeholder meeting sufficiently in advance of that meeting to provide for meaningful stakeholder review; and, the ability of the SIRPP stakeholder group to cluster or batch requests for economic studies.

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<sup>68</sup> *Id.* P 546.

95. Moreover, although Southern's Exhibit K-2 provides a mechanism for SIRPP stakeholders to request data and information to permit replication of inter-regional economic studies, we find that process to be unduly restrictive. As proposed by Southern, stakeholders may not obtain data supporting an SIRPP study unless they first request and obtain from the Commission the FERC Form No. 715, including CEII, for the relevant SIRPP participants. This effectively requires participants to meet the criteria for accessing CEII even if the data which they seek is confidential, non-CEII material. Accordingly, we direct Southern to revise its Exhibit K-2 in a compliance filing to be submitted within 90 days of issuance of this order to remove the requirement that stakeholders seeking non-CEII confidential information from SIRPP participants first request and obtain from the Commission the Form No. 715, including CEII, for the relevant SIRPP participants.

96. We disagree, however, that it is necessary to establish a subcommittee of the stakeholder group in the SIRPP planning process. We note that the SIRPP provides a detailed description of its stakeholder participation, including the formation of the stakeholder group, which with the modification required above will be widely inclusive. We conclude that reliance on this stakeholder group to provide advice and input regarding economic planning studies is adequate to ensure coordination of those studies with stakeholders.

97. We also disagree with Energy Consulting that the SIRPP must independently meet the specific requirements of the dispute resolution principle. The responsibility to implement an open and transparent planning process on a local and regional level rests with each transmission provider. This includes the obligation to ensure that its dispute resolution process is adequate to address matters related to each aspect of transmission planning. Although the SIRPP is not independently subject to the nine planning principles stated in Order No. 890, Southern nonetheless must establish a mechanism for resolving disputes that arise in regional planning activities, including those performed by the SIRPP. It is unclear whether section 5 of Southern's Attachment K is sufficient to address this requirement. For example, it is unclear how disputes involving a Southern stakeholder and other SIRPP stakeholders would be addressed and resolved under Southern's dispute resolution provisions if Southern were not a party to the dispute. We, therefore, direct Southern to demonstrate in a compliance filing to be submitted within 90 days of issuance of this order how the dispute resolution provision of its Attachment K can be used to address and resolve disputes related to SIRPP planning activities or, alternatively, propose different dispute resolution provisions that can be used to address



and resolve such disputes and implement agreements reached through such dispute resolution.<sup>69</sup>

98. In addition to the SIRPP, Southern states that the FRCC process will address economic studies that involve inter-regional coordination between Florida and the Southeastern sub-region of SERC. As directed above, Southern must identify more definitive processes and procedures for coordinating economic planning studies with the FRCC, including the timelines and milestones for coordinating models and system plans, a description of how stakeholders can participate, and how the FRCC studies will interact with Southern's other planning activities.

## **9. Cost Allocation**

99. The cost allocation principle requires that, in their planning process, transmission providers address the allocation of costs of new facilities that do not fit under existing rate structures. In Order No. 890, the Commission suggested that such new facilities might include regional projects involving several transmission owners or economic projects that are identified through the study process, rather than individual requests for service. The Commission did not impose a particular allocation method for such projects and, instead, permitted transmission providers and stakeholders to determine the criteria that best fits their own experience and regional needs. Transmission providers therefore were directed to identify the types of new projects that are not covered under existing cost allocation rules and, as a result, would be affected by the cost allocation proposal.

100. The Commission did not prescribe any specific cost allocation methodology in Order No. 890. The Commission instead suggested that several factors be weighed in determining whether a cost allocation methodology is appropriate. First, a cost allocation proposal should fairly assign costs among participants, including those who cause them to be incurred and those who otherwise benefit from them. Second, the cost allocation proposal should provide adequate incentives to construct new transmission. Third, the cost allocation proposal should be generally supported by state authorities and participants across the region. The Commission stressed that each region should address cost allocation issues up front, at least in principle, rather than have them relitigated each time a project is proposed.<sup>70</sup> In Order No. 890-A, the Commission also made clear that the details of proposed cost allocation methodologies must be clearly defined, as

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<sup>69</sup> Southern and the transmission owning sponsors of the SIRPP could, for example, establish an inter-regional dispute resolution process to address disputes arising in the SIRPP planning process. We encourage Southern and other SIRPP sponsors to contact the Commission's Dispute Resolution Service for assistance in developing any alternative dispute resolution provisions that may be necessary.

<sup>70</sup> Order No. 890, FERC Stats. & Regs. ¶ 31,241 at P 557-561.

participants seeking to support new transmission investment need some degree of certainty regarding cost allocation to pursue that investment.<sup>71</sup>

**a. Southern's Filing**

101. Section 8 of Southern's proposed Attachment K provides separate "requestors pays" cost allocation mechanisms for two types of transmission upgrades: those that are identified in economic planning studies but which are not otherwise necessary to meet long-term firm service commitments, and those referred to by Southern as enhanced reliability upgrades.<sup>72</sup> First, for economic upgrades, any entity that would like Southern to construct an economic upgrade may post on a secured area of the Regional Planning Website a request for Southern to construct the upgrade, along with an identification of the amount of transmission capacity for which the requestor would like to take cost responsibility.<sup>73</sup> Additional parties that would like the transmission provider to construct economic upgrades sought by the initial request(s) may then notify Southern of their intent by posting such intent, along with the amount of transmission capacity for which they would like to take cost responsibility, within 30 days of the initial requestor(s) posting. The costs of economic upgrades would be allocated to each requestor based on the amount of transmission capacity that it requested in its posting on the regional planning website.<sup>74</sup>

102. Should the total amount of percentage requests not equal 100 percent, then the requestor(s)' cost responsibility will be adjusted on a pro rata basis based upon the total percentage identified by all of the requestor(s) relative to 100 percent so that all of the cost responsibility for the economic upgrade is allocated to the requestor(s). If one or more of the requestors do not identify the amount of capacity for which it is willing to take cost responsibility, then the requestors will bear cost responsibility in equal shares based upon the number of requestors. If a requestor later declines to enter into a service agreement with Southern for the construction of the economic upgrade, the remaining requestor(s)' cost responsibility will be recalculated accordingly.

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<sup>71</sup> Order No. 890-A, FERC Stats. & Regs. ¶ 31,261 at P 251.

<sup>72</sup> Proposed Attachment K, section 8.1. Enhanced reliability upgrades are upgrades that are not required to satisfy Southern's planning standards or reliability standards and, therefore, would not otherwise be included in the transmission expansion plan, but which a stakeholder may wish to have installed to provide additional reliability benefits.

<sup>73</sup> Proposed Attachment K, section 8.2.2.

<sup>74</sup> Proposed Attachment K, section 8.2.3.

103. Southern's Attachment K also provides that, should Southern conclude that the construction of an economic upgrade would accelerate the construction of, or require the construction of a more expensive reliability upgrade, then the requestor(s) will bear the costs of such acceleration or expansion.<sup>75</sup> If the construction of the economic upgrade would result in the deferral or cancellation of a reliability upgrade, then the actual costs of the economic upgrade(s) allocated to the requestors shall be reduced by the amount of savings caused by the deferral or cancellation.

104. Second, Southern proposes that the cost of enhanced reliability upgrades be directly assigned to the requesting stakeholders without the provision of transmission credits or other means of reimbursement from Southern for such direct assignment costs. Should multiple stakeholders want the installation and construction of the same enhanced reliability upgrade(s), then the direct assignment costs for such upgrades shall be allocated to those requesting stakeholders in equal shares, unless those requesting stakeholders agree in writing to a different cost allocation approach prior to Southern assigning those costs.<sup>76</sup>

105. With regard to economic upgrades identified through the SIRPP, Exhibit K-2 to Southern's Attachment K provides that costs will be allocated as determined by each region in which the construction of such upgrades (in whole or in part) would occur.

**b. Protests/ Comments**

106. AMEA states that Southern should clarify its cost allocation procedures by requiring that all requestors bear their proportionate cost responsibility for any economic upgrade, even if they fail to identify a percentage of cost responsibility. Further, AMEA asserts that Southern should clarify whether a true-up mechanism will be used to assign cost responsibility in the event that one or more requestor fails to identify a percentage of cost responsibility. AMEA also asks that section 8.2.5 of Southern's proposed Attachment K be clarified as to when agreements regarding the funding of upgrades must be executed with the transmission provider, and whether a requestor who has executed such an agreement would still be allowed to terminate the agreement without further obligation if not satisfied with the design phase.

107. Energy Consulting notes that Southern's process by which the "requestor pays" for changes to the transmission system does not award specific rights to stakeholders who pay for those increased capabilities. Energy Consulting questions whether this will discourage stakeholders from financing upgrades, because they could find themselves behind others in the queue for rights to specific transmission services that their

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<sup>75</sup> Proposed Attachment K, section 8.2.4.

<sup>76</sup> Proposed Attachment K, sections 8.3.

expenditures had enabled. Moreover, Energy Consulting argues that stakeholders that financed new transmission upgrades could also be required to pay standard OATT transmission service rates, which would result in paying twice for the same service. Energy Consulting requests that the Commission direct Southern to include in its cost allocation provision the awarding of rights to stakeholders to the new capabilities enabled by their investments made through proposed Attachment K.

108. Energy Consulting also requests that the Commission direct Southern to indicate who benefits from new transmission constructed under proposed Attachment K and to allocate costs of that transmission to those beneficiaries. Energy Consulting requests that the Commission direct Southern to modify its cost allocation methodology to require Southern to: (1) determine Southern's benefits resulting from sales of additional capacity sold as non-firm use, as part of Southern's proposed Attachment K process and in compliance with Order No. 890, and (2) remove these benefits from the costs assigned to the stakeholder or transmission service requestor.

109. Energy Consulting also contends that the SIRPP produces transmission projects that are not covered under existing cost allocation rules. Energy Consulting asserts that the cost allocation for these projects was required by Order No. 890 and should be included in each participating transmission owner's proposed Attachment K. Energy Consulting requests that the Commission direct Southern, as well as the other companies that filed the SIRPP as part of their proposed Attachment K filing, to modify the SIRPP to add cost allocation in compliance with Order No. 890.

**c. Answer**

110. In response to AMEA's proposal that requestors should bear proportionate cost responsibility, even if they fail to identify a percentage of cost responsibility, Southern states it will not necessarily be clear how much of an upgrade's capacity will be utilized by a requestor. As to AMEA's suggestion that Southern should specify when the construction and funding agreement should be executed, Southern notes that section 8.2.5 of its Attachment K provides that such agreements should be executed prior to commencing any phase of design or construction. Further, Southern rejects AMEA's assertion that requestors should be able to opt out of the process after the design phase, arguing that a requestor should be bound to its contractual requirements, particularly once design or construction costs have been incurred.

111. In response to Energy Consulting, Southern argues that it followed the Staff White Paper's guidance in adopting the cost allocation provisions in its proposed Attachment K. As to concerns that an entity could double-pay through funding transmission facilities and then pay for the cost of transmission service, Southern states that arrangements with such a requestor could be worked out, but that it is premature to fully describe such a process in its proposed Attachment K. Related to Energy Consulting's assertion that costs should be allocated to those who benefit from transmission upgrades, Southern's

states that economic upgrades are incremental to long-term firm commitments, so, by definition, only the requestor benefits from economic upgrades.

112. Regarding Energy Consulting's comments that the SIRPP should address cost allocation, Southern notes that historically it has been difficult to formulate an inter-regional transmission pricing planning approach across such a large area with so many transmission providers.

**d. Commission Determination**

113. We find that Southern's proposed Attachment K partially complies with the cost allocation principle stated in Order No. 890. Southern's proposed Attachment K provides a general structure for allocating the costs of an upgrade identified pursuant to the economic planning process, as well as for enhanced reliability upgrades, to the parties requesting the upgrade, including a mechanism for apportioning costs when additional parties support a requested upgrade. However, with regard to economic upgrades, it is unclear what allocation of costs will govern if the cumulative responsibility exceeds 100 percent. Accordingly, we require Southern to explain, in a compliance filing to be submitted within 90 days of issuance of this order, how costs will be allocated for economic upgrades when the cumulative requested cost responsibility exceeds 100 percent.

114. In addition, Southern fails to identify the cost allocation methodology that will be used for economic upgrades identified through a SIRPP study. The Commission made clear in Order No. 890 that each region should address cost allocation issues up front, and affirmed in Order No. 890-A that the details of each cost allocation methodology must be clearly defined.<sup>77</sup> Southern merely states that cost allocation for economic projects identified in a SIRPP study will be determined by each region in which the construction of such upgrades, in whole or in part, would occur. Accordingly, we direct Southern to address, in a compliance filing to be made within 90 days of issuance of this order, the allocation of costs for upgrades identified through the SIRPP economic planning process.

115. With regard to AMEA's suggestion that Southern should specify when certain agreements should be executed, we find that it is appropriate for Southern to require that the agreements should be executed prior to the expenditure of construction costs, including design costs. We also agree with Southern that it is reasonable to restrict the ability of requestors to opt out of the process after the design phase. A requestor should be bound to its contractual requirements, particularly after construction costs, such as design costs, are incurred. We accept Southern's commitment to resolve matters of capacity allocation or projects that are constructed in response to requests under the

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<sup>77</sup> Order No. 890, FERC Stats. & Regs. ¶ 31,241 at P 561; Order No. 890-A, FERC Stats. & Regs. ¶ 31,261 at P 251.

Attachment K process as those projects are being considered. Finally, we decline here to revise Southern's cost allocation proposal to require crediting of revenues from non-firm use of facilities requested by other customers. As modified above, Southern's cost allocation proposal satisfies the requirements of Order No. 890.

#### **10. Recovery of Planning Costs**

116. In Order No. 890, the Commission recognized the importance of cost recovery for planning activities, specifically addressing that issue after discussing the nine principles that govern the planning process. The Commission directed transmission providers to work with other participants in the planning process to develop cost recovery proposals in order to determine whether all relevant parties, including state agencies, have the ability to recover the costs of participating in the planning process. The Commission also suggested that transmission providers consider whether mechanisms for regional cost recovery may be appropriate, such as through agreements (formal or informal) to incur and allocate costs jointly.<sup>78</sup>

##### **a. Southern's Filing**

117. Under Southern's proposed filing, planning costs will be broadly recovered from Southern's customers through its OATT at Informational Schedule D.

##### **b. Commission Determination**

118. We find that Southern's proposed Attachment K complies with Order No. 890 regarding the recovery of planning costs by stating that Southern will recover planning-related costs through the mechanism used to recover the Commission's annual charge.

The Commission orders:

(A) Southern is hereby directed to submit a further compliance filing, within 90 days of issuance of this order, as discussed in the body of this order.

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<sup>78</sup> Order No. 890, FERC Stats. & Regs. ¶ 31,241 at P 586.

(B) Southern's compliance filing is hereby accepted, as modified in accordance with Ordering Paragraph (A), to be effective December 7, 2007, as discussed in the body of this order.

By the Commission.

( S E A L )

Nathaniel J. Davis, Sr.,  
Deputy Secretary.