

RTO West

Facilities Inclusion Statement of Issues, Options, and Strawdog Recommendations August 2, 2000

First Priority Issues

I. What transmission facilities should the Participating Transmission Owners (“PTO”) transfer to RTO West and for what purpose?¹

Option A. Transmission facilities that the RTO will control and offer services over

Option B. Parallel and series paths that impact the transfer capability and reliability of Option A Facilities

Option C. Other transmission facilities for purposes of cost recovery

Strawdog Recommendation: It is pretty clear that Option A and Option B facilities are necessary in order for the RTO to do its job. Option C facilities are by their very nature elective. One possible approach is to make inclusion of them in the RTO tariff discretionary on the part of a PTO, but to provide that cost recovery for such non-essential facilities (including replacements and upgrades) will be on a permanent company rate basis so that their inclusion in the RTO West tariff does not impact the structure or cost of RTO West.

II. After it has been decided which facilities should be transferred to RTO West, what method is going to be applied in order to determine which specific facilities qualify? (Subjective or objective method?)

Alternatives:

A. If Option A (or Option A and Option B) Facilities are to be Transferred

- (1) Transmission Facilities as Defined by the FERC 7-Factor Test
- (2) Transmission Facilities as Defined by the FERC 7-Factor Test Plus Those Facilities that are Necessary to Connect to Wholesale Loads
- (3) Transmission Facilities that FERC Would Require the RTO to Control and Offer Service Over, Plus Lines that Impact such Facilities’ Transfer Capability (Including Parallel and Series Facilities)

¹ While these recommendations do not explicitly discuss the input of state regulatory agencies in determining whether facilities are transmission or distribution, that input is necessary and should be taken into account.

Strawdog Recommendation: While objective criteria minimizes questions regarding the application of the criteria, it may not result in the appropriate facilities being transferred to the RTO for purposes of control and offering service. The RRG should select whichever alternative it believes will provide the most certainty that the correct facilities will be transferred to RTO control and provide for the judgment of each PTO to be applied to implementing that alternative. If any party (including the RTO) challenges whether a PTO has withheld necessary facilities from the RTO's control, it can raise the issue with FERC at the time of the RTO filing (for initial PTOs) or when subsequent PTOs join the RTO.

B. If Options A, B, and C Facilities are to be Transferred

(1) IndeGO Approach

(2) 7-Factor Test With or Without Paths that Connect Wholesale Lines

Strawdog Recommendation: Take the Alternative A option that is selected by the RRG and, in addition, provide PTOs the discretion to include other non-essential transmission facilities for cost recovery on a permanent company rate basis. If any party (including the RTO) challenges whether a facility included for rate collection purposes is really a transmission facility, it can raise the issue with FERC.

Second Priority Issues

III. Will all facilities that are transferred to RTO West be included in the its tariff?

Should there be different treatment for the inclusion of facilities when a PTO joins RTO West versus subsequent addition of new qualifying facilities to a PTO's system?

IV. If at some point a component of the RTO West rate structure includes area or postage stamp rates, will the costs of non-essential transmission facilities (or their replacements or additions) be recovered through such rates?

V. Should PTOs have the discretion to select which qualifying facilities will be transferred to the RTO (cherry picking) or will a PTO be required to transfer all qualifying facilities?

Does it make a difference if the RTO needs to control and offer service over the facility or whether it is being transferred solely for rate recovery purposes?

Should there be different treatment for the inclusion of facilities when a PTO joins RTO West versus subsequent additions of new qualifying facilities to a PTO's system?

