



## Project Evaluation Criteria in Support of New Interstate Transmission Projects

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### **Introduction**

The Western region needs a more robust interstate electricity transmission system and access to more sources of clean energy.

On April 4<sup>th</sup>, 2005, the Governors of Wyoming, Utah, Nevada and California signed a Memorandum of Understanding setting forth the conditions under which the four States would jointly coordinate efforts to develop new, interstate transmission projects, collectively referred to as the “Frontier Line.” The effort was undertaken in response to growing consumer energy demand, a desire to develop the vast resources across the West – including renewable resources such as wind and advanced and clean coal technologies – and the critical need to further diversify the West’s energy portfolio in order to strengthen our nation’s energy and national security.

The Governors declared their support for the creation of a structure that would allow them to support projects that would provide benefits to all consumers consistent with the policy objectives of each state. The purpose of this document is to provide guidance to interested transmission developers on the criteria by which the four States will evaluate proposed projects.

In addition to the substantial economic benefits new transmission projects can provide, new, interstate transmission will:

- Strengthen the reliability of the West’s transmission system.
- Better protect consumers from energy shortages and price spikes.
- Encourage a broader, more diversified energy portfolio.
- Reduce reliance on foreign energy imports and enhance domestic energy security.

- Encourage new technologies that can accelerate the development of renewable energy generation and reduce the cost of controlling emissions from the West's vast fossil fuel resource base.

### ***Background of the Frontier Line***

Efforts to develop new transmission projects across western states have been underway for years. The following highlights some of the recent planning activity leading up to the Frontier Line MOU:

- **May 2001** – The Western Governors Association's (WGA) Transmission Roundtable commissions a 60-day crash effort at mapping out conceptual transmission plans and options for the Western Interconnection.
- **August 2001** - Governors receive Conceptual Transmission Plans Report for Western Interconnection, which outlines significant benefits for the West of increased transmission infrastructure improvements.
- **August 2001** - Governors request Seams Steering Group-Western Interconnect (SSG-WI) to institutionalize pro-active, interconnection-wide transmission planning.
- **February 2002** - WGA White Paper on transmission financing completed.
- **June 2002** - 12 Governors and 4 federal agencies sign interstate transmission permitting protocol (Alberta joins in 2004).
- **2003** – Western States play an active role in development of SSG-WI's October 2003 report.
- **September 2003** -- Utah and Wyoming Governors launch the Rocky Mountain Area Transmission Study (RMATS).
- **November 2003** – California Energy Commission publishes a report, entitled “Transmission Interconnection Needs Under Alternative Scenarios: Assessment of Resources, Demand, Need For Transmission Interconnections, Policy Issues and Recommendations For Long Term Transmission Planning.”
- **2003** – Western States participate in SSG-WI and other sub-regional planning groups, such as the Northwest Transmission Assessment Committee (NTAC); the Southwest Transmission Expansion Plan (STEP); and the Southwest Area Transmission study (SWAT).
- **June 2004** – WGA unanimously passes the Clean and Diversified Energy Initiative Resolution, calling for an examination of “the feasibility of and actions that would be needed to achieve a goal to develop 30,000 MW of clean energy in the West by 2015 from resources such as energy efficiency, solar, wind, geothermal, biomass, clean coal technologies, and advanced natural gas technologies.” As an important part of this examination, the Clean

and Diversified Energy Advisory Council is directed to consider deliverability and transmission assessments for the report.

- **June 2004** - Western governors accept recommendations to build the capacity of States to participate in regional transmission planning/expansion and other regional electric power issues (e.g., resource adequacy, reliability).
- **September 2004** - RMATS Phase I recommendations are released.
- **October 2004** - Pursuant to RMATS recommendations, the Committee on Regional Electric Power Cooperation (CREPC) establishes a work group of representatives of five public utility commissions (PUCs), representing MT, WY, UT, ID and NV to evaluate the adoption of transmission pricing and cost recovery principles.
- **December 2004** - Western governors receive requested recommendations on how to finance state participation in regional power issues.
- **January 2005** – The Consumer Council of America releases “Keeping the Power Flowing: Ensuring a Strong Transmission System to Support Consumer Needs for Cost-Effectiveness, Security and Reliability.”
- **February 2005** - Western governors receive requested study of whether industry has in place adequate institutions to address transmission planning and expansion and other regional electricity functions on a sustained basis.
- **April 2005** – Four states (CA, NV, UT and WY) announce plans to support the development by a project sponsor of the Frontier Line.

### ***Evaluation Criteria for Proposed Transmission Projects***

Electric transmission constraints remain a primary impediment to the construction of new diversified electric supply resources in the West. In light of continued volatility and dramatic increases in energy commodity prices, it is in the public interest to diversify electric supply resources.

In developing these evaluation criteria, the states of Wyoming, Utah, Nevada and California are hereby providing a guide to interested developers of the Frontier Line seeking gubernatorial support for the project. These criteria should be considered additive to existing state-specific energy and environmental policy objectives, as well as the necessary regulatory approvals associated with the siting and permitting of transmission facilities.

The proposed project will be evaluated by the Governors of these states based on the ability to achieve the following important public policy goals:

**Promote Resource Diversity**

Resources developed to meet growing electrical demand must be clean, diversified and economically and technologically viable. Transmission projects should be designed to allow the fullest possible use of renewable resources.

Proposed projects should identify strategies that ensure renewable resource access to the transmission line, including innovative approaches that ensure a significant amount of capacity is available to renewable developers. Renewable-fossil partnerships are important because the combination of resource attributes can provide significant complimentary benefits for system operation. Additional transmission is needed to bring renewables online faster and more cost-effectively.

**Incorporate advanced technologies and design concepts**

States are interested in innovate approaches that make use of the best technology for transmission infrastructure development. The use of such technology should facilitate the siting and permitting process. States also are interested in design concepts that will minimize line loss, improve reliability and minimize environmental impacts. Proposals also should identify opportunities to integrate with other transmission projects in order to reduce costs, enhance reliability and increase generation resource diversity.

**Produce Economic and Reliability Benefits**

The project must demonstrate net economic consumer benefits in each of the states and in all of the four states collectively. A transparent approach to modeling economic benefits is important. Projects also should identify expected reliability benefits across the West. Because the Western Interconnection is a single interconnected electrical system that operates synchronously, participation in our efforts by other Western states is welcome and can add value to a well-planned project.

**Ensure Broad Stakeholder Participation**

It is incumbent upon project developers and the states to engage with stakeholders throughout all phases of project development. States are particularly interested in outreach and education as a development objective. This communication process will require a coordinated effort across the public and government agencies at the federal, state, and local levels.

**Promote Equitable Cost Allocation Within a Regulatory Framework**

Recognizing that load growth and benefits of transmission will change over time, states are interested in the project's capital structure and its ability to lend itself towards equitable cost allocation methodologies. The region must consider new approaches to the allocation and recovery of project capital costs in a manner that recognizes the widespread benefits to electric generators and customers across a

broad region. Working through these issues will require active participation of many parties over a period of time. Cost recovery proposals also will impact project financing. Proposed projects should identify how the anticipated capital structure will minimize costs to consumers.

**☑ Allow for Incremental Implementation**

The project should be designed to enable development in phases, with an initial phase of between 1,500 and 3,000 MW, accompanied by a long-term strategic plan for the eventual development of up to 12,000 MW. Wherever possible, rights-of-way and permitting should be sized to support future project expansion. Early-stage project analysis should include extensive engineering feasibility review as an integral component of development. Work should be coordinated with existing utilities, state, regional and federal planning organizations, as well as other ongoing Western transmission projects and control area operators. Project design in early phases should remain flexible.

**☑ Ensure Developer Commitment**

Developers should demonstrate to the Governors their ability to successfully plan, finance and construct the project while satisfying the aforementioned criteria. The project developers must have significant transmission system experience and the financial resources to commit toward implementing the steps necessary to complete the project in a timely fashion.

**☑ Build a Collaborative Relationship**

The States of California, Nevada, Utah and Wyoming can provide a unique, critical synergy to advancing infrastructure projects, built on the opportunity to move low-cost renewable and clean-technology conventional resources from remote locations where they are abundant to distant centers of rapid electric load growth. Our objective is to maximize economic value in resource rich regions of each state by providing political, regulatory and community support for the development of a large-scale pathway to load-serving utilities in Utah, Nevada and California, thereby maximizing the project's value to customers.

***For More Information***

For more information on these criteria or on the Frontier Line project in general, please feel free to contact any of the following representatives of the four states:

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