

125 FERC ¶ 61,067  
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.

Portland General Electric Company

Docket Nos. OA08-45-000  
OA08-45-001

ORDER ON COMPLIANCE

(Issued October 16, 2008)

1. On December 7, 2007, and as amended on August 12, 2008, pursuant to section 206 of the Federal Power Act (FPA),<sup>1</sup> Portland General Electric Company (PGE) 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 PGE's filing subject to a further compliance filing, 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 (2007), *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 (ATC) 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 (discussed below) and to clearly describe that process in a new attachment (Attachment K) to their OATTs.

3. In Order No. 890, the Commission required that each transmission provider's transmission planning process satisfy the following nine principles: (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 and to build on transmission planning efforts and processes already underway in many regions of the country. However, 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 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. PGE's Compliance Filings**

4. On December 7, 2007, PGE submitted a transmission planning process as a proposed Attachment K to its OATT. Subsequently, PGE determined that it would participate in a sub-regional transmission planning process being conducted by the Northern Tier Transmission Group (NTTG), submitting a rate schedule to that effect on May 22, 2008 in Docket No. OA08-118-000.<sup>5</sup> On August 12, 2008, PGE filed in this proceeding a revision to its Attachment K to reflect its participation in NTTG's sub-regional planning process.

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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 to 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 providers' websites, provided there is a link to those business practices on 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 their Attachment K, and a reference to planning manuals on their website, to satisfy their planning obligations under Order No. 890.

<sup>5</sup> The Commission accepted this rate schedule on July 17, 2008. See *Idaho Power Co., et al.*, 124 FERC ¶ 61,053 (2008).

5. PGE states that its proposed Attachment K, as revised, has three main parts, which include local, sub-regional, and regional components to provide for comprehensive, open, and coordinated planning for its transmission system and the interconnected network of the Western Interconnection. PGE further states that its proposed planning processes include all of the relevant requirements of Order No. 890, but for all intents and purposes, the Attachment K constitutes a complete replacement of the original document.

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

6. Notices of PGE's December 7, 2007 and August 12, 2008 filings were published in the *Federal Register*, 72 Fed. Reg. 71,883 (2007) and 73 Fed. Reg. 49,455 (2008), with interventions and protests due on or before December 28, 2007 and September 2, 2008, respectively. The Commission extended the December 28, 2007 comment period until January 7, 2008. A timely motion to intervene was filed by the Electric Power Supply Association. On January 31, 2008, the American Wind Energy Association (AWEA) filed a motion to intervene out of time and comments to PGE's December 7, 2007 filing. On February 14, 2008, PGE filed an answer to AWEA's motion to intervene out of time and comments.

### **IV. Discussion**

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

7. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2008), the timely, unopposed motion to intervene serves to make the entity that filed it a party 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), the Commission will grant AWEA's late-filed motion to intervene and comments, given its interest in the proceeding, the early stage of the proceeding, and the absence of undue prejudice or delay.

8. 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 or an answer unless otherwise ordered by the decisional authority. We are not persuaded to accept PGE's answer and will, therefore, reject it.

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

9. We find that PGE's proposed Attachment K transmission planning process, as revised in its August 12, 2008 filing, with certain modifications required below, complies with the nine planning principles and other planning requirements adopted in Order No. 890. Accordingly, we accept PGE's Attachment K to be effective August 12, 2008 subject to a further compliance filing as discussed below. PGE is directed to file its compliance filing within 90 days of the date of issuance of this order.

10. While we accept PGE's transmission planning process in Attachment K, we nevertheless encourage further refinements and improvements to PGE's planning process as PGE 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 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 the Order No. 890's Planning Principles**

**1. Coordination**

11. 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 planning process, each transmission provider must clearly identify the details of how its planning process will be coordinated with interested parties.<sup>6</sup>

**a. PGE's Attachment K**

12. PGE states that it will develop, with the input of affected stakeholders, its local transmission plan using a two-year study cycle that covers a ten-year planning horizon.<sup>7</sup> PGE's Attachment K provides a quarter-by-quarter description of activities that will be involved in the development of its local transmission plan, including study milestones and timelines for obtaining information from customers and input from stakeholders.<sup>8</sup> PGE will conduct public meetings semi-annually to: present a status report on

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<sup>6</sup> Order No. 890, FERC Stats. & Regs. ¶ 31,241 at P 451-54.

<sup>7</sup> PGE Attachment K, section 2.1.

<sup>8</sup> PGE Attachment K, section 3.2.

development of its transmission plan, summarize the substantive results of associated study processes, present drafts of documents, and receive comments.<sup>9</sup> These meetings will be open to all stakeholders, including but not limited to eligible customers, other transmission providers, federal, state and local commissions and agencies, trade associations, and consumer advocates.

**b. Commission Determination**

13. We find PGE's Attachment K complies with the requirements of the coordination principle stated in Order No. 890. PGE's Attachment K details its local planning processes including how and when customers and interested stakeholders can review information and provide input in the early stages of the planning process. For example, PGE identifies how PGE will disclose information and solicit input during each quarter of its biennial planning cycle and how it will encourage open lines of communication through regularly scheduled stakeholder meetings.

**2. Openness**

14. 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 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>10</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>11</sup>

**a. PGE's Attachment K**

15. PGE states that all affected stakeholders may attend planning meetings and/or submit comments regarding its local planning activities.<sup>12</sup> In addition, PGE's

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<sup>9</sup> PGE Attachment K, section 3.3.

<sup>10</sup> The Commission stated 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 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>11</sup> Order No. 890, FERC Stats. & Regs. ¶ 31,241 at P 460.

<sup>12</sup> PGE Attachment K, section 10.1.

Attachment K addresses adherence to applicable regulations for the handling and use of information, including CEII<sup>13</sup> and confidential information, including requiring the execution of confidentiality agreements.<sup>14</sup>

**b. Commission Determination**

16. We find that PGE's Attachment K complies with the requirements of the openness principle stated in Order No. 890. PGE provides an opportunity for all affected parties to participate in transmission planning processes and, as required by Order No. 890, identifies the process for obtaining access to confidential information and CEII consistent with the requirements of Order No. 890.

**3. Transparency**

17. 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 methods it will use to disclose the criteria, assumptions and data that underlie its transmission system plans.<sup>15</sup> In Order No. 890, 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 plans.

18. 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 response 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>13</sup> PGE Attachment K, section 10.2

<sup>14</sup> PGE Attachment K, section 10.3.

<sup>15</sup> In Order No. 890-A, the Commission stated that this includes disclosure of transmission base case and change case data used by the transmission provider, because 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>16</sup>

**a. PGE's Attachment K**

19. PGE states that it will maintain a transmission planning folder on the publicly accessible portion of its OASIS to distribute information related to the Attachment K planning process.<sup>17</sup> PGE's publicly accessible planning folder will include, among other information, information on study timelines and public meetings as well as draft, interim and final versions of the local transmission plan.<sup>18</sup> PGE's Attachment K provides, early in the planning cycle, for defining and posting of the basic methodology, criteria, and process that each transmission provider will use to craft its local transmission plan.<sup>19</sup> In addition, PGE's Attachment K addresses database access with regard to planning information.<sup>20</sup>

**b. Commission Determination**

20. We find that PGE's Attachment K complies with the requirements of the transparency principle stated in Order No. 890. PGE's Attachment K provides, early in the planning cycle, for the defining and posting of the basic methodology, criteria, and process that it will use to craft its local transmission plan. Additionally, transmission planning information will be maintained by PGE in a publicly accessible folder on its OASIS, including information regarding study timelines, public meetings, and draft transmission plans at each stage of development.

**4. Information Exchange**

21. 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 loads. Point-to-point customers are required to submit any projections they have of a need for 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

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<sup>16</sup> Order No. 890, FERC Stats. & Regs. ¶ 31,241 at P 471-79.

<sup>17</sup> PGE Attachment K, section 5.1.1.

<sup>18</sup> PGE Attachment K, section 5.2.

<sup>19</sup> PGE Attachment K, section 3.2.2 (quarter 2).

<sup>20</sup> PGE Attachment K, section 5.3.

not be treated as a proxy for actual reservations.<sup>21</sup> Transmission providers, in consultation with their customers and other stakeholders, must develop guidelines and a schedule for the submittal of such customer information.

22. The Commission also provided that, to the extent applicable, transmission customers should provide information on existing and planned demand resources and their effects on demand and peak demand. Stakeholders, in turn, should provide proposed demand response 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 other 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 Attachment K the information sharing obligations placed on customers in the context of economic planning.<sup>22</sup>

23. In Order No. 890, The Commission emphasized that transmission planning should not 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>23</sup>

**a. PGE's Attachment K**

24. PGE's Attachment K requires each transmission customer to provide, during the first and fifth quarters of each biennial planning cycle, its good faith load forecast of the actual energy to be moved in each direction across each posted transmission path for the planning horizon.<sup>24</sup> Network and native load customers also must submit, during the first and fifth quarters, their load forecast including existing and planned demand

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<sup>21</sup> Order No. 890-A, FERC Stats. & Regs. ¶ 31,261 at P 207.

<sup>22</sup> *Id.* P 206.

<sup>23</sup> Order No. 890, FERC Stats. & Regs. ¶ 31,241 at P 486-88.

<sup>24</sup> PGE Attachment K, section 4.1.1.



resources and their effects on demand and peak demand for the planning horizon.<sup>25</sup> In addition, stakeholders may provide PGE any other information relevant to the transmission planning process.<sup>26</sup>

**b. Commission Determination**

25. We find that PGE's Attachment K complies with the requirements of the information exchange principle stated in Order No. 890. Under PGE's Attachment K, customers provide forecasts of their projected needs for service, including the effect of demand resources on the demand of network customers and native loads. Additionally, any stakeholder may submit any other planning-related information to PGE for consideration in the planning process.

**5. Comparability**

26. 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 loads) 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 basis comparable to the service provided by generation resources, where appropriate.<sup>27</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>28</sup>

**a. PGE's Attachment K**

27. PGE states that, during each planning cycle, it coordinates with stakeholders to produce a transmission plan that identifies the upgrades and other investments to the

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<sup>25</sup> PGE Attachment K, section 4.1.2.

<sup>26</sup> PGE Attachment K, section 10.1.

<sup>27</sup> Order No. 890, FERC Stats. & Regs. ¶ 31,241 at P 494-95.

<sup>28</sup> Order No. 890-A, FERC Stats. & Regs. ¶ 31,261 at P 216.

transmission system and demand response necessary to reliably satisfy resource and load growth expectations for designated network and native load, obligations pursuant to grandfathered, non-OATT agreements, and projected service needs of point-to-point customers.<sup>29</sup>

**b. Commission Determination**

28. We find that PGE's Attachment K complies with the requirements of the comparability principle as stated in Order No. 890. PGE states that the transmission plan developed through its planning process is intended to identify and meet the needs of all of its customers. However, we note that in Order No. 890-A, the Commission provided additional guidance, among other things, about 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>30</sup> PGE has not demonstrated that it complies with this requirement of Order No. 890-A. Therefore, we direct PGE to file, within 90 days of issuance of this order, a compliance filing providing the necessary demonstration required by Order No. 890-A.<sup>31</sup>

**6. Dispute Resolution**

29. 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 their procedures will address matters related to transmission planning. The Commission encouraged transmission providers, customers, and other stakeholders to utilize the Commission's dispute resolution service 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

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<sup>29</sup> PGE Attachment K, sections 1.5, 2.1.

<sup>30</sup> Order No. 890-A, FERC Stats. & Regs. ¶ 61,261 at P 216; *see also* Order No. 890, FERC Stats. & Regs. ¶ 31,241 at P 479, 487, 494 and 549.

<sup>31</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.

all affected parties retain any rights they may have under FPA section 206 to file complaints with the Commission.<sup>32</sup>

**a. PGE's Attachment K**

30. PGE has proposed a three-step dispute resolution process which describes the process to be used before a party may initiate a hotline complaint or a formal complaint with the Commission to address procedural and substantive concerns over PGE's compliance with its Attachment K.<sup>33</sup> First, any party may initiate the dispute resolution process by sending a letter to the transmission provider, who will set up a meeting with the senior representatives from the disputing parties to engage in direct negotiations. Second, if negotiations are unsuccessful, the next step will be mediation unless a party waives mediation. The parties may request that the Commission's Dispute Resolution Service be used. Third, if mediation is not successful or is waived, a party may initiate complaint proceedings at the Commission within 180 days of completion of the second step.

**b. Commission Determination**

31. We find PGE's Attachment K partially complies with the requirements of the dispute resolution principle stated in Order No. 890. PGE's dispute resolution provision requires the use of negotiation and mediation prior to the filing of a complaint with the Commission. However, during the dispute resolution process affected parties should retain any rights they may have under FPA section 206 to file a complaint with the Commission.<sup>34</sup> The proposed dispute resolution process may inappropriately affect the ability of a party to exercise its rights under FPA section 206 prior to conclusion of negotiation and mediation. Therefore, we direct PGE to file, within 90 days of issuance of this order, a compliance filing revising its dispute resolution provision to preserve the ability of any party to exercise its rights under section 206 of the FPA.

**7. Regional Participation**

32. 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: (i) share system plans to ensure that they are simultaneously feasible and otherwise use consistent assumptions and data and (ii) identify system enhancements that could relieve congestion or integrate new resources. In Order No. 890, the Commission stated that the specific

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<sup>32</sup> Order No. 890, FERC Stats. & Regs. ¶ 31,241 at P 501-03.

<sup>33</sup> See PGE Attachment K, section 9.1.

<sup>34</sup> Order No. 890, FERC Stats. & Regs. ¶ 31,241 at P 501-03.

features of the regional planning effort should take account of 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 sub-regions. 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 sub-regions must develop alternative processes.<sup>35</sup>

33. 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>36</sup> In Order No. 890-A, the Commission also emphasized that effective regional planning should include coordination among regions and sub-regions 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>37</sup>

**a. PGE's Attachment K**

34. PGE is a member of NTTG and uses the NTTG process for sub-regional planning and coordination with adjacent sub-regional groups.<sup>38</sup> PGE states that it will provide NTTG with its local transmission plan and that NTTG will conduct its planning process to identify needs, least cost expansion project alternatives, technical benefits, and projected costs.<sup>39</sup> According to PGE, specifics of the NTTG planning process are available on NTTG's website at [www.nttg.biz](http://www.nttg.biz).<sup>40</sup>

35. In addition, PGE states that eligible customers and stakeholders may participate directly in the NTTG planning process or they may participate indirectly through a

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<sup>35</sup> Order No. 890, FERC Stats. & Regs. ¶ 31,241 at P 523-28.

<sup>36</sup> Order No. 890-A, FERC Stats. & Regs. ¶ 31,261 at P 226.

<sup>37</sup> *Id.*

<sup>38</sup> PGE Attachment K, Part B, Introduction.

<sup>39</sup> PGE Attachment K, section 11.

<sup>40</sup> PGE Attachment K, Part B, Introduction.

transmission provider via development of a transmission provider's local transmission plan.<sup>41</sup> Eligible customers and stakeholders may comment on NTTG study criteria, assumptions, or results either through direct participation in NTTG or indirectly by submitting comments to a transmission provider to be evaluated and consolidated with the transmission provider's comments on the sub-regional plan, criteria and assumptions.<sup>42</sup> PGE also state that it will post the dates of the current NTTG study cycle on its OASIS, along with notices for the upcoming sub-regional planning meetings, which are open to all parties. In addition, PGE will maintain links to NTTG's website on its OASIS.<sup>43</sup> Additionally, PGE will participate in the NTTG dispute resolution process to resolve disputes related to the integration of its local transmission plans with the sub-regional expansion plan.<sup>44</sup> For regional disputes, PGE states that such disputes will be resolved pursuant to the process developed by the Western Electricity Coordinating Council (WECC).<sup>45</sup> PGE also states that any party to such disputes shall retain all rights it has to enforce or challenge the outcome of the dispute resolution process through a filing with the Commission under FPA section 206.

**b. Protest and Answers**

36. AWEA filed a protest on January 31, 2008 in response to the transmission planning proposal contained in PGE's December 7, 2007 filing. In its protest, AWEA argues that PGE does not adequately detail how regional coordination will occur and, thus, does not satisfy the requirements of Order No. 890.<sup>46</sup> Specifically, AWEA argues that there is a lack of a formal process for coordination with the various sub-regional planning groups in the Pacific Northwest. AWEA requests that the Commission require PGE to work with other transmission providers in the Northwest to develop a formal process for coordination between these sub-regional transmission planning groups.

**c. Commission Determination**

37. We find that PGE's Attachment K generally complies with the regional participation principle provided in Order No. 890. As required by Order No. 890, in addition to preparing a system plan for its own control area on an open and

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<sup>41</sup> *Id.*

<sup>42</sup> PGE Attachment K, section 13.

<sup>43</sup> PGE Attachment K, sections 6.3.2 and 12 and Part B.

<sup>44</sup> PGE Attachment K, section 15.

<sup>45</sup> PGE Attachment K, section 21.

<sup>46</sup> AWEA Protest at 4.

nondiscriminatory basis, the transmission provider is required to coordinate with interconnected systems to: (i) share system plans to ensure that they are simultaneously feasible and otherwise use consistent assumptions and data; and (ii) identify system enhancements that could relieve significant and recurring transmission congestion. In its August 12, 2008 filing, PGE revised its Attachment K to reflect its participation in the NTTG sub-regional planning process, which resolves AWEA's concern regarding the lack of formal planning activities on a regional basis. Eligible customers and stakeholders may participate directly in the NTTG sub-regional planning process and may comment on NTTG's study criteria, assumptions, or results either through direct participation in NTTG or indirectly by submitting comments on the sub-regional plan, criteria, and assumptions. With regard to regional planning, PGE states that it will coordinate with the WECC's Transmission Expansion Policy Planning Committee (TEPPC) for regional planning through its participation in NTTG.

38. The Commission supports PGE's efforts to coordinate its planning activities through NTTG. As we recognized in Order No. 890, in the West there are various sub-regional processes in addition to the WECC's TEPPC regional economic planning process<sup>47</sup> and the NTTG process appears to have the potential to help transmission providers meet their obligations under Order No. 890. However, we find that while PGE has provided a general overview of the NTTG and the WECC's TEPPC processes, it has not provided in its Attachment K sufficient detail to allow customers and other interested stakeholders to fully understand how the data and inputs they provide on the local transmission plan will be integrated into the sub-regional plan being developed by NTTG and incorporated into WECC TEPPC studies. For example, PGE fails to provide timelines and milestones between the time that transmission providers submit their individual local plans to NTTG and the time that a final sub-regional plan will be developed. Further, the timing of any specific opportunities customers and stakeholders will have to provide input into the elements of the sub-regional and regional plans have not been identified. Additionally, we find it insufficient for PGE to reference in its Attachment K the NTTG and WECC homepage as a means for customers and interested stakeholders to obtain the details of the NTTG planning process. Any link offered in the Attachment K or on a transmission provider's OASIS to provide customers and interested stakeholders access to a specific element of the NTTG or WECC TEPPC economic planning studies should be a direct URL to the relevant planning document.

39. For the reasons discussed above, we find that PGE's revised Attachments K is in partial compliance with the regional participation principle. Accordingly, we direct the PGE to file, within 90 days of issuance of this order, a further compliance filing as discussed above.

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<sup>47</sup> Order No. 890, FERC Stats. & Regs. ¶ 31,241 at P 527.

## 8. Economic Planning Studies

40. 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 just 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.

41. 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 borne by the stakeholders requesting the study.<sup>48</sup>

42. 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>49</sup> In Order No. 890-A, 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 procedures outlined in the transmission provider's planning process.<sup>50</sup>

### a. PGE's Attachment K

43. PGE states that it will conduct up to two economic studies within each two-year transmission planning cycle to model the ability of specific upgrades or other investments to the transmission system or demand responses, not otherwise considered in their transmission plans, to reduce the cost of reliably serving the forecasted needs of the transmission providers and their customers. *See* sections 1.1, 7.2 – 7.3. If more than two

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<sup>48</sup> *Id.* P 542-51.

<sup>49</sup> Order No. 890-A, FERC Stats. & Regs. ¶ 31,261 at P 236.

<sup>50</sup> *Id.*

studies are requested, PGE will determine which studies are to be performed based on (i) evaluation of requests that present the most significant opportunities to reduce overall costs in its transmission plan while reliably serving the load growth needs being studied, (ii) the date and time of the request, (iii) interaction with all stakeholders at the public meetings required by Attachment K, and (iv) other sub-regional and regional practices and criteria.<sup>51</sup> PGE states that it may combine or cluster economic study requests so that it can model the requests in the most efficient manner.<sup>52</sup> PGE will offer to study requests that are not otherwise selected by PGE at the expense of the requesting party.<sup>53</sup>

44. In the event PGE receives an economic study request that affects more than its own transmission system, PGE will forward the request to NTTG for consideration and processing under NTTG's procedures.<sup>54</sup> As a member of NTTG, PGE will participate in the NTTG process to prioritize and complete up to two sub-regional economic congestion studies per NTTG planning cycle, as outlined in NTTG's planning committee charter.<sup>55</sup> NTTG may submit requests for regional economic congestion studies to the WECC pursuant to NTTG and WECC processes.<sup>56</sup> PGE will support, directly and through its participation in NTTG, the WECC TEPPC processes to prioritize and complete regional economic congestion studies requested by customers and stakeholders to each member transmission provider in each calendar year within the WECC's footprint as outlined in the standardized mechanism.<sup>57</sup>

**b. Commission Determination**

45. We find that PGE's Attachment K partially complies with the requirements of the economic planning studies principle stated in Order No. 890, subject to the modifications discussed below. In Order No. 890, the Commission directed all transmission providers 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. Here, PGE has included in its Attachment K procedures for conducting economic planning studies and for stakeholders to request such studies. However, while PGE states that it

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<sup>51</sup> PGE Attachment K, section 7.3.

<sup>52</sup> *Id.*

<sup>53</sup> PGE Attachment K, section 7.5.

<sup>54</sup> PGE Attachment K, section 7.4.

<sup>55</sup> PGE Attachment K, section 14.

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

<sup>57</sup> PGE Attachment K, section 20.



may cluster or batch requests to streamline processing, it has not described how such clustering or batching will be done.

46. Additionally, we find that PGE has provided insufficient information in its Attachment K on the WECC TEPPC processes to prioritize and complete regional economic studies. In Order No. 890, the Commission stated that regional congestion studies can be used as part of regional transmission planning processes required by the final rule.<sup>58</sup> Here, PGE's Attachment K references the TEPPC processes but provides no detail on those processes. Further, as discussed above in regional participation, PGE's Attachment K references the general WECC website but does not provide links to the appropriate WECC TEPPC processes or provide direct links (i.e., URLs) to the appropriate documents on the WECC website where the processes to prioritize and complete regional economic studies are discussed. Accordingly, PGE is directed to submit a compliance filing within 90 days of the date of this order providing more detail on the WECC's TEPPC processes or providing direct links (i.e., URLs) to the appropriate documents on the WECC website where the processes to prioritize and complete regional economic studies are discussed.

## **9. Cost Allocation**

47. The cost allocation principle requires that transmission providers address in their planning process 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 fit 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.

48. 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 re-litigated each

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<sup>58</sup> Order No. 890, FERC Stats. & Regs. ¶ 31,241 at P 551.

time a project is proposed.<sup>59</sup> In Order No. 890-A, the Commission also made clear that the details of proposed cost allocation methodologies must be clearly defined, because participants seeking to support new transmission investment need some degree of certainty regarding cost allocation to pursue that investment.<sup>60</sup>

**a. PGE's Attachment K Filing**

49. PGE states that the cost allocation principles outlined in its Attachment K apply in a planning context and do not supersede cost obligations as set forth in other parts of its tariff.<sup>61</sup> With regard to cost allocation for local projects, PGE's Attachment K provides that it will categorize transmission project costs into three types: (1) costs related to the provision of service to PGE's native load customers; (2) costs related to the sale or purchase of power at wholesale to non-native load customers; and (3) costs incurred specifically as alternatives to (or deferrals of) transmission line costs (typically Type 1 projects), such as the installation of distributed resources (including distributed generation, load management and energy efficiency).<sup>62</sup> The third category of costs does not include demand-side projects which do not have the effect of deferring or displacing the first category of costs.<sup>63</sup> Further, PGE's Attachment K provides that, unless an alternative cost allocation process is utilized and described in its transmission plan, it will identify anticipated cost allocations in the transmission plan based on the type of costs (as detailed above) and the following principles: (1) adherence to the Commission's regulations, policy statements, and precedent on transmission pricing and (2) to the extent not in conflict with the first principle, costs will be allocated consistent with the provisions of the NTTG cost allocation principles, as posted at NTTG's website. PGE's Attachment K provides that a link to the NTTG website will be maintained on its OASIS.<sup>64</sup>

50. PGE states that it will support NTTG by preparing and submitting recommendations for cost allocation associated with the NTTG sub-regional planning projects to the NTTG cost allocation committee and ultimately the NTTG steering committee for approval.<sup>65</sup> This steering committee approval will represent a non-binding

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<sup>59</sup> *Id.* P 557-61.

<sup>60</sup> Order No. 890-A, FERC Stats. & Regs. ¶ 31,261 at P 251.

<sup>61</sup> PGE Attachment K, section 6.

<sup>62</sup> PGE Attachment K, section 6.2.

<sup>63</sup> *Id.*

<sup>64</sup> PGE Attachment K, section 6.3.

<sup>65</sup> PGE Attachment K, section 16.

sub-regional consensus of cost allocation formed with direct state regulatory commission involvement and support.<sup>66</sup>

51. Regarding cost allocation for regional projects, PGE's Attachment K indicates that a Western Interconnection regional cost allocation methodology does not exist. Therefore, cost allocations for regional transmission projects will be addressed on a case-by-case basis by parties participating in the project.<sup>67</sup>

**b. Commission Determination**

52. We find that PGE's Attachment K partially complies with the requirements of the cost allocation principle stated in Order No. 890. As noted above, in Order No. 890, the Commission directed transmission providers to address in their planning processes the allocation of costs of new facilities that do not fit under existing rate structures. With regard to local projects, PGE has identified in its Attachment K the types of new local projects that are not covered under existing cost allocation rules. PGE states that the allocation of costs for such projects will be based on the principle that the Commission's regulations, policy statements, and precedent on transmission pricing should be followed and, to the extent not in conflict with the aforementioned principle, costs will be allocated consistent with the NTTG cost allocation principles. However, PGE's Attachment K fails to address how costs will be fairly assigned among participants, because it only refers to unspecified Commission decisions and pronouncements on cost allocation and the NTTG cost allocation principles, which as we discuss below, appear to envision a case-by-case approach to cost allocation that is not consistent with Order No. 890's direction to provide for an up-front methodology to determine cost allocation.

53. In Order No. 890-A, the Commission made clear that the details of proposed cost allocation methodologies must be clearly defined, because participants seeking to support new transmission investment need some degree of certainty regarding cost allocation to pursue that investment. We find PGE's proposed cost allocation methodologies, as described in its Attachment K, do not provide the degree of certainty required by participants seeking to pursue new investment.

54. In addition, although PGE's Attachment K provides that NTTG will make a cost allocation recommendation for sub-regional projects based on the NTTG cost allocation principles for certain projects, Order No. 890 requires a specific cost allocation methodology to be set forth up front in Attachment K itself, rather than considered on a case-by-case basis. While we recognize that the NTTG sub-regional planning process in which the transmission providers participate is fairly new, the details of proposed cost

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<sup>66</sup> *Id.*

<sup>67</sup> PGE Attachment K, section 22.

allocation methodologies must be clearly defined, because participants seeking to support new transmission investment need some degree of certainty regarding cost allocation to pursue that investment. As such, we direct PGE through its participation in NTTG to work to further refine a specific methodology for cost allocation to provide more certainty for transmission providers and market participants, which will support new regional and sub-regional transmission infrastructure investments.

55. Accordingly, PGE is directed to submit a compliance filing within 90 days of the date of this order identifying the cost methodologies that will be used for allocation of costs for projects developed in response to its local transmission planning process and the NTTG sub-regional process, as discussed above.

## **10. Cost Recovery**

56. 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 agreements (formal or informal) to incur and allocate costs jointly.<sup>68</sup>

### **a. PGE's Attachment K**

57. PGE states that costs it incurs related to its local transmission planning process or the sub-regional or regional planning process will be included in its rate base.<sup>69</sup>

### **b. Commission Determination**

58. We find that PGE has adequately addressed in its Attachment K how it will recover costs it incurs in the transmission planning process.

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<sup>68</sup> Order No. 890, FERC Stats. & Regs. ¶ 31,241 at P 586.

<sup>69</sup> PGE Attachment K, section 8.

The Commission orders:

PGE's Attachment K is hereby accepted effective August 12, 2008, subject to a further compliance filing as discussed in the body of this order.

By the Commission.

( S E A L )

Nathaniel J. Davis, Sr.,  
Deputy Secretary.