



Public Utilities Commission

Ronald J. Binz, Chairman
James K. Tarpey, Commissioner
Matt Baker, Commissioner
Doug Dean, Director

Bill Ritter, Jr.
Governor

Barbara J. Kelley
Executive
Director

July 1, 2010

Colorado General Assembly
State Capitol
Denver, CO 80203

Dear Legislators:

This is a report to the General Assembly required by HB09-1345, concerning electric utilities integrated infrastructure, signed by Governor Bill Ritter, Jr. on June 1, 2009. This is the final report required by the legislation. This correspondence will serve as the final report due July 1, 2010.

HB09-1345 requires, among other things, that the Public Utilities Commission (PUC) confer with all owners and operators of transmission facilities in Colorado and with affected stakeholders and prepare a report to the General Assembly on the integrated intermediate-term and long-term plans for improving transmission infrastructure in Colorado and the region. The attached report meets those requirements.

Respectfully submitted,

Doug Dean
Director

Attached: Report HB09-1345





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TO: Colorado General Assembly Members

The Colorado Public Utilities Commission (PUC) is directed to file a report with the General Assembly on the integrated transmission plans of owners and operators of transmission facilities in Colorado under section 40-4-117, C.R.S. This is the required report, which will describe the Commission's efforts to take a new look at the way the agency regulates transmission.

The Commission's work prior to the passing of the statute and the continued work since that time recognize there has been a dramatic shift in the need for and analysis of electric transmission in the state of Colorado, the western region and the United States as a whole. Historically, transmission was built by utilities to serve load and reliability was the sole criteria taken into account. New large generation projects had sufficient design and construction lead times to allow the necessary transmission to be built. But now, the shift in legislative and regulatory focus to the integration of renewable energy has necessitated a different approach to transmission. Utility scale wind and solar generation are located in remote areas where there is insufficient transmission infrastructure and these generation projects can be constructed in a much shorter timeframe than the companion transmission infrastructure.

With this in mind, section 40-4-117, C.R.S. required that on or before July 1, 2010 the PUC report to the General Assembly on the following items:

1. The adequacy of the integrated transmission plan.
2. Whether the integrated transmission plan is appropriately coordinated with transmission plans of other states and transmission operators in the region.
3. Whether future legislative action is required to ensure continued progress with respect to the transmission system in Colorado.

Item 1: The adequacy of the integrated transmission plan.

The Colorado Coordinated Planning Group (CCPG) is comprised of all electric transmission utilities in Colorado and all interested stakeholders. Annually, it conducts an analysis of the transmission plans of individual utilities and the collective ability to meet the required reliability criteria in the ten-year horizon.



Because of the limited nature of the report, it does not provide insight into questions such as how the transmission plans were developed, what load forecasts were used, or what generation will supply the increased load.

The information gathered in the Commission's 16 month investigation into transmission issues has provided the Commission with sufficient information regarding the desirable aspects of transmission planning that ultimately will result in an optimized integrated transmission system. This will be explained further in the section outlining the Commission's proceedings.

Utilities have the information necessary for the Commission to address transmission planning in a comprehensive manner. CCPG has the ability to produce the information necessary for the Commission to carry out the work envisioned. The ongoing activities of the Commission discussed later in this report will allow the Commission in the future to continue the ongoing assessment of the adequacy of the integrated transmission plan.

Item 2: Whether the integrated transmission plan is appropriately coordinated with transmission plans of other states and transmission operators in the region.

The Commission believes the integrated transmission plan can be appropriately coordinated with other states and transmission operators. A recent example is a potential transmission line currently being discussed that extends outside of Colorado. The line is called the High Plains Express 500 kV line. This line will attempt to collect wind generation in Wyoming and eastern Colorado and market it to customers in New Mexico, Arizona and California. The highest voltage currently in use in Colorado is 345 kV, so the proposed 500 kV line gives some idea of the scale the project.

The participants in the project are Black Hills Corporation, Colorado Springs Utilities, Public Service of New Mexico, Salt River Project, Tri-State Generation and Transmission, Western Area Power Administration, Public Service Company of Colorado, LS Power, and others. The Commission believes that the High Plains Express 500 kV project will continue to be adequately coordinated with the transmission plans of the neighboring states of Wyoming and New Mexico.

Item 3: Whether future legislative action is required to ensure continued progress with respect to the transmission system in Colorado.

The Commission believes that no legislation is required in Colorado at this time because the authority to make the process changes contemplated already exists.

The “big four” issues discussed below that need to be addressed in developing the transmission system are the certification (CPCN) process, planning, local siting (permitting), and cost allocation.

The Commission believes that the activities it is outlining related to both the CPCN process and planning process will resolve many current problems that have been identified by stakeholders. The Commission has authority to make these changes under its current legislative authority.

The bulk of the siting and permitting issues for transmission facilities are addressed at the local level. The communications that the Commission will require the regulated utilities to have with the local regulatory agencies in the development of the comprehensive ten-year transmission plan will, in the opinion of the involved parties, resolve a lot of the historical issues. The Commission is not ready at this time to recommend statutory changes in this area.

With respect to the issue of cost allocation, this issue arises primarily in large, multi-state transmission projects and also in large, multi-provider in-state projects. The Commission is following the activities of FERC and its rulemaking proceeding. We will use the FERC process to inform our own in-state discussions.

Recent Commission Activities and Issues Identified

While the discussion above fulfills the reporting requirements of section 40-4-117, C.R.S., the Commission believes it is important to describe our on-going activities regarding transmission in Colorado and our attention to the shift in focus to integration of renewable energy.

The Commission opened investigatory Docket No. 08I-227E on June 11, 2008, with the stated purpose to “identify transmission planning activities that merit more involvement by the Commission.” Extensive filings were submitted by a variety of stakeholders regarding various aspects of planning and four workshops were held on a number of subjects. The work in this docket was completed on October 7, 2009 and identified two action items:

1. Improvements needed to be made to the Commission’s certification (CPCN) process that would streamline the proceedings. To address this action item, the Commission issued a notice of proposed rulemaking focusing on improvements to the current Certificate of Public Convenience and Necessity (CPCN) process for transmission projects.
2. The Commission needed to play a more active role in transmission planning. To address this action item, the Commission opened a new docket to focus on such topics as coordinated transmission planning,

appropriate planning horizons, transition from current procedures, statutory implications, and regional cooperation.

There are four key issues that the Commission has examined related to the proper expansion of the state-wide and/or region-wide transmission system: 1) the certificate process; 2) planning; 3) local permitting, sometimes referred to as siting; and 4) cost allocation. To date, the Commission has concentrated its efforts on the certificate (CPCN) and planning issues, but all four issues will be discussed below.

Commission Activities Related to Improving the CPCN Proceedings for Transmission Projects (Key Issue #1)

The Commission's first formal effort to refocus the direction of regulation for transmission projects was to change the certification or CPCN process so that projects can be reviewed and approved by the Commission in an expedited manner. It was recognized that the Commission's current rules can result in proceedings that are very long in duration and require a great deal of resources for all involved. The regulated utility requesting certification of a transmission project must support its need for the line as well as present the expected levels of noise and magnetic fields associated with the project. In order to streamline the process, the Commission issued a notice of proposed rulemaking on December 19, 2009. It is anticipated that the final rules will be effective within two months.

The proposed rules set threshold limits for noise and magnetic field levels, and any projects that do not exceed the threshold limits are deemed to be in compliance without the need for further support. If the project anticipates noise and magnetic field levels greater than the threshold limits, then the application must present engineering and cost data explaining the reasonableness of the requested level. It is anticipated that the setting of threshold limits will expedite the CPCN approval process for many projects.

As a corollary to expediting the CPCN process in the event an application must be filed, the PUC also proposed rules to reduce the instances that require a CPCN. The Commission has clarified the definition of 'in the ordinary course of business' in the proposed CPCN rules and, as a result, fewer projects will require that an application for CPCN be filed. The result is the removal of a regulatory step, thereby expediting the beginning of construction for many lines.

Commission Activities Related to Transmission Planning (Key Issue #2)

The Commission opened Docket No. 09M-616E to “review integrated planning for the construction of electric transmission facilities in Colorado.” As stated in the order opening the docket, it is the Commission’s intent to issue a proposal that will address topics such as coordinated planning, appropriate planning horizons, transition from current procedures, statutory implications, and regional cooperation. On January 28, 2010, the Commission issued a draft transmission planning proposal for comment and workshops were held on February 25 and March 22 to discuss various aspects of the proposal. The comments have been taken into account and a revised draft transmission proposal is being prepared. A few of the key provisions in the draft proposal are as follows. The proposal is based upon a foundation of transparency and it envisions a biennial review process. This process will require that the jurisdictional utilities collectively file with the Commission a ten-year transmission plan that supports all new generation needed in the ten-year horizon and demonstrates that the transmission system will meet all applicable reliability and public policy criteria.

The filing also will consider system needs for various future scenarios and will evaluate transmission upgrades not necessarily needed for reliability, but nevertheless capable of reducing the costs of serving load.

In this biennial process, the Commission will solicit input from all stakeholders, review the comments filed, and determine whether the ten-year plan is consistent with a unified approach to the transmission grid. In addition, the Commission will verify that the plans are consistent with legal and regulatory obligations, including renewable energy portfolio standards, and that resource adequacy requirements are coordinated with the transmission plans of other transmission providers in the region.

Commission Activities Related to Transmission Siting (Key Issue #3)

Another major step in transmission project implementation is the local regulatory (typically counties and cities) permitting processes that often include land use and environmental impacts.

Local regulatory agencies are concerned that they are not brought into the process until after the plans are finalized, and that they do not know the utilities’ overall long range plan. They want to have input when the plans are being developed and they want to understand the long range plan so that proper corridors can be planned and projects can be coordinated. The proposed transmission planning process will require that the jurisdictional utilities actively solicit input from the local regulatory agencies during the planning phase. Communication of this type should expedite the necessary approvals by the local regulatory agencies.

Commission Activities Related to Cost Allocation (Key Issue #4)

The Federal Energy Regulatory Commission (FERC) has asserted jurisdiction on many cost allocation issues. For regional projects that involve several transmission owners, FERC has stated the general principle that the cost allocation method should: 1) fairly assign costs to those who cause them to be incurred and to those who benefit; 2) provide adequate incentives to construct new transmission; and 3) be supported by state authorities and participants across the region. FERC recognizes that the allocation of costs is not an exact science. There are several cost allocation dockets in front of FERC right now.

FERC issued a notice of proposed rulemaking on June 17, 2010 regarding cost allocation for transmission projects. The Commission is monitoring the debate that is taking place on the national level. The current predominant method of funding new regional transmission facilities in Colorado is "participant funding" wherein the costs are allocated only to utilities that volunteer to bear these costs. FERC is proposing six new principles for cost allocation and notes that the continued exclusive reliance on participant funding will not satisfy the proposed principles. When FERC codifies final rules, it is likely that the Commission will need to incorporate those adopted principles into our rules.

