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December 17, 2013

Via Electronic Filing

The Honorable Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, DC 20426

**Re: *Puget Sound Energy, Inc.*, Docket No. ER13-99
Compliance Filing in Response to June 20 Order
Order No. 1000 (Intraregional)**

Dear Secretary Bose:

Pursuant to Part 35 of the Federal Energy Regulatory Commission's ("Commission") regulations,¹ section 206 of the Federal Power Act,² the Commission's order issued in the above-referenced proceeding on June 20, 2013,³ and the Notice of Extension of Time issued on September 5, 2013, Puget Sound Energy, Inc. ("PSE") hereby submits for filing PSE's revised Attachment K to its Open Access Transmission Tariff ("Tariff") as its compliance filing required by the June 20 Order ("Compliance Filing"). As revised in this Compliance Filing, PSE's Attachment K relies, in substantial part, on PSE's participation in the ColumbiaGrid Order 1000 regional transmission planning process and the provisions of the ColumbiaGrid Order 1000 Functional Agreement to achieve compliance with Order No. 1000. PSE is attaching for informational purposes the Order 1000 Functional Agreement, which is intended to facilitate PSE's Order 1000 compliance.⁴

¹ 18 C.F.R. Part 35.

² 16 U.S.C. § 824e.

³ *Avista Corporation, et al.*, 143 FERC ¶ 61,255 (2013) ("June 20 Order").

⁴ PSE previously submitted the ColumbiaGrid Third Amended and Restated Planning and Expansion Functional Agreement ("Third Restated PEFA") in Docket No. ER13-98 contemporaneously with its Order No. 1000 intraregional compliance filing filed in Docket No. ER13-99. As a result of the June 20 Order, the Third Restated PEFA cannot become effective unless rehearing of the June 20 Order is granted and certain aspects of the

I. Contents of Filing

PSE respectfully tenders for filing an electronic copy of the following documents:

1. This transmittal letter;
2. Redline version of PSE's Attachment K (Attachment A);⁵
3. Clean version of PSE's Attachment K (Attachment B); and
4. Order 1000 Functional Agreement (Attachment C) (provided for informational purposes only).

II. Contacts

PSE respectfully requests that the following persons be included on the official service list in these proceedings and that all communications concerning this filing be addressed to them:

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III. DESCRIPTION OF FILING

PSE will participate in regional Order 1000 transmission planning through ColumbiaGrid⁶ as a party (an Order 1000 Enrolled Party) to the Order 1000 Functional

June 20 Order are reversed or revised. PSE also submitted on June 19, 2013, an unsigned proposed Fourth Restated PEFA as an attachment to its interregional Order No. 1000 compliance filing (for informational purposes only) in Docket No. ER13-1729. Thus the Third Restated PEFA and the Fourth Restated PEFA have not yet, and may never, become effective. If the June 20 Order is not reversed and/or revised, the Order 1000 Functional Agreement is the agreement that is intended to, among other things, facilitate Order 1000 Compliance (both regional and interregional) for those entities that are required or otherwise voluntarily choose to comply with the requirements of Order No. 1000.

⁵ The redline version of PSE's Attachment K is redlined against the Attachment K that PSE submitted as part of its Order No. 1000 Interregional Compliance Filing filed in Docket No. ER13-1729 ("Prior Attachment K").

⁶ ColumbiaGrid is a non-profit corporation that was formed in 2006 to better provide regional planning within the Pacific Northwest. ColumbiaGrid is a regional transmission planning entity with a Staff with expertise in regional planning and a functionally independent Board.

Agreement.⁷ PSE's Attachment K relies, in substantial part, on the Order 1000 Functional Agreement to facilitate its compliance with the requirements of Order No. 1000 (both intraregional and interregional requirements). Accordingly, PSE submits the revised Attachment K attached hereto as its Compliance Filing in response to the June 20 Order and also submits a copy of the Order 1000 Functional Agreement for informational purposes only.

On October 11, 2012, PSE filed, in Docket No. ER13-99, a revised Attachment K as its compliance filing in response to the intraregional requirements of Order No. 1000 ("October 11, Filing"). Because PSE's proposed Attachment K relied, in substantial part, on the provisions of the Third Restated PEFA to facilitate its compliance, PSE also filed the Third Restated PEFA in Docket No. ER13-98. In the June 20 Order, the Commission found that PSE's filings partially complied with the requirements of Order No. 1000. To the extent the Commission found that PSE's filings did not comply with the requirements of Order 1000, the Commission directed PSE to submit a further compliance filing. As discussed more fully below, PSE submits this Compliance Filing in response to the June 20 Order.

A. Enrollment and Effective Date

PSE's Attachment K submitted in its October 11 Filing relied, in substantial part on PSE's participation in the ColumbiaGrid regional transmission process and the provisions of the Third Restated PEFA to facilitate compliance with the intraregional requirements of Order No. 1000. Because ColumbiaGrid is comprised of a diverse mix of jurisdictional entities and non-jurisdictional entities, who were signatories to the Third Restated PEFA, the Third Restated PEFA could not become effective until such time as PSE's and Avista's Attachment Ks were accepted by the Commission (either unconditionally or without change or condition inconsistent with the Third Restated PEFA that was not accepted in writing by each Party to the PEFA). Similarly, because PSE's Attachment K relied on the Third Restated PEFA to facilitate PSE's compliance with the regional requirements of Order No. 1000, PSE's Attachment K could not become effective until the Third Restated PEFA filed by both PSE and Avista was accepted by the Commission (either unconditionally or without change or condition inconsistent with the Third Restated PEFA that was not accepted in writing by each Party to the PEFA). As explained in the PSE's October 11 Filing, this was to "ensure[] that PSE's Order 1000 compliance filing . . . does not become effective until the Third Restated PEFA—upon which PSE's compliance filing relies—becomes effective in accordance with its terms."⁸ In other words, PSE's requested conditional effective date of its October 11 Filing was intended to ensure that it did not end up with an effective Attachment K that it would be required to comply with and at the same time be unable to comply with that Attachment K because the agreement (the Third Restated PEFA) that was to facilitate such compliance was not yet effective.

⁷ PSE also participates in non-Order 1000 regional transmission planning through ColumbiaGrid as a party to the PEFA. As discussed above (see footnote 4), the Third Restated PEFA may not become effective. In the event that the Third Restated PEFA does not become effective, the ColumbiaGrid Second Amended and Restated Planning and Expansion Functional Agreement shall continue in effect. The attached Order 1000 Functional Agreement will, in effect, replace and supersede both the Third Restated PEFA and the proposed Fourth Restated PEFA in their entirety for purposes of facilitating PSE's compliance with Order No. 1000.

⁸ October 11 Filing at 7 (footnote omitted).

In the June 20 Order, the Commission found that the requested conditional effective date for the October 11 Filing “makes clear that Filing Parties have not enrolled in the regional transmission planning process and such enrollment is contingent upon the Commission’s findings in this order.”⁹ The Commission further found that PSE (i) did not reflect an enrollment process in its Attachment K that defines how entities, including non-public utility transmission providers, make the choice to become part of the ColumbiaGrid transmission planning region and (ii) did not include in its Attachment K a list of those who made the choice to so enroll.¹⁰ Accordingly, the Commission directed PSE to (i) revise the Third Restated PEFA and its Attachment K to “establish an appropriate effective date” in this compliance filing;¹¹ (ii) revise its Attachment K “to reflect a clear enrollment process”;¹² and (iii) revise its Attachment K “to include a list of all the public utility and non-public utility transmission providers that have enrolled as transmission providers in the ColumbiaGrid planning process.”¹³

As a result of the June 20 Order, the Third Restated PEFA cannot at this time become effective under its terms. Accordingly, PSE in conjunction with the other parties to the current effective PEFA (the “Second Amended PEFA”)¹⁴ negotiated the ColumbiaGrid Order 1000 Functional Agreement which is to facilitate PSE’s compliance with the requirements of Order No. 1000 (such compliance was formerly to be facilitated through the Third Restated PEFA).¹⁵ The Order 1000 Functional Agreement will become effective as between and among ColumbiaGrid and Avista, PSE and MATL as of the date the respective Attachment Ks of each of Avista, PSE and MATL become effective.¹⁶

The Order 1000 Functional Agreement provides a clear enrollment process that may be used by both jurisdictional and non-jurisdictional entities. Specifically, the jurisdictional entities that are parties to the Second Amended PEFA (including PSE) that sign the Order 1000 Functional Agreement are Enrolled in the Order 1000 ColumbiaGrid Planning Region.¹⁷ Non-jurisdictional entities that are parties to the Second Amended PEFA that sign the Order 1000 Functional Agreement and expressly elect to Enroll will also be Enrolled in the Order 1000 ColumbiaGrid Planning Region.¹⁸ Non-jurisdictional entities that are parties to the Second Amended PEFA that either do not sign the Order 1000 Functional Agreement or that sign the Order 1000 Functional Agreement but do not expressly elect to Enroll will not be Enrolled in the

⁹ June 20 Order at P 37.

¹⁰ June 20 Order at P 38.

¹¹ June 20 Order at P 37.

¹² June 20 Order at P 38.

¹³ June 20 Order at P 38.

¹⁴ The “Second Amended PEFA” is the Planning and Expansion Functional Agreement (filed in Commission Docket No. ER07-523), as amended by the amendment filed in Commission Docket No. ER08-457 and as amended by the amendment filed in Commission Docket No. ER10-585.

¹⁵ The Order 1000 Functional Agreement is attached hereto as Exhibit A for informational purposes only.

¹⁶ Order 1000 Functional Agreement at Section 12.1.

¹⁷ Order 1000 Functional Agreement at Section 14.17.

¹⁸ Order 1000 Functional Agreement at Section 14.17.

Order 1000 ColumbiaGrid Planning Region.¹⁹ Non-incumbents (entities that are not parties to the Second Amended PEFA) may also sign the Order 1000 Functional Agreement and participate in ColumbiaGrid Order 1000 planning pursuant to that agreement.²⁰ Such non-incumbents may also be Enrolled in the Order 1000 ColumbiaGrid Planning Region to the extent such non-incumbents are not Enrolled in any other Relevant Planning Region.²¹ The process for enrolling in the Order 1000 ColumbiaGrid Planning Region that is set forth in the Order 1000 Functional Agreement is also incorporated in Part III, section 16 of PSE's Attachment K. Finally, those entities that are Enrolled in the ColumbiaGrid Order 1000 Planning Region are listed in Part III, section 16, of PSE's Attachment K.

B. Order No. 890 Planning Principles

In the June 20 Order, the Commission assessed compliance with certain Order No. 890 transmission planning principles as those planning principles relate to the ColumbiaGrid regional transmission planning process.²² The Commission determined that, subject to one clarification, PSE complied with the coordination principle and complied with the dispute resolution and economic planning studies principles.²³ The Commission determined that PSE partially complied with the openness, transparency and comparability principles.²⁴ Finally, the Commission determined that PSE did not comply with the information exchange principle.²⁵ PSE discusses below its response to the request for clarification regarding the coordination principle and its response to the deficiencies that the Commission identified with regard to the openness, transparency, information exchange, and comparability principles.

1. Coordination Principle

In the June 20 Order, the Commission found that PSE complied with the coordination principle, but directed PSE to clarify in its Attachment K potential limitations on participation in a requested service project study team due to tariffs or applicable law.²⁶ The Second Amended PEFA defines a Requested Service Project as follows:

“Requested Service Project” means any modification of the Regional Interconnected Systems that

(i) is for the purpose of providing service pursuant to a transmission service or interconnection request made to a [Transmission Owner or Operator Planning Party]; and

¹⁹ Order 1000 Functional Agreement at Section 14.17.

²⁰ Order 1000 Functional Agreement at Section 14.17.

²¹ Order 1000 Functional Agreement at Section 14.17.

²² June 20 Order at P 42.

²³ June 20 Order at PP 49, 51, 85, 91.

²⁴ June 20 Order at PP 58, 65, 79.

²⁵ June 20 Order at P 71.

²⁶ June 20 Order at P 51.

(ii) involves more than one Transmission System.²⁷

Accordingly, a Requested Service Project under the PEFA could, for example, be due to an interconnection request made to PSE pursuant to PSE's Open Access Transmission Tariff or a request for transmission service.

The Commission generally prohibits transmission providers (including PSE) from disclosing certain confidential information and requires transmission providers to enter into certain agreements with entities making such requests that contain limitations on the disclosure of such confidential information.²⁸ The limitation on participation in a requested service project study team due to tariffs or applicable law is intended to ensure that transmission providers are not required to disclose such confidential information in violation of the Commission's tariff requirements or in violation of a contractual obligation not to disclose such information. In addition, this limitation is intended to ensure that transmission providers (including PSE) are not required by the PEFA or Attachment K to disclose information that they are otherwise prohibited by law or legal requirement (including, for example, the Commission's Standards of Conduct²⁹) from disclosing.³⁰

Part III, Section 4.3, of PSE's Attachment K submitted in PSE's October 11 Filing stated, in relevant part as follows:

Any Planning Party, Affected Person, Relevant State and Provincial Agency or other Interested Person may participate in a Study Team, with the exception that participation in a Requested Service Project Study Team may be limited due to tariffs or applicable law.

In response to the June 20 Order's request for clarification, PSE proposes to revise this language of its Attachment K (which is now at Part III, Section 4.2.2) to read as follows:

Any Order 1000 Party, Order 1000 Affected Person, Relevant State and Provincial Agency, or other Interested Person may participate in a Study Team, except as such participation may be subject to restrictions in tariffs (*see, e.g.*, pro forma open access transmission tariff, sections 17.2 and

²⁷ Second Amended PEFA at Section 1.50.

²⁸ For example, the Standard Large Generator Interconnection Procedures ("LGIP") and Standard Large Generator Interconnection Agreement ("LGIA") that are part of PSE's Open Access Transmission Tariff contain restrictions on releasing or disclosing certain information to a third party. *E.g.*, LGIP Section 13.1.2; LGIA section 22.1.3. *See also* PSE's Tariff at Sections 17.2 (requiring PSE to treat certain information as confidential and in a manner consistent with the Commission's standards of conduct), 18.2 (same).

²⁹ *See* 18 C.F.R. Part 358; *Standards of Conduct for Transmission Providers*, 125 FERC ¶ 61,064 (2008) ("Order No. 717"), *order on reh'g and clarification*, 129 FERC ¶ 61,043 (2009) ("Order No. 717-B"), *order on reh'g and clarification*, 129 FERC ¶ 61,123 (2009) ("Order No. 717-C"), *order on reh'g and clarification*, 135 FERC ¶ 61,017 (2011) ("Order No. 717-D").

³⁰ *See* PSE's Tariff at Sections 17.2 (requiring PSE to treat certain information as confidential and in a manner consistent with the Commission's standards of conduct), 18.2 (same).

18.2) or applicable law. Order 1000 Party(ies) that are potentially materially affected by an Order 1000 Need(s) are to participate in the Study Team relating to such Order 1000 Need(s).³¹

2. Openness Principle

In the June 20 Order, the Commission found that PSE partially complied with the openness principle. Specifically, the Commission found deficient the Attachment K revisions for compliance with the openness principle relating to confidentiality and CEII.³² According to the Commission, PSE “failed to specify mechanisms for designating, managing and obtaining confidential information that is not CEII and similar but separate procedures for management of CEII.”³³ The Commission encouraged PSE to incorporate in its Attachment Ks procedures to designate, manage and explain how stakeholders may obtain access to: (1) confidential information utilized in the planning process that is not CEII; and (2) CEII under the ColumbiaGrid transmission planning process.³⁴

The Commission noted in the June 20 Order that the Third Restated PEFA provides that if the disclosing party does not consent, ColumbiaGrid shall not release CEII. According to the Commission, this provision potentially creates a barrier to stakeholders’ participation in the planning process by not allowing stakeholders the information necessary to replicate the results of planning studies.³⁵ The Commission found that “ColumbiaGrid must allow stakeholders to have access to confidential information and CEII as long as a process is designated in Filing Parties’ Attachment Ks to protect such information, such as the use of non-disclosure agreements.”³⁶ The Commission directed PSE to: (1) specify procedures to designate confidential information, manage confidential information, and explain how stakeholders may obtain access to confidential information utilized in the ColumbiaGrid transmission planning process that is not CEII; (2) specify procedures to designate information as CEII, manage CEII, and explain how stakeholders may obtain access to CEII; and (3) allow stakeholders to have access to confidential information and CEII through a process designated in the Attachment Ks to protect such information.³⁷

The Second Amended PEFA requires each Party to the PEFA to use reasonable efforts to maintain the confidentiality of all Confidential Information provided to it by another Party.³⁸

³¹ Attachment K at Part III, Section 4.2.2.

³² June 20 Order at P 58.

³³ June 20 Order at P 59.

³⁴ June 20 Order at P 59.

³⁵ June 20 Order at P 60.

³⁶ June 20 Order at P 60. PSE notes that ColumbiaGrid is not a jurisdictional entity, but rather is an independent organization that facilitates regional transmission planning on behalf of jurisdictional and non-jurisdictional transmission providers.

³⁷ June 20 Order at P 61.

³⁸ Second Amended PEFA, section 16.1, 16.3.

The Order 1000 Functional Agreement similarly requires each Order 1000 Party to maintain the confidentiality of all Confidential Information provided to it by another Order 1000 Party.³⁹

In response to the June 20 Order, PSE's revised Part III, section 15, of its Attachment K includes procedures for designating information provided to ColumbiaGrid for use in the ColumbiaGrid transmission planning process as Confidential Information or CEII. The Order 1000 Functional Agreement also includes provisions governing ColumbiaGrid's response to requests for PSE's Confidential Information or CEII.⁴⁰ To the extent that a person requests PSE's Confidential Information or CEII from ColumbiaGrid, ColumbiaGrid is to seek PSE's consent to disclose such Confidential Information or CEII.⁴¹ If PSE consents to such disclosure by ColumbiaGrid, ColumbiaGrid is to provide such information to the requestor, subject to reasonable conditions, if any, requested by PSE (*e.g.*, the requestor entering into a confidentiality agreement or non-disclosure agreement or both with ColumbiaGrid that is reasonably acceptable to PSE).⁴² If PSE does not consent to ColumbiaGrid's disclosure of PSE's Confidential Information or CEII, ColumbiaGrid is to direct such requestor to make such request to PSE.⁴³ Upon a proper request for Confidential Information or CEII made to PSE, PSE will provide the requester the requested Confidential Information or CEII in accordance with Part III, section 15, of PSE's Attachment K.⁴⁴

The procedures set forth above for designating, managing, and providing access to confidential information and CEII are intended to ensure that stakeholders have access to confidential information and CEII so that they are able to replicate the results of planning studies. At the same time, the procedures are intended to ensure that PSE is able to comply with the Commission's CEII requirements and other legal requirements (including legal restrictions against disclosing WECC proprietary data) and also are intended to ensure that the transmission planning process cannot be used to circumvent legitimate confidentiality and CEII restrictions.

3. Transparency Principle

In the June 20 Order, the Commission found that PSE partially complied with the transparency principle.⁴⁵ According to the Commission, PSE's Attachment K did not clearly explain the process that ColumbiaGrid will use to disclose the criteria, assumptions, and data that underlie the regional transmission system plan.⁴⁶ Also, the Commission stated that PSE's

³⁹ Order 1000 Functional Agreement at Section 11.4.

⁴⁰ Order 1000 Functional Agreement at Section 11.6.

⁴¹ Order 1000 Functional Agreement at Section 11.6.

⁴² Order 1000 Functional Agreement at Section 11.6.

⁴³ Order 1000 Functional Agreement at Section 11.6.

⁴⁴ To the extent that a person requests WECC proprietary data, ColumbiaGrid or PSE, as applicable, is not required to provide such data if the requester does not hold membership in and has not executed a non-disclosure agreement with WECC. Attachment K at Part III, section 15.6; Order 1000 Functional Agreement at Section 11.6(v).

⁴⁵ June 20 Order at P 65.

⁴⁶ June 20 Order at P 65.

Attachment K should contain clear provisions that demonstrate how ColumbiaGrid will provide sufficient information to enable customers, other stakeholders, and independent third parties to replicate the results of planning.⁴⁷ Accordingly, the Commission directed PSE to file a compliance filing that (1) clearly explains the process that ColumbiaGrid will use to disclose the criteria, assumptions and data that underlie the regional transmission system plan; and (2) includes clear provisions demonstrating how ColumbiaGrid will provide sufficient information to enable customers, other stakeholders, and independent third parties to replicate the results of planning studies, including more detail of the availability of electronic data files.⁴⁸

Pursuant to the Order 1000 Functional Agreement, ColumbiaGrid, upon proper request, is to make available the Order 1000 Replication Data for any planning study.⁴⁹ “Order 1000 Replication Data” is the “basic criteria, assumptions, and data necessary to replicate the results of ColumbiaGrid’s planning studies performed pursuant to this Order 1000 Agreement with respect to any Order 1000 Potential Need, Order 1000 Need, Order 1000 Proposed Project, Order 1000 Eligible Project, Order 1000 Project, or ITP.”⁵⁰ The provision of Order 1000 Replication Data by ColumbiaGrid is subject to any confidentiality and CEII restrictions, which are discussed in Section B.2 (Openness Principle) above.⁵¹

4. Information Exchange Principle

In the June 20 Order, the Commission found that PSE failed to revise its Attachment K in the October 11 Filing to meaningfully address the information exchange principle as it relates to the ColumbiaGrid regional transmission planning process and, therefore, PSE’s October 11 Filing did not comply with the information exchange principle.⁵² The Commission directed PSE to (1) detail the information required by the information exchange principle for Order No. 1000 compliance, such as customer load forecasts, projected service information, and existing and planned demand response resources provided by customers and stakeholders used to develop the regional transmission plan; and (2) specify guidelines for the format of information submission and a schedule for the submittal of such customer or stakeholder information.⁵³

Pursuant to the Order 1000 Functional Agreement and PSE’s Attachment K:

Each Order 1000 Enrolled Party is by January 31st of each year to provide ColumbiaGrid with

⁴⁷ June 20 Order at P 65.

⁴⁸ June 20 Order at P 67.

⁴⁹ Order 1000 Functional Agreement at Sections 11.2, 11.3, 11.6, and Section 11.2 of Appendix A; Attachment K at Part III, Sections 15.2, 15.3, 15.6.

⁵⁰ Order 1000 Functional Agreement at Section 1.54; Attachment K at Appendix A.

⁵¹ Order 1000 Functional Agreement at Section 11.2; Attachment K at Part III, Section 15.2.

⁵² June 20 Order at P 71.

⁵³ June 20 Order at P 73.

- (i) any then-current Local Transmission Plan of such Order 1000 Enrolled Party;
- (ii) data regarding projected loads and resources of such Order 1000 Enrolled Party, including projections of network customer loads and resources and projected point-to-point transmission service information; and
- (iii) data regarding existing and planned demand response resources not reflected in item (ii) above that are anticipated to affect such Order 1000 Enrolled Party's projected loads and resources reflected in item (ii) above.

Such information regarding projected transmission needs, loads and resources of such Order 1000 Enrolled Party is typically to be provided in the underlying data for WECC submittals provided by such Order 1000 Enrolled Party pursuant to section 4.6 of the Order 1000 Agreement; *provided that*, such Order 1000 Enrolled Party is to provide any updates to such information regarding projected transmission needs, loads and resources upon ColumbiaGrid's request. Each Order 1000 Enrolled Party providing to ColumbiaGrid pursuant to section 11.1 of the Order 1000 Agreement any information (including any update) that is a projection is to use reasonable efforts to provide a good faith projection thereof.

A transmission customer of an Order 1000 Enrolled Party is to submit to such Order 1000 Enrolled Party, in accordance with and on the schedule set forth in its Attachment K, transmission planning information regarding projected transmission needs, loads and resources of such transmission customer. Interested Persons may also submit to ColumbiaGrid data regarding ten year projected loads and resources, including existing and planned demand response resources, on the Order 1000 Transmission System of any Order 1000 Enrolled Party. Such submittals to ColumbiaGrid should if practicable be submitted (a) by January 31st of any year to facilitate the availability of information for use in ColumbiaGrid planning in such year, and (b) in the format for WECC submittals pursuant to section 4.6 of the Order 1000 Agreement. The format for the data files for WECC submittal is to be available from ColumbiaGrid upon request.⁵⁴

5. Comparability Principle

In the June 20 Order, the Commission found that PSE partially complied with the comparability principle.⁵⁵ The Commission noted that a study team must determine that a non-transmission alternative has a reasonable degree of development before the alternative can be noted in the transmission plan. The Commission found that PSE did not explain (i) "how the

⁵⁴ Attachment K at Part III, Section 15.1; *see also* Order 1000 Functional Agreement at Section 11.1.

⁵⁵ June 20 Order at P 79.

study team will determine whether a proposed non-transmission alternative has a reasonable degree of development”, or (ii) “how applying this new, additional factor only to non-transmission alternatives complies with the requirement to evaluate and select from competing solutions and resources such that all types of resources are considered on a comparable basis.”⁵⁶ The Commission directed PSE to revise its Attachment K to address compliance with the comparability principle, as it applies to the ColumbiaGrid regional transmission planning process.⁵⁷

Under both the Order 1000 Functional Agreement and PSE’s revised Attachment K, the same factors used in the ColumbiaGrid Order 1000 regional transmission planning processes to evaluate transmission solutions will be used to evaluate solutions that are non-transmission alternatives (referred to as Order 1000 Non-Transmission Alternatives).⁵⁸ PSE has also removed from its Attachment K the requirement that the Study Team determine that a non-transmission alternative had a reasonable degree of development before it could be noted in the plan.⁵⁹

C. Requirement to Plan on Regional Basis to Identify the More Efficient or Cost-Effective Transmission Solutions

1. More Efficient or Cost-Effective

In the June 20 Order, the Commission noted that, under PSE’s Attachment K, the Study Team was to assess whether there was “a more cost-effective and efficient alternative”.⁶⁰ The Commission directed PSE to modify its Attachment K to be “consistent with the Order No. 1000 standard of ‘more efficient or cost-effective’”.⁶¹

PSE has corrected its Attachment K consistent with the Order 1000 efficient or cost-effective standard. Specifically, PSE has revised its Attachment K to state that the Study team is to assess whether there is a solution that is a *more efficient or cost-effective* alternative to address Order 1000 Need(s).⁶²

2. Consideration of Un-sponsored Projects by the Study Team

In the June 20 Order, the Commission found that it was not clear from the description of the study team process how ColumbiaGrid or the study team conducts an analysis to determine whether regional transmission needs, when taken together, can be met more efficiently or cost-

⁵⁶ June 20 Order at P 80.

⁵⁷ June 20 Order at P 81.

⁵⁸ Order 1000 Functional Agreement at Section 2.3 of Appendix A; Attachment K at Part III, Section 2.3.

⁵⁹ Attachment K at Part III, Section 2.4; *see also* Order 1000 Functional Agreement at Section 2.4 of Appendix A.

⁶⁰ June 20 Order at P 104; *see also* Attachment K filed October 11, 2012 at Part III, Sections 4.1, 10.1.2.1 (using more cost-effective and efficient instead of more efficient or cost-effective).

⁶¹ June 20 Order at PP 104, 107.

⁶² Attachment K at Part III, Section 4.3; *see also* Order 1000 Functional Agreement at Section 4.3 of Appendix A.

effectively by a regional solution that is not sponsored by a study team participant.⁶³ The Commission directed PSE to clarify how, in the study team process, unsponsored transmission projects are considered to ensure ColumbiaGrid or the study team identifies the more efficient or cost-effective solution in the regional transmission planning process.⁶⁴

PSE has revised its Attachment K to clarify that a proposed solution to an Order 1000 Need may, but does not need to, be sponsored to be considered by the Study Team. Any Order 1000 Enrolled Party or ITP Proponent may be a proponent of a proposed solution to an Order 1000 Need.⁶⁵ In which case, such Order 1000 Enrolled Party or ITP Proponent must submit certain information to ColumbiaGrid so that the proposed solution for which it is a proponent may be evaluated by the Study Team.⁶⁶ PSE has also added a new section to its Attachment K that allows for consideration by the Study Team of proposed solutions for which there is no proponent. Specifically, Part III, Section 4.4, of PSE's revised Attachment K provides:

Staff, in consultation with the Study Team and Interested Persons, is to review each plan of service that is included in a final Study Team report and assess whether Order 1000 Needs, when taken together, can be met by any more efficient or cost-effective transmission solution. If any such transmission solution is identified as a result of such assessment as a more efficient or cost-effective solution to an Order 1000 Need(s) ("Order 1000 Proposed Staff Solution"), Staff is to develop information regarding such transmission solution that is comparable to the information that is to be provided pursuant to section 2.6 of Appendix A of the Order 1000 Agreement. However, such data is not to include any assumption regarding the identity of the sponsor, developer, owner, or operator of any facilities of such transmission solution. A plan of service for any Order 1000 Proposed Staff Solution is to be developed by a Study Team (or by Staff in the absence of consensus) as described in section 4.3 of Appendix A of the Order 1000 Agreement, and the transmission facilities included in such plan of service may be an Order 1000 Proposed Project.

As required by the June 20 Order, this provision requires Staff, in consultation with the Study Team and Interested Persons, to assess whether regional transmission needs, when taken together, can be met more efficiently or cost-effectively by a regional solution that is not sponsored by a study team participant.⁶⁷

⁶³ June 20 Order at P 104.

⁶⁴ June 20 Order at P 107.

⁶⁵ See, e.g., Attachment K at Part III, Section 2.6; see also, e.g., Order 1000 Functional Agreement at Section 2.6 of Appendix A.

⁶⁶ Attachment K at Part III, Section 2.6; see also Order 1000 Functional Agreement at Section 2.6 of Appendix A.

⁶⁷ See June 20 Order at P 104.

3. Identification of Transmission Solutions That Meet Reliability Requirements, Economic Considerations, and Transmission Needs Driven by Public Policy Requirements

In the June 20 Order, the Commission noted that Order No. 1000 includes an affirmative obligation to identify more efficient or cost-effective transmission solutions to transmission needs driven by economic considerations, reliability, and public policy requirements.⁶⁸ The Commission found that the proposed regional transmission planning process did not require ColumbiaGrid to affirmatively identify transmission needs driven by economic considerations, regardless of whether it receives stakeholder requests for economic studies.⁶⁹ The Commission directed PSE to revise its Attachment K to set forth an affirmative obligation to identify transmission solutions that more efficiently or cost-effectively meet reliability requirements, address economic considerations, and meet transmission needs driven by public policy requirements.⁷⁰

PSE has revised its Attachment K to include an affirmative obligation for ColumbiaGrid to identify transmission solutions that more efficiently or cost-effectively meet reliability requirements, address economic considerations, and meet transmission needs driven by public policy requirements. First, the definition of Order 1000 Need expressly includes transmission needs that are driven by reliability requirements, address economic considerations, or are driven by Public Policy Requirements.⁷¹ Second, PSE's revised Attachment K expressly provides an opportunity for Interested Persons to suggest Order 1000 Potential Need(s) that are driven by (i) reliability requirements, (ii) economic considerations, or (iii) Public Policy Requirements.⁷² Finally, PSE's revised Attachment K states that ColumbiaGrid, among other things, is to perform a system assessment to "identify Order 1000 Need(s), if any, including Order 1000 Needs that are driven by (a) reliability requirements, (b) economic considerations, or (c) Public Policy Requirements, projected to occur during the Planning Horizon. . . ."⁷³ As required by the June 20 Order, these provisions set forth an affirmative obligation to identify transmission solutions that more efficiently or cost-effectively meet reliability requirements, address economic considerations, and meet transmission needs driven by public policy requirements.⁷⁴

⁶⁸ June 20 Order at P 105; *see also* June 20 Order at P 107.

⁶⁹ June 20 Order at P 105.

⁷⁰ June 20 Order at P 107.

⁷¹ Attachment K at Appendix A (defining "Order 1000 Need"); *see also* Order 1000 Functional Agreement at Section 1.41 (same).

⁷² Attachment K at Part III, Section 3.1; *see also* Order 1000 Functional Agreement at Section 3.1 of Appendix A.

⁷³ Attachment K at Part III, Section 3.2.1; *see also* Order 1000 Functional Agreement at Section 3.2.1 of Appendix A; *see also* Order 1000 Functional Agreement at Section 2.5(iii).

⁷⁴ *See* June 20 Order at P 107.

4. Information That Merchant Transmission Developers Are Required to Provide ColumbiaGrid

In the June 20 Order, the Commission noted that Order No. 1000 requires public utility transmission providers to identify information that a merchant transmission developer would be required to provide to ColumbiaGrid in order for ColumbiaGrid to assess potential reliability and operational impacts of a merchant transmission developer's proposed transmission facilities on other systems in the region.⁷⁵ The Commission found that PSE did not address this requirement in its October 11 Filing and, therefore, directed PSE to revise its Attachment K to identify information that a merchant transmission developer must provide in order for ColumbiaGrid to assess potential reliability and operational impacts of its proposed transmission facility.⁷⁶

PSE's revised Attachment K includes a detailed list of information that an Order 1000 Enrolled Party or ITP Proponent is, with regard to a proposed solution for which it is a proponent, required to submit to ColumbiaGrid.⁷⁷ PSE's revised Attachment K provides that Order 1000 Merchant Transmission Developers must submit, with regard to its proposed transmission facilities, information (exclusive of cost estimates) comparable to the information that an Order 1000 Enrolled Party or ITP Proponent is required to provide ColumbiaGrid.⁷⁸ To the extent that a merchant transmission developer provides such information, ColumbiaGrid is to consider, to the extent practicable, the impacts of such Order 1000 Merchant Transmission Developer's proposed transmission facilities on the facilities in the Order 1000 ColumbiaGrid Planning Region as part of its next system assessment.⁷⁹

D. Transmission Needs Driven by Public Policy Requirements

1. Definition of Public Policy Requirements and Order 1000 Needs

In the June 20 Order, the Commission noted that the Filing Parties' proposed definition of public policy requirements was consistent with Order No. 1000.⁸⁰ The Commission directed that the definition of need in Attachment K include transmission needs driven by public policy requirements.⁸¹ PSE's revised Attachment K includes the definition of Order 1000 Need, which

⁷⁵ June 20 Order at P 106.

⁷⁶ June 20 Order at PP 106-107.

⁷⁷ Attachment K at Part III, Section 2.6; *see also* Order 1000 Functional Agreement at Section 2.6 of Appendix A.

⁷⁸ Attachment K at Part III, Section 2.6; *see also* Order 1000 Functional Agreement at Section 2.6 of Appendix A.

⁷⁹ Attachment K at Part III, Section 2.7; *see also* Order 1000 Functional Agreement at Section 2.7 of Appendix A.

⁸⁰ June 20 Order at PP 127.

⁸¹ June 20 Order at PP 127, 137.

expressly includes any need for transmission facilities that is “driven by reliability requirements, addresses economic considerations, or is driven by Public Policy Requirements.”⁸²

2. Stakeholder Input Regarding Transmission Needs Driven by Public Policy Requirements

In the June 20 Order, the Commission found that PSE’s Attachment K did not include details regarding when and how stakeholders can communicate and provide input on transmission needs driven by public policy requirements.⁸³ The Commission directed PSE to revise its Attachment K to describe how stakeholders can provide input and offer proposals regarding transmission needs they believe are driven by public policy requirements in the regional transmission planning process such that the process for doing so is transparent to all interested stakeholders.⁸⁴

PSE’s revised Attachment K provides for an annual Order 1000 Needs Meeting to which Interested Persons are to be invited, and notice of such meeting is to be posted on the Website. The purpose of such meeting will be to discuss Order 1000 Potential Needs that should be included in the upcoming system assessment.⁸⁵ Prior to such meeting, any Interested Person “may submit written suggestions to ColumbiaGrid of items that should be considered for inclusion as Order 1000 Potential Need(s), including suggested Order 1000 Potential Need(s) that are driven by (i) reliability requirements, (ii) economic considerations, or (iii) Public Policy Requirements.”⁸⁶ The opportunity to offer proposals regarding any Order 1000 Potential Needs and the annual Order 1000 Needs Meeting, which provides an opportunity for Interested Persons to provide input on any Potential Order 1000 Needs, including any Potential Order 1000 Needs driven by Public Policy Requirements, provide opportunities for input in an open and transparent manner. In addition, ColumbiaGrid is to post, subject to any appropriate conditions to protect Confidential Information and CEII, Order 1000 Need Statements and documentation of the basis upon which Order 1000 Potential Need(s), including Order 1000 Potential Need(s) driven by Public Policy Requirements, were or were not selected as Order 1000 Need(s) on the Website.⁸⁷

⁸² Attachment K at Appendix A; *see also* Order 1000 Functional Agreement at Section 1.41.

⁸³ June 20 Order at P 128.

⁸⁴ June 20 Order at PP 128, 137.

⁸⁵ Attachment K at Part III, Section 3.1; *see also* Order 1000 Functional Agreement at Section 3.1 of Appendix A.

⁸⁶ Attachment K at Part III, Section 3.1; *see also* Order 1000 Functional Agreement at Section 3.1 of Appendix A.

⁸⁷ Attachment K at Part III, Section 3.2.5; *see also* Order 1000 Functional Agreement at Section 3.2.5 of Appendix A.

3. Opportunity for Stakeholders to Propose Transmission Needs Driven by Public Policy Requirements Besides Those Needs That Are for Increased Transmission Capacity

In the June 20 Order, the Commission found that PSE's October 11 Filing unreasonably restricted the types of transmission needs driven by public policy requirements that stakeholders may propose to those needs for increased transmission capacity.⁸⁸ The Commission directed PSE to revise its Attachment K to allow stakeholders to propose in the system assessment process transmission needs driven by public policy requirements besides those transmission needs for increased capacity driven by public policy requirements.⁸⁹

As described above in section D.2, PSE's revised Attachment K provides for an annual Order 1000 Needs Meeting and prior to such meeting, any Interested Person "may submit written suggestions to ColumbiaGrid of items that should be considered for inclusion as Order 1000 Potential Need(s), including suggested Order 1000 Potential Need(s) that are driven by (i) reliability requirements, (ii) economic considerations, or (iii) Public Policy Requirements."⁹⁰ In short, Interested Persons may propose any Order 1000 Potential Need driven by Public Policy Requirements. Nothing in PSE's Attachment K limits the types of transmission needs Interested Persons may propose to those needs that are for increased capacity driven by public policy requirements.

4. Posting of Explanations Regarding Order 1000 Needs Driven by Public Policy Requirements

In the June 20 Order, the Commission found that PSE did not comply with the Order No. 1000 requirement to post on its website an explanation of (1) those transmission needs driven by public policy requirements that have been identified for evaluation for potential transmission solutions in the regional transmission process, and (2) why other suggested transmission needs driven by public policy requirements introduced by stakeholders were not selected for further evaluation.⁹¹ Accordingly, the Commission directed PSE to revise its Attachment K to provide for posting of an explanation of those transmission needs driven by public policy requirements that have been identified for evaluation for potential solutions in the regional transmission planning process and why other suggested transmission needs driven by public policy requirements introduced by stakeholders were not selected for further evaluation.⁹²

As described above in section D.2, PSE's has revised its Attachment K to address posting of documentation regarding the basis for why any Order 1000 Potential Needs, including Order 1000 Potential Needs driven by Public Policy Requirements, were or were not selected as

⁸⁸ June 20 Order at P 129.

⁸⁹ June 20 Order at P 129, 137.

⁹⁰ Attachment K at Part III, Section 3.1; *see also* Order 1000 Functional Agreement at Section 3.1 of Appendix A.

⁹¹ June 20 Order at P 131.

⁹² June 20 Order at P 131, 137.

Order 1000 Needs to be further evaluated in the ColumbiaGrid transmission planning process. Specifically, PSE's revised Attachment K provides that ColumbiaGrid is to post, subject to any appropriate conditions to protect Confidential Information and CEII, Order 1000 Need Statements and documentation of the basis upon which Order 1000 Potential Need(s), including Order 1000 Potential Need(s) driven by Public Policy Requirements, were or were not selected as Order 1000 Need(s) on the Website.⁹³

5. Identification and Evaluation of Transmission Needs Driven by Public Policy Requirements in Local Planning Process

In the June 20 Order, the Commission found that PSE did not propose to revise its local transmission planning process to include a just and reasonable and not unduly discriminatory process through which each public utility transmission provider will identify, out of the larger set of needs proposed, those needs for which transmission solutions will be evaluated in the local transmission planning process.⁹⁴ The Commission further found that PSE did not explain whether the process of evaluating potential transmission solutions to identified transmission needs will apply to potential transmission solutions to identified transmission needs driven by public policy requirements and found that it was not clear whether the opportunity for stakeholders to propose transmission facilities and provide input into the evaluation process applies to a transmission facility proposed to address a transmission need driven by public policy requirements.⁹⁵ The Commission directed PSE to revise its Attachment K to include: (1) a just and reasonable and not unduly discriminatory process through which the public utility transmission provider will identify, out of the larger set of needs proposed, those needs for which transmission solutions will be evaluated in the local transmission planning process, and (2) procedures to evaluate at the local level potential transmission solutions to identified transmission needs driven by public policy requirements that both include the evaluation of transmission facilities stakeholders propose to satisfy an identified transmission need driven by public policy requirements and allow stakeholders an opportunity to provide input during the evaluation of potential transmission solutions to identified transmission needs.⁹⁶

In response to the June 20 Order, PSE has revised its Attachment K to include the following with regard to input regarding potential local transmission needs or potential solutions:

Transmission Provider customers and interested stakeholders are encouraged to suggest potential local transmission needs (including those driven by Public Policy Requirements) for analysis in the development of the PSE Plan, or potential solutions (including non-transmission solutions) to local transmission needs, (a) at a PSE Transmission Customer Meeting (as described in Part VI) or (b) electronically by sending an email to

⁹³ Attachment K at Part III, Section 3.2.5; *see also* Order 1000 Functional Agreement at Section 3.2.5 of Appendix A.

⁹⁴ June 20 Order at P 151.

⁹⁵ June 20 Order at P 155.

⁹⁶ June 20 Order at P 157.

transmaster@pse.com. Any such suggestions should be submitted at or prior to the PSE Transmission Customer Meeting to facilitate their consideration in the PSE Plan then under development.

* * *

Transmission Provider customers and interested stakeholders are encouraged to comment on proposed solutions or suggest alternative proposed solutions to local transmission needs (including those driven by Public Policy Requirements), (A) at a Puget Sound Area Transmission Meeting (as described in Part VI) or (B) electronically by sending an email to transmaster@pse.com. Any such comments or suggestions should be submitted at or prior to the Puget Sound Area Transmission Meeting to facilitate their consideration in the PSE Plan then under development.⁹⁷

PSE's revised Attachment K also identifies factors to be used in selecting local transmission needs, including those driven by Public Policy Requirements, for analysis in developing the PSE Plan:

The factors used in selecting local transmission needs (including those driven by Public Policy Requirements) for analysis in developing the PSE Plan shall include the following:

- (1) the level and form of support for addressing the potential local transmission need (such as indications of willingness to purchase capacity and existing transmission service requests that could use capacity consistent with solutions that would address the potential local transmission need);
- (2) the feasibility of addressing the potential local transmission need;
- (3) the extent, if any, that addressing the potential local transmission need would also address other potential transmission needs; and
- (4) the factual basis supporting the potential local transmission need.

No single factor shall necessarily be determinative in selecting any potential local transmission need for analysis in developing the PSE Plan.⁹⁸

⁹⁷ Attachment K at Part V, section 4.

⁹⁸ Attachment K at Part V, section 4.

PSE's revised Attachment K also provides for posting of an explanation of which identified local transmission needs driven by Public Policy Requirements will be evaluated in PSE's local transmission planning process:

With respect to identified local transmission needs driven by Public Policy Requirements, if any, Transmission Provider will post on its OASIS (x) an explanation of which of such need(s) will be evaluated in Transmission Provider's local transmission planning process, and (y) an explanation of why any of such need(s) will not be evaluated in the local transmission planning process.

PSE's revised Part V, section 4, of its Attachment K specifies factors to be used in evaluating and selecting from among alternative proposed solutions to local transmission needs, including those driven by Public Policy Requirements:

PSE will evaluate and select from among alternative proposed solutions to local transmission needs (including those driven by Public Policy Requirements) selected pursuant to this section 4 using factors that include the following:

- (i) sponsorship and degree of development of proposed solution;
- (ii) feasibility;
- (iii) coordination with any affected transmission system;
- (iv) economics;
- (v) effectiveness of performance;
- (vi) satisfaction of identified local transmission need(s), including those driven by Public Policy Requirements and including the extent to which the proposed solution satisfies multiple identified local transmission needs;
- (vii) mitigation of any Material Adverse Impacts of Local Need Solution of such proposed solution on any transmission system;
- (viii) consistency with applicable state, regional, and federal planning requirements and regulations;
- (ix) consistency with such additional criteria as are then accepted or developed by PSE.

No single factor shall necessarily be determinative in evaluating proposed solutions in developing the PSE Plan.⁹⁹

E. Qualification Criteria

1. Payment Obligation

In the June 20 Order, the Commission found it unreasonable that a non-incumbent transmission developer that signed the Third Restated PEFA to be eligible to request cost allocation for a transmission project it proposed was obligated to continue to fund ColumbiaGrid's operations for up to 30 months after giving notice of its withdrawal.¹⁰⁰ The Commission noted that ColumbiaGrid can collect its current costs (including the costs of analyzing proposed transmission projects) from a non-incumbent, but stated that the proposal to continue to collect from such non-incumbents for a minimum of two years after they give notice of withdrawal was not sufficiently justified.¹⁰¹ Accordingly, the Commission directed Avista, PSE, and MATL to revise the Third Restated PEFA so that a non-incumbent transmission developer that signs the PEFA will incur no further payment obligations to ColumbiaGrid upon giving notice of withdrawal from the Restated PEFA.¹⁰²

Under the Order 1000 Functional Agreement, each Order 1000 Enrolled Party and ITP Proponent (incumbent and non-incumbent alike) is generally required to pay an initial \$50,000 base payment.¹⁰³ The \$50,000 base payment is to be made to ColumbiaGrid upon the later of each such party's execution of or the Effective Date of the Order 1000 Functional Agreement.¹⁰⁴ The base payment is set at a level that is intended to reimburse ColumbiaGrid for additional administrative expenses incurred under the Order 1000 Functional Agreement for the Planning Cycle in which the payment is made.¹⁰⁵ After the expiration of the Planning Cycle in which the initial \$50,000 was paid, those Order 1000 Enrolled Parties and ITP Proponents that have a base payment obligation are required to pay to ColumbiaGrid \$2,083.33 per calendar month until such party has withdrawn or has been deemed to withdraw from the Order 1000 Functional

⁹⁹ Attachment K at Part V, section 4.

¹⁰⁰ June 20 Order at PP 182-184.

¹⁰¹ June 20 Order at P 183.

¹⁰² June 20 Order at P 193.

¹⁰³ Order 1000 Functional Agreement at Section 3.1. Section 3.2 of the Order 1000 Functional Agreement provides certain exemptions from the base payment obligation, including an exemption for ITP Proponents (non-incumbents) who are enrolled in an Order 1000 Planning Region other than the Order 1000 ColumbiaGrid Planning Region in which an Order 1000 Enrolled Party could be a proponent of an ITP in such other Order 1000 Planning Region without there being any payment obligation imposed on such Order 1000 Party in order for it to be a proponent of such ITP. In other words, the Order 1000 Functional Agreement contemplates reciprocity as between neighboring Order 1000 Planning Regions and, so long as an ITP Proponent is enrolled in and paying for transmission planning in another Order 1000 Planning Region, such ITP will not be required to pay to participate in ColumbiaGrid planning for its ITP if the planning region such ITP Proponent is enrolled in would treat an entity that is enrolled in the Order 1000 ColumbiaGrid Planning Region in a comparable manner.

¹⁰⁴ Order 1000 Functional Agreement at Section 3.1.

¹⁰⁵ See Order 1000 Functional Agreement at Section 3.1.

Agreement.¹⁰⁶ Consistent with the June 20 Order, upon withdrawal from the Order 1000 Functional Agreement, the withdrawing party will have no further payment obligation to ColumbiaGrid under Section 3 of the Order 1000 Functional Agreement.¹⁰⁷

2. Reliance on Third Party Contractors to Satisfy Qualification Criteria

In the June 20 Order, the Commission found that it was unreasonable to require a developer to demonstrate that it has the capability to construct, own and operate transmission facilities without providing an opportunity for the developer to satisfy this showing through reliance on third-party contractors.¹⁰⁸ The Commission, therefore, directed PSE to revise its Attachment K to allow a developer to satisfy the qualification criteria by relying on the relevant experience of third-party contractors.¹⁰⁹

PSE's revised Attachment K allows developers to rely on third-party contractors to satisfy the qualification criteria. Specifically, PSE's revised Attachment K provides:

The requirement for any information listed above may be satisfied by reliance on relevant experience of third-party contractors; *provided however* that any third-party contractors to be relied upon must be specifically identified and ColumbiaGrid must be provided sufficient information regarding such third-party contractors to allow ColumbiaGrid to fully review and evaluate the relevant qualifications of such third-party contractors.¹¹⁰

Consistent with the June 20 Order, this provision allows developers to rely on third-party contractors to satisfy the qualification criteria.¹¹¹

3. Removal of Consideration of Transmission Developers' "Financial Resources" as Qualification Criteria

In the June 20 Order, the Commission found that the proposal to consider transmission developers' "financial resources" was too vague.¹¹² The Commission directed PSE to revise its Attachment K to clarify the term "financial resources" to provide sufficient detail to prospective

¹⁰⁶ Order 1000 Functional Agreement at Section 3.1.

¹⁰⁷ Order 1000 Functional Agreement at Sections 3, 13.2; *see* June 20 Order at P 193.

¹⁰⁸ June 20 Order at P 187.

¹⁰⁹ June 20 Order at P 193.

¹¹⁰ Attachment K at Part III, Section 2.5; *see also* Order 1000 Functional Agreement at Section 2.5 of

Appendix A.

¹¹¹ *See* June 20 Order at PP 187, 193.

¹¹² June 20 Order at P 186.

developers about what information they must provide for ColumbiaGrid to determine whether they qualify as a transmission developer.¹¹³

PSE has removed from its Attachment K the requirement for ColumbiaGrid to consider developers' "financial resources".¹¹⁴ Instead, information to be submitted to ColumbiaGrid regarding any proposed developer, owner, or operator includes:

the creditworthiness of any Person proposed as developer(s), owner(s), or operator(s), as demonstrated for example by (a) an investment grade credit rating, (b) information demonstrating that such Person (1) has existed for at least five years, (2) has maintained positive working capital for the prior three years, and (3) has a minimum tangible net worth of \$1 million or total assets of \$10 million, or (c) other demonstration of creditworthiness acceptable to ColumbiaGrid.¹¹⁵

ColumbiaGrid is to use the information submitted, including information regarding the creditworthiness of any proposed developer, owner, or operator, to determine whether such proposed developer, owner, or operator is qualified to be a developer, owner, or operator, as applicable, under the Order 1000 Functional Agreement.¹¹⁶

4. Removal of Consideration of Capability to Seek Licenses

In the June 20 Order, the Commission took issue with the proposal for ColumbiaGrid to consider a developer's capability to "seek licenses" as a factor when determining whether such developer is eligible to propose a transmission project for selection in the regional transmission plan for purposes of cost allocation.¹¹⁷ The Commission directed PSE to revise its Attachment K to remove the reference to the current or expected capability of a transmission developer to "seek licenses" related to the proposed transmission project.¹¹⁸ PSE has revised its Attachment K to remove the reference to the capability to seek licenses.¹¹⁹

¹¹³ June 20 Order at P 193.

¹¹⁴ Attachment K at Part III, Section 2.5; *see also* Order 1000 Functional Agreement at Section 2.5 of Appendix A.

¹¹⁵ Attachment K at Part III, Section 2.5; *see also* Order 1000 Functional Agreement at item (iv) of Section 2.5 of Appendix A.

¹¹⁶ Attachment K at Part III, Section 2.5; *see also* Order 1000 Functional Agreement at Section 2.5 of Appendix A.

¹¹⁷ June 20 Order at P 188.

¹¹⁸ June 20 Order at PP 188, 193.

¹¹⁹ Attachment K at Part III, Section 2.5; *see also* Order 1000 Functional Agreement at Section 2.5 of Appendix A.

5. Removal of Consideration of Cost Containment Capability and Other Advantages or Disadvantages

In the June 20 Order, the Commission found that it was unreasonable to require a prospective transmission developer to provide information regarding its demonstrated cost containment capability and other advantages and disadvantages in developing or constructing its proposed transmission project as part of the qualification criteria.¹²⁰ Accordingly, the Commission directed PSE to revise its Attachment K to remove from its qualification criteria a prospective transmission developer's demonstrated cost containment capability and other advantages or disadvantages the transmission developer may have in developing or constructing its proposed transmission project.¹²¹ PSE has removed from its qualification criteria a prospective transmission developer's demonstrated cost containment capability and other advantages or disadvantages the transmission developer may have in developing a proposed transmission project.¹²²

6. Removal of Consideration of Ability to Assume Liability for Major Losses

In the June 20 Order, the Commission found that it was unclear what was intended by the proposed criterion that a developer demonstrate its ability to assume liability for major losses from failure of, or damage to, facilities associated with the transmission project.¹²³ The Commission directed PSE to either explain why this provision is necessary and not unduly discriminatory or remove this qualification criterion from its Attachment K.¹²⁴ PSE has removed this qualification criterion from its Attachment K.¹²⁵

7. ColumbiaGrid to Determine Whether a Transmission Developer Is Eligible Before Developer Is Required to Propose Its Project for Selection for Purposes of Cost Allocation

In the June 20 Order, the Commission found it unreasonable for ColumbiaGrid to require a potential transmission developer to participate fully in the transmission planning process absent confirmation that the developer is eligible to propose its project for selection in the regional transmission plan for purposes of cost allocation.¹²⁶ The Commission directed PSE to revise its Attachment K such that ColumbiaGrid determines whether a transmission developer is eligible to

¹²⁰ June 20 Order at P 190.

¹²¹ June 20 Order at PP 190, 193.

¹²² Attachment K at Part III, Section 2.5; *see also* Order 1000 Functional Agreement at Section 2.5 of Appendix A.

¹²³ June 20 Order at P 191.

¹²⁴ June 20 Order at PP 191, 193.

¹²⁵ Attachment K at Part III, Section 2.5; *see also* Order 1000 Functional Agreement at Section 2.5 of Appendix A.

¹²⁶ June 20 Order at P 192.

propose its project for selection in the regional transmission plan for purposes of cost allocation before such developer is required to propose its project for purposes of cost allocation.¹²⁷

Under PSE's revised Attachment K, a proposed developer, owner, or operator may at any time submit information to ColumbiaGrid and seek a determination from ColumbiaGrid regarding whether it is qualified to be a developer, owner, or operator, as applicable, under the Order 1000 Functional Agreement.¹²⁸ Within 60 days of its receipt of all specified information with regard to such proposed developer, owner, or operator, ColumbiaGrid is to make a determination whether any such proposed developer, owner, or operator is qualified to be a developer, owner, or operator, as applicable, under the Order 1000 Functional Agreement and is to notify in writing such proposed developer, owner, or operator and each Order 1000 Party of its determination.¹²⁹ If ColumbiaGrid determines that a proposed developer, owner, or operator is not qualified, ColumbiaGrid is to provide an opportunity for such proposed developer, owner, or operator to cure any deficiencies such that it may become qualified.¹³⁰

PSE has also revised its Attachment K such that there is no requirement that a developer be qualified to propose a solution to an Order 1000 Need for consideration in the ColumbiaGrid Order 1000 transmission planning process. In addition, there is no requirement that a developer be qualified before requesting Order 1000 Cost Allocation. Rather, any Order 1000 Enrolled Party or ITP Proponent may request that Staff identify any Order 1000 Eligible Project(s) included in a final Study Team report.¹³¹ Also, any Order 1000 Enrolled Party or ITP Proponent may request Order 1000 Cost Allocation for any Order 1000 Eligible Project.¹³² An Order 1000 Project may be removed from the Plan if, upon reevaluation as part of a subsequent system assessment if there is no qualified developer, owner, or operator (such that the Order 1000 Project will not timely meet Order 1000 Need(s)), but the identification of a qualified developer, owner, or operator for a proposed transmission project is not required for such project to be selected for purposes of Order 1000 Cost Allocation.¹³³

F. Information Requirements

In the June 20 Order, the Commission found that PSE failed to revise its Attachment K to identify the specific information required to be submitted by transmission developers to allow a

¹²⁷ June 20 Order at PP 192, 193.

¹²⁸ Attachment K at Part III, Section 2.5; *see also* Order 1000 Functional Agreement at Section 2.5 of Appendix A.

¹²⁹ Attachment K at Part III, Section 2.5; *see also* Order 1000 Functional Agreement at Section 2.5 of Appendix A.

¹³⁰ Attachment K at Part III, Section 2.5 *see also* Order 1000 Functional Agreement at Section 2.5 of Appendix A.

¹³¹ Attachment K at Part III, Section 5.1; *see also* Order 1000 Functional Agreement at Section 5.1 of Appendix A.

¹³² Attachment K at Part III, Section 5.2; *see also* Order 1000 Functional Agreement at Section 5.2 of Appendix A.

¹³³ Attachment K at Part III, Sections 2.5 and 3.3; *see also* Order 1000 Functional Agreement at Sections 2.5 and 3.3 of Appendix A.

proposed Order 1000 transmission project to be evaluated in the regional transmission planning process on a basis comparable to other projects that are proposed.¹³⁴ The Commission also noted that PSE did not identify the date by which information in support of a transmission project must be submitted to be considered in a given transmission planning cycle.¹³⁵ The Commission directed PSE to revise its Attachment K to identify the information that a prospective transmission developer must submit in support of a transmission project that the developer proposes in the regional transmission planning process in sufficient detail to allow a proposed transmission project to be evaluated in the regional transmission planning process on a basis comparable to other transmission projects that are proposed in this process and also to identify the date by which such information must be submitted to be considered in a given planning cycle.¹³⁶

PSE's revised Attachment K identifies the information that an Order 1000 Enrolled Party or ITP Proponent must submit to ColumbiaGrid with respect to a proposed solution to an Order 1000 Need(s) for which it is a proponent.¹³⁷ PSE's Attachment K also specifies that such information must be submitted not later than 30 days after the issuance of the System Assessment Report for the Biennial Plan then being developed.¹³⁸ To the extent that any required information regarding a proposed solution is submitted after the time for submitting such information specified in the preceding sentence, such proposed solution will be considered by the Study Team only insofar as, in ColumbiaGrid's sole discretion, such consideration is practicable.¹³⁹

G. Evaluation Process for Selecting Solutions to Order 1000 Needs for Purposes of Cost Allocation

1. Economics as a Factor for Evaluation of a Proposed Solution

In the June 20 Order, the Commission noted that PSE's Attachment K indicated that the factors used in evaluating a proposed solution were to include, as appropriate, economics.¹⁴⁰ The Commission further stated that Order 1000 requires that the criteria by which the public utility transmission provider will evaluate and select among competing transmission solutions and resources should include the relative economics and effectiveness of performance for each alternative offered for consideration.¹⁴¹ Accordingly, the Commission directed PSE to further

¹³⁴ June 20 Order at P 198.

¹³⁵ June 20 Order at P 198.

¹³⁶ June 20 Order at PP 198, 199.

¹³⁷ Attachment K at Part III, Section 2.6; *see also* Order 1000 Functional Agreement at Section 2.6 of Appendix A.

¹³⁸ Attachment K at Part III, Section 2.6; *see also* Order 1000 Functional Agreement at Section 2.6 of Appendix A.

¹³⁹ Attachment K at Part III, Section 2.6; *see also* Order 1000 Functional Agreement at Section 2.6 of Appendix A.

¹⁴⁰ June 20 Order at P 212.

¹⁴¹ June 20 Order at P 212.

explain the circumstances, if any, under which the economics of a proposed transmission solution would not be a factor in its evaluation.¹⁴²

PSE's proposed Attachment K submitted with its October 11 Filing stated that the factors used in evaluating proposed solutions were to include "as appropriate" seven factors including economics.¹⁴³ Some of those seven factors may not need to be considered for every proposed solution. That proposed language did not preclude consideration of economics in evaluating each proposed solution. For clarity, however, PSE has removed the phrase "as appropriate" to make clear that economics will be used in evaluating all proposed solutions.¹⁴⁴

2. Who Is to Decide That a Proposed Transmission Facility Should be Included in an Initial Study Team Report and How Such Decision Is to be Made

In the June 20 Order, the Commission expressed concern about a lack of specificity regarding the process for determining which transmission projects will be included in the study team's initial report.¹⁴⁵ Accordingly, the Commission directed PSE to describe in its Attachment K who will ultimately decide that a transmission facility should be included in an initial report as a result of the study team process and how such decision will be made.¹⁴⁶

PSE's revised Attachment K clarifies that the objective of a Study Team is to develop all of the elements of a plan(s) of service to address an Order 1000 Need(s).¹⁴⁷ The Study Team is to attempt to reach agreement on all of the elements of a plan(s) of service to meet the Order 1000 Need(s).¹⁴⁸ In the event that the Study Team does not reach consensus on all of the elements of a plan(s) of service, Staff is to determine all of the elements, upon which the Study Team did not reach consensus, of a plan(s) of service to meet Order 1000 Need(s).¹⁴⁹ ColumbiaGrid will include the plan(s) of service developed by the Study Team in the Study Team report and is to note which elements of a plan(s) of service, if any, were developed by Staff.¹⁵⁰

¹⁴² June 20 Order at PP 212, 216.

¹⁴³ October 11 Filing at Attachment K at section 2.3 of Appendix A.

¹⁴⁴ Attachment K at Part III, Section 2.3; *see also* Order 1000 Functional Agreement at Section 2.3 of Appendix A.

¹⁴⁵ June 20 Order at PP 213, 216.

¹⁴⁶ June 20 Order at P 216.

¹⁴⁷ Attachment K at Part III, Section 4.3; *see also* Order 1000 Functional Agreement at Section 4.3 of Appendix A.

¹⁴⁸ Attachment K at Part III, Section 4.3; *see also* Order 1000 Functional Agreement at Section 4.3 of Appendix A.

¹⁴⁹ Attachment K at Part III, Section 4.3; *see also* Order 1000 Functional Agreement at Section 4.3 of Appendix A.

¹⁵⁰ *See* Attachment K at Part III, Section 4.3; *see also* Order 1000 Functional Agreement at Section 4.3 of Appendix A.

3. Order 1000 Project Selection Criteria

PSE's Attachment K filed on October 11, 2012, included certain criteria to be applied in selecting a Proposed Project as an Order 1000 Project.¹⁵¹ The Commission found that two of these criteria lack sufficient detail.¹⁵² Specifically the Commission found (1) that PSE must modify its Attachment K to be consistent with the Order No. 1000 standard of "more efficient or cost-effective", (2) that it was unclear how the study team or ColumbiaGrid will determine whether a proposed transmission project is confirmed to be the more efficient or cost-effective solution to meet an identified need, (3) that PSE did not explain what it means for a project to be developed by a study team, and (4) that PSE did not explain the circumstances under which ColumbiaGrid, as opposed to the study team, will evaluate whether a project should be selected in the regional transmission plan for purposes of cost allocation.¹⁵³ The Commission directed PSE to revise its Attachment K to (1) be consistent with the Order 1000 standard of "more efficient or cost-effective, (2) describe how the study team or ColumbiaGrid will determine whether a proposed transmission project is confirmed to be the more efficient or cost-effective solution, (3) explain what it means for a project to be developed by a study team, and (4) describe the circumstances under which ColumbiaGrid, as opposed to the study team, will evaluate whether a project should be selected in the regional transmission plan for purposes of cost allocation.¹⁵⁴

PSE has revised its Attachment K to use the "more efficient or cost-effective" standard as directed by the June 20 Order. PSE has also clarified under what circumstances the Study Team, ColumbiaGrid Staff, and the ColumbiaGrid Board are to evaluate whether a project is the more efficient or cost-effective solution and how a proposed project is confirmed as the more efficient or cost-effective solution. Pursuant to PSE's revised Attachment K, the Study Team is, in the first instance, to assess whether there is a solution that is a more efficient or cost-effective alternative.¹⁵⁵ The Study Team is to consider the factors in section 2.3 of Appendix A of the Order 1000 Functional Agreement in making that assessment.¹⁵⁶ Upon request of an Order 1000 Enrolled Party or ITP Proponent, Staff, in consultation with Interested Persons, is to identify the Order 1000 Proposed Project(s) that are included in a plan of service that is included in a final Study Team Report and, from among such Order 1000 Proposed Project(s), identify any such Order 1000 Proposed Project(s) that is a more efficient or cost-effective solution to an Order 1000 Need(s) (such Order 1000 Proposed Project(s) is referred to as an Order 1000 Eligible Project(s)).¹⁵⁷ For each Order 1000 Eligible Project for which Order 1000 Cost

¹⁵¹ October 11 Filing at Attachment K at section 10.1.2.1(i)(a)-(d) of Appendix A.

¹⁵² June 20 Order at P 214.

¹⁵³ June 20 Order at P 214.

¹⁵⁴ June 20 Order at P 214.

¹⁵⁵ Attachment K at Part III, Section 4.3; *see also* Order 1000 Functional Agreement at Section 4.3 of Appendix A.

¹⁵⁶ Attachment K at Part III, Section 4.3; *see also* Order 1000 Functional Agreement at Section 4.3 of Appendix A.

¹⁵⁷ Attachment K at Part III, Section 5.1; *see also* Order 1000 Functional Agreement at Section 5.1 of Appendix A.

Allocation has been timely requested the ColumbiaGrid Board is, in an open, public process (subject to any appropriate conditions to protect Confidential Information and CEII), to review such Order 1000 Eligible Project and either (i) confirm that such Order 1000 Eligible Project is a more efficient or cost-effective solution to meet an Order 1000 Need(s) and post such confirmation on the Website or (ii) document and post on the Website its reasons for not confirming that such Order 1000 Eligible Project is the more efficient or cost-effective solution to meet an Order 1000 Need(s).¹⁵⁸

Finally, PSE has revised its Attachment K to clarify what it means for a project to be developed by a Study Team. Specifically, PSE's Attachment K makes clear the scope of the Study Team's activities, which includes developing a plan of service to meet Order 1000 Need(s).¹⁵⁹

H. Reevaluation Process

In the June 20 Order, the Commission found that PSE failed to comply with the requirement that public utility transmission providers reevaluate the regional transmission plan, because PSE proposed that ColumbiaGrid would reevaluate Order 1000 Projects not the regional transmission plan.¹⁶⁰ The Commission directed PSE to clarify that ColumbiaGrid will undertake a reevaluation of the regional transmission plan, rather than only Order 1000 Projects. Such revisions are required to (1) allow the incumbent transmission provider to propose solutions that it would implement within its retail distribution service territory or footprint if an evaluation of alternatives is needed and (2) if the proposed solution is a transmission facility, provide for the facility's evaluation for possible selection in the regional transmission plan for purposes of cost allocation.¹⁶¹

PSE has revised its Attachment K to clarify that the transmission plan, taken as a whole, is to be reevaluated in each system assessment. PSE has also clarified that the incumbent transmission provider may propose solutions that it would implement within its retail distribution service territory or footprint and that such a proposed solution may be selected in the plan for purposes of cost allocation. Specifically, PSE's revised Attachment K provides:

Staff, in consultation with any identified developer, owner, or operator and any Order 1000 Beneficiary and ITP Proponent of an Order 1000 Project, is in each system assessment to reevaluate the most recent prior Plan, taken as a whole, to determine if changes in circumstances, including delays in the development of an Order 1000 Project included in such prior Plan, require evaluation of alternative transmission solutions, including

¹⁵⁸ Attachment K at Part III, Section 5.3; *see also* Order 1000 Functional Agreement at Section 5.3 of Appendix A.

¹⁵⁹ Attachment K at Part III, Section 4.3; *see also* Order 1000 Functional Agreement at Section 4.3 of Appendix A.

¹⁶⁰ June 20 Order at P 221.

¹⁶¹ June 20 Order at P 221.

those that the incumbent Order 1000 Enrolled Party proposes, so that the incumbent Order 1000 Enrolled Party as a transmission provider can meet its reliability needs or service obligations. . . .

* * * * *

In the event that an Order 1000 Project is removed from a Plan, an Order 1000 Enrolled Party may propose solutions that it would implement within its retail distribution service territory or footprint, if any evaluation of alternatives is needed. If an Order 1000 Enrolled Party proposes transmission facilities as a proposed solution to Order 1000 Need(s), such proposed transmission facilities are to be evaluated as a proposed solution in accordance with this Order 1000 Agreement.¹⁶²

I. Cost Allocation

1. Un-sponsored Transmission Projects

In the June 20 Order, the Commission found that PSE's proposal lacked a fair and not unduly discriminatory mechanism to grant an incumbent or non-incumbent transmission developer the right to use the regional cost allocation method for un-sponsored transmission facilities selected in the regional transmission plan for purposes of cost allocation.¹⁶³ The Commission directed PSE to revise its Attachment K to establish a fair and not unduly discriminatory mechanism that ColumbiaGrid will use to grant a transmission developer the right to use the regional cost allocation method for un-sponsored transmission facilities.¹⁶⁴

Under PSE's revised Attachment K, any Order 1000 Enrolled Party or ITP Proponent, as applicable, may request Order 1000 Cost Allocation for any Order 1000 Eligible Project, including un-sponsored Order 1000 Eligible Projects (for which no developer, owner, or operator has been identified). Any Order 1000 Eligible Project (without regard to whether there is or is not a sponsor for such project) for which Order 1000 Cost Allocation has been properly requested and that is confirmed by the Board to be the more efficient or cost-effective solution to an Order 1000 Need(s) is to be selected by ColumbiaGrid as an Order 1000 Project.¹⁶⁵ ColumbiaGrid is to perform an Order 1000 Cost Allocation for Order 1000 Projects that are not sponsored.¹⁶⁶ If, however, a developer, owner, or operator is later identified, the Order 1000

¹⁶² Attachment K at Part III, Section 3.3; *see also* Order 1000 Functional Agreement at Section 3.3 of Appendix A.

¹⁶³ June 20 Order at P 227.

¹⁶⁴ June 20 Order at P 227.

¹⁶⁵ Attachment K at Part III, Sections 5.2 and 5.3; *see also* Order 1000 Functional Agreement at Sections 5.2 and 5.3 of Appendix A.

¹⁶⁶ Attachment K at Part III, Section 6; *see also* Order 1000 Functional Agreement at Section 6 of Appendix A.

Cost Allocation may be reperformed to ensure that such developer, owner, or operator is properly allocated costs associated with its Order 1000 Benefits.¹⁶⁷

2. Binding Cost Allocation

In the June 20 Order, the Commission found that PSE partially complied with the cost allocation requirements of Order No. 1000.¹⁶⁸ According to the June 20 Order, to fully comply with the cost allocation requirements of Order No. 1000, cost allocation determinations for transmission projects selected in the regional transmission plan for purposes of cost allocation must be binding upon identified beneficiaries.¹⁶⁹ The Commission noted that section 2.1 of the Third Restated PEFA did not obligate a public utility transmission provider to implement a cost allocation or to pay any costs of new transmission facilities selected in the ColumbiaGrid regional transmission plan for purposes of cost allocation allocated in accordance with the regional cost allocation method.¹⁷⁰ Specifically, section 2.1 of the Third Restated PEFA stated that “[n]othing *in this Agreement* nor any cost allocation *under this Agreement*” obligated any Person to implement, effectuate, pay or commit to pay in accordance with any cost allocation or entitled any Person to recover for any transmission service or usage or to recover from any Planning Party any cost of any transmission facilities.

The Order 1000 Functional Agreement does not include a provision similar to section 2.1 of the Third Restated PEFA. Moreover, PSE’s revised Attachment K does not include any provision that limits its ability to recover or pay any cost allocation that PSE is required to recover or pay under Order No. 1000. PSE has made clear in its Attachment K that being “Enrolled” “refers to a Person’s status as enrolled in an Order 1000 Planning Region, such that such Person is subject to such Order 1000 Planning Region’s planning processes (including cost allocations) in accordance with the requirements of Order 1000 as implemented by such Order 1000 Planning Region.”¹⁷¹

PSE notes that Order No. 1000 expressly states that it does not address cost recovery.¹⁷² The Commission allowed, but did not require, transmission providers to include cost recovery mechanisms as part of their Order No. 1000 compliance filings.¹⁷³ Consistent with Order No. 1000, PSE does not address cost recovery of any Order 1000 Cost Allocation in this Compliance Filing.

¹⁶⁷ Attachment K at Part III, Section 5.2; *see also* Order 1000 Functional Agreement at Section 5.2 of Appendix A.

¹⁶⁸ June 20 Order at PP 266, 296, 298.

¹⁶⁹ June 20 Order at P 266.

¹⁷⁰ June 20 Order at P 266.

¹⁷¹ Attachment K at Appendix A (defining “Enrolled”); *see also* Order 1000 Functional Agreement at Section 1.18 (same).

¹⁷² Order No. 1000 at P 563; Order No. 1000-A at P 616.

¹⁷³ Order No. 1000-A at P 616.

3. Determination of Usable and Marketable Increased Capacity

In the June 20 Order, the Commission found that PSE failed to explain how it will be determined in the regional transmission planning process whether, and if so, to what extent, increased capacity on a beneficiary's transmission system is "usable and marketable."¹⁷⁴ The Commission directed PSE to revise its Attachment K to describe how it will be determined in the regional transmission process whether, and if so, to what extent, increased capacity on a beneficiary's transmission system is "usable and marketable."¹⁷⁵

As a threshold matter, it is necessary to determine whether any increased capacity will actually benefit the transmission provider whose transmission system will obtain increased capacity as a result of an Order 1000 Project to ensure that a transmission provider is not allocated costs associated with increased transmission capacity that provides no benefit to the transmission provider. To be sure, for example, additional stranded capacity on a transmission provider's system cannot be fairly said to be a benefit to the transmission provider. To that end, PSE's revised Attachment K describes tools and methodologies to be used to calculate any Order 1000 Benefit that may be associated with increased capacity that results from an Order 1000 Project.¹⁷⁶

The Commission also noted that, under the Third Restated PEFA, changes in revenues were to be based on the changes of usage of the beneficiary's transmission system projected using an economic analysis that includes, *as appropriate*, production cost, power flow, and stability analyses.¹⁷⁷ The Commission directed PSE to describe the circumstances, if any, under which each analytical tool and component of the economic analysis will not be used in identifying benefits.¹⁷⁸ To clarify the application of the analytical tools in determining the Order 1000 Benefits of a particular Order 1000 Project, PSE's revised Attachment K (i) removes the "as appropriate" to make clear that the listed analytical tools will be used in projecting the benefits of a particular Order 1000 Project for which an Order 1000 Cost Allocation is performed,¹⁷⁹ and (ii) details analytical tools and methodologies to be used for projecting Order 1000 Benefits.¹⁸⁰

¹⁷⁴ June 20 Order at P 301.

¹⁷⁵ June 20 Order at PP 301, 312.

¹⁷⁶ Attachment K at Part III, Section 6.2; *see also* Order 1000 Functional Agreement at Section 6.2 of Appendix A.

¹⁷⁷ June 20 Order at P 302.

¹⁷⁸ June 20 Order at PP 302, 309, 312.

¹⁷⁹ Attachment K at Appendix A (defining "Order 1000 Benefits"); *see also* Order 1000 Functional Agreement at item (ii)(b) of Section 1.31.

¹⁸⁰ Attachment K at Part III, Section 6.2.1; *see also* Order 1000 Functional Agreement at Section 6.2.1 of Appendix A.

4. Allocation of Costs to Sponsors

In the June 20 Order, the Commission took issue with the proposal to set the sponsor's Order 1000 Benefits equal to the projected capital cost of such sponsor's Order 1000 Project. Under that proposal, such sponsor would be allocated an amount equal to the projected capital cost of the Order 1000 Project *minus* any amounts allocated to non-sponsor Order 1000 Beneficiaries. The Commission found that "the projected capital cost of an Order No. 1000 transmission project may not be a reasonable approximation of the benefits that the project will provide to the transmission developer" and that such proposal "may allocate costs to a transmission developer that receives no benefit."¹⁸¹ Accordingly, the Commission directed PSE to either explain how its proposal complies with Cost Allocation Principle 2 or remove this proposal from its Attachment K.¹⁸²

In response to the June 20 Order, PSE has removed from its Attachment K the provision setting a sponsor's Order 1000 Benefits equal to the projected capital cost of such sponsor's Order 1000 Project. PSE has revised its Attachment K such that for purposes of calculating Order 1000 Benefits sponsor and non-sponsor beneficiaries are treated the same. That is, the Order 1000 Benefits are determined in the same manner for both sponsor and non-sponsor Order 1000 Beneficiaries.¹⁸³

5. Benefit to Cost Ratio

In the June 20 Order, the Commission noted that PSE did not propose to apply a benefit to cost ratio and, therefore, found that PSE's proposal complied with Cost Allocation Principle No. 3.¹⁸⁴ As a result of the other changes to its Attachment K, PSE has revised its Attachment K to include a benefit to cost ratio. As revised, ColumbiaGrid is to determine the Benefit to Cost Ratio for each Order 1000 Project for purposes of Order 1000 Cost Allocation. If the Benefit to Cost Ratio for any Order 1000 Project is determined to be less than 1.25, "such Order 1000 Project is, upon such determination, to no longer be an Order 1000 Project and any Order 1000 Cost Allocation for such project is to be vacated."¹⁸⁵ This provision is consistent with Cost Allocation Principle No. 3, which allows the use of a benefit to cost ratio to account for uncertainty in the calculation of benefits, so long as such threshold does not exceed 1.25 (unless a higher threshold is approved by the Commission).¹⁸⁶

¹⁸¹ June 20 Order at P 305.

¹⁸² June 20 Order at P 305.

¹⁸³ Attachment K at Appendix A (defining "Order 1000 Benefits") and Part III, Sections 6.2-6.3; *see also* Order 1000 Functional Agreement at Section 1.31 and Sections 6.2-6.3 of Appendix A.

¹⁸⁴ June 20 Order at P 306.

¹⁸⁵ Attachment K at Part III Section 6.3.2; *see also* Order 1000 Functional Agreement at Section 6.3.2 of Appendix A.

¹⁸⁶ Order No. 1000 at P 646.

6. Identification of Consequences for Other Transmission Regions

In the June 20 Order, the Commission found that PSE failed to comply with the Cost Allocation Principle No. 4 requirement that the regional transmission process identify the consequences of a transmission facility selected in the regional transmission plan for purposes of cost allocation for other transmission regions.¹⁸⁷ The Commission also found that PSE failed to address whether the ColumbiaGrid transmission planning region has agreed to bear the costs associated with any required upgrades in another transmission planning region or, if so, how such costs will be allocated within the ColumbiaGrid transmission planning region.¹⁸⁸ The Commission directed PSE to revise its Attachment K to provide for identification of the consequences of a transmission facility selected in the regional transmission plan for purposes of cost allocation for other transmission regions and to address whether the ColumbiaGrid transmission planning region has agreed to bear the costs associated with any required upgrades in another transmission planning region and, if so, how such costs will be allocated within the ColumbiaGrid transmission planning region.¹⁸⁹

Pursuant to PSE's revised Attachment K, Study Teams are to assess the ability of any proposed solution to address an Order 1000 Need(s) considering the factors as described in section 2.3 of Appendix A of the Order 1000 Functional Agreement, *including assessment of any Order 1000 Material Adverse Impact of such proposed solution on any transmission system and the mitigation thereof.*¹⁹⁰ PSE's Attachment K further provides:

For purposes of Order 1000 Cost Allocation, the projected costs of any Order 1000 Project (other than an ITP) are to include the projected costs required as a result of such project, if any, (i) that relate to transmission facilities outside the Order 1000 ColumbiaGrid Planning Region and (ii) that all Order 1000 Beneficiaries of such Order 1000 Project agree, in writing, to bear.¹⁹¹

Accordingly, PSE's revised Attachment K provides for the identification of consequences of a transmission facility selected in the regional transmission plan for purposes of cost allocation for other transmission regions and addresses how costs associated with such consequences will be allocated within the ColumbiaGrid transmission planning region where the Order 1000 Beneficiaries of the Order 1000 Project agree to bear those costs.¹⁹²

¹⁸⁷ June 20 Order at P 307.

¹⁸⁸ June 20 Order at P 307.

¹⁸⁹ June 20 Order at PP 307, 312.

¹⁹⁰ Attachment K at Part III, Section 4.3 and at Appendix A (defining "Order 1000 Material Adverse Impacts"); *see also* Order 1000 Functional Agreement at Section 4.3 of Appendix A and Section 1.38 of the body.

¹⁹¹ Attachment K at Part III, Section 6.1; *see also* Order 1000 Functional Agreement at Section 6.1 of Appendix A. PSE's Attachment K contains a parallel provision for Interregional Transmission Projects. *See id.*

¹⁹² *See* June 20 Order at PP 307, 312.

J. Ability to Negotiate Voluntary Cost Allocation

PSE's October 11 Filing included two opportunities to negotiate a voluntary agreement on implementation of an Order 1000 Project. In the June 20 Order, the Commission found that the proposal for a second opportunity to negotiate a voluntary cost allocation if "one affected person or more" requested such opportunity could prevent or stall the inclusion of the preliminary cost allocation report in the draft regional transmission plan and thus effectively preclude a transmission project from being selected in the regional transmission plan for purposes of cost allocation.¹⁹³ The Commission directed PSE to revise its Attachment K to provide a second opportunity to negotiate a voluntary cost allocation for an Order 1000 Project only if requested by all sponsors and affected persons.¹⁹⁴

PSE's revised Attachment K provides an initial negotiation period after selecting an Order 1000 Project but before Order 1000 Cost Allocation is performed for such Order 1000 Project, which allows Order 1000 Enrolled Parties or ITP Proponents that requested the Order 1000 Cost Allocation with respect to such Order 1000 Project and all Order 1000 Affected Persons with respect to such Order 1000 Project to reach agreement on implementation of such Order 1000 Project, including responsibility for the funding of such Order 1000 Project.¹⁹⁵ PSE's revised Attachment K allows for further opportunity to reach an agreement on Order 1000 Project implementation, including funding, but only if such further opportunity is requested by *all* Order 1000 Enrolled Parties or ITP Proponents that requested Order 1000 Cost Allocation, *all* Order 1000 Beneficiaries, and *all* Order 1000 Affected Persons. Specifically, PSE's revised Attachment K provides:

After Staff has prepared its Order 1000 Preliminary Cost Allocation Report with respect to an Order 1000 Project, ColumbiaGrid is, if and to the extent requested by all Order 1000 Enrolled Party(ies) or ITP Proponent(s) that requested Order 1000 Cost Allocation for such Order 1000 Project, by all Order 1000 Beneficiaries, and by all other Order 1000 Affected Persons with respect to such Order 1000 Project, to allow additional time for all such Order 1000 Enrolled Party(ies) or ITP Proponent(s), all Order 1000 Beneficiaries, and all other Order 1000 Affected Persons to reach agreement on Order 1000 Project implementation, including responsibility for the funding of such Order 1000 Project.¹⁹⁶

¹⁹³ June 20 Order at P 327.

¹⁹⁴ June 20 Order at P 327.

¹⁹⁵ Attachment K at Part III, Section 5.4; *see also* Order 1000 Functional Agreement at Section 5.4 of Appendix A.

¹⁹⁶ Attachment K at Part III, Section 6.4; *see also* Order 1000 Functional Agreement at Section 6.4 of Appendix A.

IV. SERVICE

PSE will post a copy of this filing on its OASIS and will serve a copy of this filing to all parties on the official service list in Docket Nos. ER13-98 and ER13-994.

V. EFFECTIVE DATE AND WAIVER

PSE requests an effective date for its Attachment K submitted in this Compliance Filing of February 17, 2014. To the extent necessary, PSE requests waiver of any applicable requirements of 18 C.F.R. Part 35 in order to allow its Compliance Filing submitted herein to become effective in the manner described herein.

VI. CONCLUSION

For the reasons set forth above, PSE respectfully requests that the Commission accept its Compliance Filing submitted herewith

Respectfully submitted,

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Enclosures