

Transmission Investigatory Docket

Preliminary Statement of Goals

There is a rapidly growing interest in the need for additional transmission in Colorado and in other parts of the western U.S. Besides the obvious need to expand the transmission grid to keep up with a rapidly growing population and a vibrant business sector, there also is the need to integrate significantly higher amounts of renewable energy resources. These resources are generally more dispersed, with lower capacity availability factors, than traditional fossil fuel plants. If the need for additional transmission capacity is addressed appropriately and in timely fashion, and if the advantages of regional cooperation are exploited, the result will be a more reliable and efficient electric system, with a diverse resource mix that balances environmental and economic goals.

A reliable, optimized western transmission system will allow for greater transfers of electrical energy within and between regions. This will create access to diverse generation resources, improving system reliability, reducing reserve requirements and providing electric service at reasonable costs. Since the cost of transmission infrastructure is relatively low compared to generation and distribution costs, increased investment in transmission can be a very wise investment that exploits the economies of scale associated with diverse generation resources.

Effective planning for expansion of the transmission grid will require decisions that are made many years in advance of the need. Such long-term planning is complex as a stand-alone task; it is further complicated by the fact that the incremental increase in generation resources expected to be added to the new, incremental additions to the transmission grid require planning horizons different than the planning horizon required needed for transmission facilities.

Within Colorado and throughout the Western Interconnection “constraints” refer to groups of transmission lines (known as “paths” or “TOTs”) with design capacity limits that have been reached after decades of service. Relieving these constraints is a two-prong problem requiring actions within Colorado and throughout the Western Interconnection. If constraints are alleviated within Colorado but not throughout the Interconnection, the benefits extend only as far as the most restrictive path limits allow. We anticipate that the Colorado Coordinated Planning Group (CCPG) will approach these issues as “one utility” within Colorado, coordinated with Southwest Area Transmission (SWAT) within WestConnect, and with neighboring subregional planning organizations. A similar approach should be employed throughout the Western Interconnection.

Any additional transmission infrastructure will need to be funded. To accelerate transmission investment, alternative cost allocation methodologies must be explored. The Commission generally believes that the beneficiaries of enhanced transmission infrastructure should bear the associated costs – of both

generation resource and transmission infrastructure. Beneficiaries are not limited to those that directly receive the energy delivered over new transmission facilities, but also those that benefit from improved system reliability and improved cost of service. We conclude that alternative transmission cost allocation and recovery methodologies, such as utility and ratepayer partnerships for new transmission projects, should also be explored.

Colorado will also benefit from greater regional integration of transmission facilities. HB07-1281 mandated Colorado investor-owned utilities receive 20% of their electricity from renewable resources. In addition, SB07-091 established a Task Force and charged it with the responsibility to “develop a map of existing generation and transmission lines and potential renewable resource generation development areas within Colorado that have potential to support competition among renewable energy developers for development of renewable resource generation projects.” The Task Force completed its work and issued its report titled, “Connecting Colorado’s Renewable Resources to the Markets” in 2007. This and similar analyses should lead to a strengthened transmission infrastructure, allowing Colorado to meet the requirements of HB07-1281 and promote a clean energy export and import sector.

Recent Colorado legislation (SB-091 and SB-100 passed in 2007) identifies potential resources within Colorado and attempts to lay out a mechanism for accessing these resources with expansion of the existing

transmission system. These incremental additions to the transmission infrastructure can be accomplished while impacts to the public's quality of life and the environment are minimized. Transmission infrastructure can be engineered in such a way that minimizes electromagnetic fields (EMF) and results in acceptable audible noise emissions when in operation.

All of the above are important issues to be addressed in the near term to assure that Colorado maintains reliable and cost-effective electric service with minimal environmental and public impacts. Decisions made in the next several years will have long term effects within Colorado, across the region and throughout the western United States. It is imperative that proper regulatory policies are employed to assure the reliability of the transmission system now and far into the future. Our policies will include the following:

- Appropriate planning horizons (short term and long term) for incremental additions of generation resources and transmission facilities, and the coordination of generation planning with transmission planning to ensure that an optimized electric system results;

- Appropriate incentives, a reasonable system of cost recovery, and an equitable cost allocation mechanism to treat the incremental expansion of the transmission system;

- Transmission pricing across multiple utilities (“postage stamp” rates vs. “pancake” rates); improvements to the transmission interconnection queue process; expansion of control areas; and full compliance with FERC Open Access, Order 890, and Order 2003 policies;
  
- Regional cooperation in cost allocation, as well as siting and permitting;
  
- Compliance with mandated Colorado Renewable Energy Standards, Demand Side Management goals, Resource Planning requirements and Climate Action initiatives, and coordination of these efforts with similar requirements in other western states;
  
- Protection of the public’s quality of life by minimizing the effects resulting from expansion of the transmission infrastructure; and
  
- Transparency and fairness for all market participants; and equitable treatment for all electric industry stakeholders and consumers.

In our investigation of these issues, we plan to be flexible with the processes used. The methods will include Staff research, expert consultant research, Commission requests for comments, informational meetings and workshops and, to the extent permitted, individual discussions with interested persons.

A second area of focus for the Commission will be specific transmission planning activities that are being pursued by utilities and other interested parties (e.g., the Senate Bill 100 Task Force, the Colorado Coordinated Planning Group, and the Colorado Long Range Transmission Planning Group). The PUC has been monitoring these activities and will evaluate how active it should be in the future. The Commission recognizes the need to temper its involvement in seeing projects move forward with its statutory responsibilities to hear and decide cases involving certain generation resource and transmission projects.

A third focus area is regional electricity transmission planning, including reliability and regulatory forums. Our increased involvement here will be consistent with the findings in the November 1, 2006 report of the Colorado Task Force on Reliable Electricity Infrastructure:

The Task Force recognizes that transmission is a regional reliability issue. Therefore, the Task Force recommends that as a matter of state policy the *Colorado State Legislature appropriate adequate funding for the PUC to actively participate in regional electricity transmission planning, reliability and regulatory forums.*

We will develop partnerships with Colorado governmental agencies such as the Clean Energy Development Authority and interstate partnerships with other State Commissions and Authorities in the region.

On July 24, 2007 we organized the Transmission Summit and invited Commissioners from neighboring states to join us. This year we are helping organize a half-day workshop on August 12, 2008 for Commissioners from six western states to discuss transmission issues. We intend to continue such efforts in the future.

Finally, there are numerous other organizations whose activities impinge on our goals in this area. These include the North American Electric Reliability Organization, the Federal Energy Regulatory Commission, the Department of Energy, the Western Electricity Coordinating Council, the Transmission Expansion Planning Policy Committee, the Western Interconnection Regional Advisory Board, and WestConnect. We are reviewing the activities of these organizations so that we will pursue efficient and cost-effective involvement consistent with our budgetary and resource limitations.