

# **LPPC Transmission/Infrastructure Investment Principles for the Eastern and Western Interconnections**

**February 2009**

## **Preamble**

- Public Power Utilities are committed to delivering low-cost, environmentally sound, and reliable electricity to our customers. We must ensure that consumer dollars that pay for these investments are spent cost effectively, yielding maximum environmental, economic, and reliability benefits for the consumer dollars invested.
- LPPC recognizes and seeks to preserve the value traditionally associated with Integrated Resource Planning (IRP). IRP evaluates many different options for meeting future electricity demands, including generation, demand side and transmission measures, and selects the optimal mix of measures on an integrated, least reasonable cost, environmentally sound basis. IRP is rooted in accountability to consumers and responsiveness to regional and local opportunities and constraints, while meeting applicable reliability, environmental and safety standards. Any legislation enacted by Congress pertaining to transmission development, renewable energy standards, demand side management and energy efficiency should be cognizant of the benefits traditionally associated with IRP and retain those benefits to the extent reasonably practical.
- LPPC supports increased investment in the electric power infrastructure, including high voltage transmission where it is needed to facilitate the development and delivery of renewable generation, to increase reliability of service to consumers, and to reduce congestion costs.

## **Principles**

### **A. Funding**

1. If Congress determines that the cost of transmission development to support renewable resources should be spread nation-wide as a matter of public policy, LPPC believes that general tax revenues are the best method to fund the cost, provided that a suitable mechanism is developed to assure appropriate oversight so that taxpayer money is used prudently.
2. As a general rule, LPPC supports the recovery of the cost of high voltage transmission in accordance with traditional cost causation principles, whether costs are recovered through the rates of private utilities or federal authorities. Cost of transmission primarily built for transmitting renewable resources should either be recovered through contracts between the

specific generator owners, transmission providers and load serving entities, or recovered by an existing regional planning organization from its participants which have agreed to an allocation mechanism. LPPC opposes the interconnection-wide allocation of transmission costs to customers not using the transmission, and also opposes any expansion of FERC authority over municipal utilities to facilitate interconnection-wide cost recovery.

## **B. Planning**

1. LPPC supports the use of existing regional transmission planning processes and organizations (such as MISO, SPP, PJM, TVA, etc) as the platform for planning and developing high voltage transmission, consistent with FERC Order 890. Because these processes and organizations were developed within the various regions over a considerable period of time, they tend to reflect regional practices and differences and enjoy wide regional support. LPPC opposes the *mandatory* creation of planning processes and organizations that would be unwieldy or duplicative of existing planning processes. Furthermore, successful transmission planning involves the ongoing involvement of highly skilled professionals, especially engineers with substantial experience in transmission planning and system operations. Policy makers should be cognizant of the fact these professionals are a finite resource in considering policy proposals to address electric infrastructure issues.
  - a. Given the physical, geographic and expanding electrical size of the Eastern Interconnection, LPPC opposes mandatory planning at the interconnection-level for the Eastern Interconnection. Mandatory planning at the interconnection-level for the Eastern Interconnection would be imprudent, inefficient and would likely result in inequities among the various regions that make up this vast geographic area.
  - b. The Western Interconnection currently conducts comprehensive transmission planning through regional and sub-regional transmission planning groups. These processes are well-recognized and endorsed by western stakeholders. In addition, the Western Governors' Association is currently working to identify renewable energy zones and associated conceptual transmission plans through its Western Renewable Energy Zone (WREZ) project. LPPC supports these established processes and opposes efforts to superimpose new planning institutions, insert additional requirements or duplicate current practices in the West.
2. LPPC supports the development, on a voluntary basis, of new forms of coordination aimed at additional regional and interregional planning.

3. LPPC opposes giving any generating resource a preferred use of the transmission system based exclusively upon whether or not the generating resource uses a specific fuel or technology.

**C. Siting**

For interstate transmission projects, expanded federal siting authority may be needed and LPPC supports such authority if it is developed and implemented in a fair and prudent manner.

**D. Participating Entities**

1. Transmission development should be undertaken on a lowest reasonable cost basis, and priority should be given to use of entities which can provide the lowest cost available financing.
2. Obstacles to public-private partnerships for transmission project development (joint ownership between municipal and private entities) should be removed, including protocols which would prevent the municipal portion of such investments from being operated consistent with the municipal utility business model, and restrictions on use of tax exempt debt.