

SMUD Transmission Planning Strawman

SMUD Strawman Regarding Compliance with the Nine Planning Principles from Commission Order 890

A. Overview

SMUD participates in local and regional transmission planning for the purposes of ensuring the reliability of the interconnected grid. SMUD undertakes such efforts in a coordinated, open, comparable, non-discriminatory and transparent manner. The Transmission Planning Process described herein involves regional, sub-regional, and local planning. SMUD expects that its participation in these processes will result in actions and identification of projects that will meet the system needs. In all matters, SMUD does not follow a process for the sake of a process, but rather uses these forums to ensure system reliability and load serving needs are met in the most efficient manner possible.

1. Regional Planning. For regional and inter-regional projects, SMUD has adopted the Western Electricity Coordinating Council Transmission Planning Process (WECC/TPC) that facilitates coordinated planning by all transmission owners and stakeholders within the Western Electricity Coordinating Council (“WECC”)¹ Region. SMUD’s Strawman refers to the current version of that process. See *Proposed Western Transmission Planning Process Strawman for TEPPC and Sub-regional Review*(WECC Strawman).

SMUD will continue to use and promote WECC as the primary forum for regional planning and coordination. SMUD will continue to engage in these WECC processes for regional planning and coordination responsibilities. WECC is responsible for coordinating and promoting electric system reliability throughout the West including the provinces of Alberta and British Columbia, the northern portion of Baja California, Mexico, and all or portions of 14 Western states. Any transmission planning alternative that emerges from the WECC process will undergo all applicable governmental permit and environmental review processes, including public participation, before construction may commence.

WECC is the appropriate level for conducting large scale region-wide economic and congestion studies. SMUD may also need to further develop economic study capability for sub-regional studies. SMUD supports WECC

¹ The WECC is one of the NERC Regional Reliability Councils, with responsibility for maintaining grid reliability in the Western Interconnection. WECC’s members include investor owned utilities, cooperative utilities, municipal utilities, federal power agencies, power marketers, and independent power producers.

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maintaining a west-wide planning data base with sufficient detail to perform studies at the subregional and transmission provider level. SMUD supports WECC establishing data submission and access policies that meet Order 890 and NERC requirements

SMUD will continue to actively participate in existing planning forums such as the WECC Planning Coordination Committee (PCC), Technical Studies Subcommittee (TSS), and System Review Work Group (SRWG) that provide transmission system information, conduct system assessments, coordinates regional projects, and ensures consistent data development. More information may be found at the WECC website at <http://www.wecc.biz>.

SMUD will continue to actively participate in appropriate WECC regional projects through the WECC three phase rating processes. SMUD also participates in various transmission proposals through the WECC regional planning process, through specific project review groups formed to aid in determining project ratings both within and outside California, and through review of Annual, Initial, and Comprehensive Progress Reports that are required to be submitted by WECC members to the TSS.

2. Sub-regional Planning. SMUD participates in sub-regional planning through its membership in WestConnect, the Northwest Power Pool, and actively participates with existing northern California planning forums. Additionally, SMUD will participate in a formal California Subregional Planning Group, upon its formation.

a. *WestConnect.* SMUD is a party to the WestConnect Amended and Restated Memorandum of Understanding, effective February 14, 2007. As a WestConnect member, SMUD is committed to participating in and committing resources to joint efforts to identify, develop and implement cost-effective wholesale market enhancements on a voluntary basis that add value for wholesale users of the Western Grid in transmission accessibility, wholesale market efficiencies and reliability.

As part of these joint efforts, WestConnect participants have initiated the coordination of certain sub-regional transmission planning work conducted by the Colorado Coordinated Planning Group (CCPG), the Southwest Area Transmission Planning Group (SWAT)², and the transmission providers in the

² Transmission provider participants in SWAT include: Arizona Public Service Company, El Paso Electric Company, Imperial Irrigation District, Nevada Power Company, Public Service Company of New Mexico, Sacramento Municipal Utility District, Salt River Project, Sierra Pacific Power Company, Southwest Transmission Cooperative, Tri-State Generation and Transmission Association,

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Sierra Nevada region in order to produce an annual coordinated transmission plan for the WestConnect Footprint. The WestConnect parties invite participation in this coordinated planning process from other interested parties in the sub-regions that are not WestConnect members. The coordinated WestConnect sub-regional planning processes are then further coordinated with the Western Electricity Coordinating Council Transmission Expansion Planning Policy Committee (WECC TEPPC) regional transmission planning process

WestConnect will post its own Strawman, in which it will show how coordination of these transmission planning activities, initiated on a voluntary basis, comply with the nine principles for coordinated, open and transparent transmission planning now mandated by the Commission in Order 890.³ WestConnect's Strawman will also identify additional procedures that the participants will need to develop in order to comply. WestConnect's Strawman, along with its source materials, may be found on its website at www.westconnect.com.

b. *Northwest Power Pool (NWPP)* SMUD is also a member of and participates in the Northwest Power Pool. NWPP Coordination will continue to be done through open and transparent existing forums, consistent with Order 890. SMUD will continue to actively participate with appropriate NW Subregional Planning Groups to coordinate expansion studies that impact multiple subregions via joint study teams. NWPP Subregional Planning Groups will coordinate with and support WECC's westwide expansion studies, and each Subregional Planning Group will submit their coordinated Expansion Plans to WECC. A NW steering group is being suggested to coordinate internally proposed studies along with all Order 890 congestion relief/resource integration requests. The NWPP groups are posting their strawman to comply separately, which may be found on its website at <http://www.nwpp.org>.

c. *California Subregional Planning Group.* SMUD is participating in the creation of a permanent committee, the California Subregional Planning Group (CSPG) to address subregional planning needs within California. SMUD envisions this committee to be comprised of, and governed by, all load serving entities within California. SMUD anticipates this group to be formed along the lines of the existing WestConnect and NWPP regional groups in which SMUD is actively involved. A California group is expected to be structured to allow the transparent coordination of multiple independent planning processes within both California and the neighboring states. Due to the different needs and electrical configurations in the state, SMUD expects that there may be a need for both a

Inc., Tucson Electric Power Company, and Western Area Power Administration Desert Southwest and Sierra Nevada offices.

³ FERC Order No. 890, ¶¶426-602.

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Northern California and a Southern California regional coordination subgroup, and SMUD will participate primarily in the Northern California subregion. SMUD openly shares its transmission plans, load forecasts, resources and network model data with subregional planning groups and the WECC.

3. Local Planning

For local transmission outside of the SMUD system, SMUD typically participates in projects for which TANC/PG&E/WAPA act as leads. SMUD is actively participating in several local planning groups in Northern and Central California. These groups include:

- The Sacramento Valley Study Group (SVSG): A group comprised of SMUD, Pacific Gas and Electric Company (PG&E), the City of Roseville, the Western Area Power Administration (WAPA) (Sierra Nevada Region), the Modesto Irrigation District (MID), the Turlock Irrigation District (TID), the Transmission Agency of Northern California (TANC), and the California Independent System Operator Corporation (CAISO).
- The Northern California Integration of Renewable Regional Transmission group: This group, led by PG&E is contracted by the California Energy Commission (CEC), is currently comprised of SMUD, PG&E, the CAISO, WAPA, TANC, and other interested parties. Additional stakeholders, IPPs, POUs and IOUs will be informed of an open process to participate in the identification of expansion plans and development.
- A PG&E-led group to evaluate new transmission access for integration of renewable resources from the Canada/Pacific Northwest to Northern California. SMUD is participating with PG&E and other interested WECC members in the Regional Planning Review process that will identify a preliminary plan of service.(see details at http://www.pge.com/biz/transmission_services/canada/)
- The Sierra Pacific Power Company and the Lassen Municipal Utility District's NorCalVada Strategic Transmission Planning Group examining options to cross the Sierra Nevada.
- TANC, for new transmission, and transmission upgrades in the Northern California Region, and reinforcements to the 500-KV intertie.
- A WAPA led effort to evaluate Transmission Service requests to reinforce the WAPA system.
- The Sacramento Voltage Support planning effort with local parties, led by WAPA (<http://www.wapa.gov/sn/planning/>)

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SMUD also participates in regional planning groups that integrate transmission systems into the local transmission grid, as well as the Northern and Central California transmission grid. Independent localized coordination with PG&E, the CAISO, WAPA, MID, TID, NCPA, are conducted and information is exchanged in an open matter.

As set forth below, SMUD's Transmission Planning Process is designed to satisfy the following principles, as defined in the FERC Final Rule in FERC Order 890: (1) coordination, (2) openness, (3) transparency, (4) information exchange, (5) comparability, (6) dispute resolution, (7) regional coordination, (8) economic planning studies, and (9) cost allocation for new projects.

B. Order 890 Principles for Coordinated, Open and Transparent Transmission Planning

1. Coordination

The rule requires transmission providers to meet with all of their transmission customers and interconnected neighbors to develop a transmission plan on a non-discriminatory basis.

Requirements:

- The transmission provider must open appropriate lines of communication between transmission providers, affected state authorities, customers, and other stakeholders.
- The Rule does not require rigid and formal meeting procedures, but focuses on the substance of the communication rather than form.
- Must provide for the timely and meaningful input and participation of customers and other interested parties.

SMUD's Planning Process Satisfies the Coordination Principle

SMUD meets the coordination principle of FERC's Order 890 through the following activities:

- a. *WECC/TEPPC*. SMUD actively participates in the WECC Transmission Expansion Planning Policy Committee (TEPCC). The TEPCC provides West-wide study and data services, process coordination and transmission planning leadership across the Western Interconnection. The

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TEPPC process is open to all interested stakeholders, including transmission providers, generators, load-serving entities, federal and state/provincial energy departments and regulatory bodies, tribal governments, end-users and environmental groups. The WECC TEPPC and its Technical Advisory Subcommittee (TAS) have retained the services of a consultant whose responsibilities include, in part, development and communication of an annual calendar for TEPPC planning activities. See *WECC Strawman* that may be found at: [http://www.wecc.biz/documents/library/FERC/Order-No-890_Proposed-Strawman_V1-3-Clean\(21May2007\).doc](http://www.wecc.biz/documents/library/FERC/Order-No-890_Proposed-Strawman_V1-3-Clean(21May2007).doc)

b. *WestConnect*. SMUD participates in mutual projects of interest via sub-regional planning through WestConnect. Communication with transmission customers and interconnected neighbors on regional transmission planning efforts within the WestConnect Footprint is currently done by CCPG, SWAT and the Sierra regions through web postings, mailings and e-mail distribution lists. The CCPG and SWAT meetings are open to all interested parties.

The SWAT Oversight Committee meets five times per year, including one joint meeting with CCPG. The meeting dates, times, locations, agendas and meeting notes are posted on the SWAT and WestConnect websites (see www.azpower.org/swat/meetings and www.westconnect.com calendar). SWAT has implemented a standard meeting location rotation and objectives for each meeting. SWAT Subcommittees have separate meetings with their own notices, postings, and distribution lists. They provide updates to and receive acceptances from the Oversight Committee.

In order to augment coordination and enhance these open processes, WestConnect participants have recently retained the services of a consulting firm whose responsibilities will include, in relevant part, developing an annual calendar for sub-regional transmission planning activities that affect the WestConnect Footprint; taking meeting notes at main CCPG, SWAT Subcommittee and working group meetings; coordinating note taking for other applicable work group meetings; developing and updating distribution lists for communication of WestConnect annual transmission planning information; producing meeting announcements and agendas; distributing WestConnect transmission planning meeting announcements with sufficient advanced notice, information and meeting notes through use of distribution lists; and working with the WestConnect website administrator to keep the transmission planning section of the website accurate and up to date with posting of meeting information, meeting notes, reports, etc.

Participation and comments by all interested parties is invited for all phases of the planning process, and WestConnect's oversight thereof, for the WestConnect Footprint. The WestConnect participants have committed to utilize and make available to all study participants and interested parties the planning

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standards, planning objectives, assumptions and base cases developed by for the WestConnect transmission planning process, subject to all applicable WECC procedures governing release of base case information and reports to stakeholders, consistent with the Federal Energy Regulatory Commission's (FERC) Critical Energy Infrastructure Information (CEII) procedures.

It is the goal of the WestConnect participants to review and approve on an annual basis a WestConnect transmission plan, produced through SWAT, CCPG and other planning efforts, that identifies combinations of projects that are common to all or the most likely planning scenarios and that best meet all transmission needs of the WestConnect parties and other stakeholders. For more information, see the *WestConnect Strawman* at <http://www.westconnect.com/filestorage/052107Order890ProposedSubregionalStrawmanDraft.doc>.

c. *Local Coordination.* Local coordination is managed in several venues. SMUD actively participates in the Sacramento Valley Study Group (SVSG), which also includes WAPA, Calpine Corporation (Calpine), the CAISO, PG&E, and the City of Roseville. SMUD is also participating in the Northern California Integration for Renewables Regional Transmission Planning Group, a transmission development effort led by the CEC and PG&E. This is a forum intended to allow multiple LSEs, IOUs and IPPs to participate in the local and sub-regional transmission development for the renewable integration in Northern California. Each forum offers the opportunity for active participation throughout the planning process. SMUD actively participates with TANC in the development of new transmission, and transmission upgrades in the Northern California Region. This effort includes all TANC members.

SMUD also works with a WAPA-led effort to evaluate SMUD Transmission service requests to reinforce the WAPA system. An ongoing Sacramento Voltage Support planning effort with local parties, led by WAPA (<http://www.wapa.gov/sn/planning/>) has led to the permitting and planning of a new 230-kV line between Obanion and Elverta Substations to ensure system reliability.

Further, SMUD participates in regional planning groups that integrate transmission systems into the local transmission grid as well as the Northern and Central California transmission grid. Independent localized coordination with PG&E, the CAISO, WAPA, MID, TID, and NCPA are conducted and information is exchanged in an open matter.

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2. Openness

Requirements

- Transmission planning meetings be open to all affected parties including, but not limited to, all transmission and interconnection customers, state commissions and other stakeholders.
- The rule requires transmission providers, in consultation with affected parties, to develop mechanisms, such as confidentiality agreements and password-protected access to information, in order to manage confidentiality and CEII concerns.

SMUD's Planning Process Satisfies the Openness Principle

SMUD meets the openness principle of FERC's Order 890 through the following activities:

- a. *WECC/TEPPC*. The WECC TEPPC Charter states that TEPPC will conduct its planning process in an impartial, inclusive, and transparent manner that ensures broad stakeholder participation. This is to ensure that the economic transmission expansion planning process is impartial, transparent, properly executed and well communicated. Additionally, TEPPC has formed the TAS, which is a stakeholder advisory group that is open to all interested parties or stakeholders to ensure participation in the TEPPC planning process from regional experts and stakeholders, including state/provincial energy offices, regulators, resource and transmission developers, transmission customers, load serving entities, and environmental and consumer advocate stakeholders.
- b. *WestConnect*. Many of the *WestConnect Strawman* provisions for Coordination in Section B.1 above address this Openness Principle and are incorporated herein.

As described in Section B.1, the SWAT and CCPG sub-regional transmission planning groups have for many years held open meetings to which all interested parties are invited to attend and participate. The meeting announcements, agendas and other materials are distributed broadly and posted on the planning groups' respective websites.

To formalize these long-held practices, the WestConnect participants believe that SWAT and CCPG may need to draft and adopt formal charters that will, in part, include provisions that meet the Openness Principle.

WestConnect participants adhere to the WECC procedures managing the release of CEII data. These procedures comply with FERC CEII procedures and

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will include the use of confidentiality agreements and password-protected access to confidential information. The WECC confidentiality procedures are available to all stakeholders through its website: <http://www.wecc.biz>.

c. *Local Planning.* Local coordination is managed in several venues. As discussed in the previous section, SMUD actively participates in the Sacramento Valley Study Group (SVSG), and the Northern California Integration for Renewables Regional Transmission Planning Group. Each forum offers the opportunity for active participation throughout the planning process. SMUD actively participates with TANC in the development of new transmission, and transmission upgrades in the Northern California Region. This effort includes all TANC members.

SMUD also works with a WAPA-led effort to evaluate SMUD Transmission service requests to reinforce the WAPA system. An ongoing Sacramento Voltage Support planning effort with local parties, led by WAPA (<http://www.wapa.gov/sn/planning/>) has led to the permitting and planning of a new 230-kV line between Obanion and Elverta Substations to ensure system reliability.

Further, SMUD participates in regional planning groups that integrate transmission systems into the local transmission grid as well as the Northern and Central California transmission grid. Independent localized coordination with PG&E, the CAISO, WAPA, MID, TID, and NCPA are conducted and information is exchanged in an open matter.

3. Transparency

Requirements

- Transmission providers must disclose to all customers and other stakeholders the basic criteria, assumptions, and data that underlie their transmission system plans.
- Transmission providers must reduce to writing and make available the basic methodology, criteria, and processes they use to develop their transmission plans, including how they treat retail native loads, in order to ensure that standards are consistently applied.

SMUD's Planning Process Complies with the Transparency Principle

SMUD meets the transparency principle of FERC's Order 890 through the following activities:

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a. TEPPC will, in consultation with stakeholders and technical experts, adopt an analytical methodology and modeling tools for WECC's regional economic transmission expansion planning, and will conduct the planning process in an impartial, inclusive, and transparent manner that ensures broad stakeholder participation.

b. TEPPC will present its findings to the Board for comment and approval. Data, analyses and findings will be provided to members, sub-regional study groups, and policy makers for further consideration.

c. In support of the WestConnect transmission planning goals, SWAT and CCPG have agreed to coordinate base case development for the WestConnect region and coordinate and share information regarding planning efforts between CCPG and SWAT, and subsequently with WestConnect. The WestConnect participants will utilize and make available to all interested parties the planning standards, planning objectives, assumptions and base cases, including how they will treat native load, developed by SWAT, CCPG and other joint planning efforts for the WestConnect transmission planning process. These standards, objectives, assumptions and base cases will be available through CCPG, SWAT, and WECC, subject to FERC CEI procedures where appropriate. See *WestConnect Strawman* for more information.

d. As in the previous compliance measures, SMUD's participation in the local planning venues affords the opportunity for participating entities such as IOU, transmission customers and owners and the CAISO to exchange information utilized for assessing the transmission performance. This includes the treatment of load and resources, planning methodology and criteria, as well as the data and assumptions not only on the transmission system but also the management of demand side resources. The SMUD transmission information and planning reports are submitted to the CEC, WECC, NWPP, PG&E, TANC, WAPA, WestConnect, and the CAISO, and are available to any requestor. Direct access to the SMUD information from the websites for the information for each individual entity, including SMUD, is still under development.

4. Information Exchange

Requirements:

➤ Transmission providers, in consultation with their customers and stakeholders, must develop guidelines and a schedule for the submittal of information.

➤ Information must be made available at regular intervals to be identified in advance.

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SMUD's Planning Process Complies with the Information Exchange Principle

SMUD meets the information exchange principle of FERC's Order 890 through the following activities:

- a. The consultant recently retained by WestConnect to provide project management services for the annual transmission planning process will work with WestConnect, CCPG, SWAT and TEPPC-TAS to fully develop the information exchange guidelines and schedules to facilitate submission of the required information by network and point-to-point transmission customers on a comparable basis as required under this Information Exchange principle.
- b. SMUD, through its responsibilities as an active member of WECC Planning Coordination Committee, provides forecasted load information as part of the development of seasonal load-flow cases. The information is submitted to WECC via PG&E, which performs the coordination duties for the Northern California region. Additionally, through SMUD's participation in regional and sub-regional planning forums, SMUD provides forecasted load information that complies with the object of the planning group.
- c. SMUD's website will provide links to the regional and sub-regional transmission groups' websites.
- d. SMUD submits its data and studies directly to the CEC, WAPA, TANC, and the CAISO, as required.
- e. SMUD also currently submits a formal report of our proposed planning projects, 10-year planning results, and methodology to the WECC, the CEC, neighboring surrounding utilities, WestConnect, and the NWPP. SMUD will post this information on the SMUD website.

5. Comparability

Requirements

- Each transmission provider, after considering the data and comments supplied by market participants, must develop a transmission system plan that (1) meets the specific service requests of its transmission customers and (2) otherwise treats similarly-situated customers (e.g., network and retail native load) comparably in transmission system planning.
- Customer demand resources should be considered on a comparable basis to the service provided by comparable generation resources where appropriate.

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SMUD's Planning Process Complies with the Comparability Principle

SMUD meets the comparability principle of FERC's Order 890 through the following activities:

a. Customer demand resources will be considered on a comparable basis. One example of this comparable treatment is already embedded within TEPPC's Charter, which states that its analyses and studies will evaluate the economics of resource and transmission expansion alternatives on a regional, screening study basis. Resource and transmission alternatives may be targeted at relieving congestion, minimizing and stabilizing regional production costs, diversifying fuels, achieving renewable resource and clean energy goals, or other purposes. Alternatives may draw from state energy plans, integrated resource plans, large regional expansion proposals, sub-regional plans and studies, and other sources such as individual control areas if relevant in a regional context.

b. WestConnect participants have agreed that the ten-year plan for the WestConnect Footprint and other studies will be derived from SWAT, CCPG and other sub-regional planning efforts that best meet all transmission needs across the WestConnect Footprint. That would include the transmission needs of retail native load, network service load, interconnecting generators requesting transmission service, and long-term point-to-point transmission service customers. WestConnect planning objectives and procedures recognize that SWAT and CCPG will need to address transmission system requirements to meet applicable state and local renewable portfolio standards, resource adequacy requirements, and other similar regulatory programs that could include treatment of customer demand resources. The WestConnect participants believe that WestConnect will need to augment its planning objectives and procedures to more clearly address the Comparability Principle, and that SWAT and CCPG may need to draft and adopt formal charters that will, in part, include provisions that meet this Comparability Principle.

c. SMUD incorporates all firm transmission obligations into its transmission plans on a comparable basis. SMUD currently has no network or long-term transmission customers. This data/information is also provided to the WECC for their use in database development and analysis under the WECC Regional Transmission Planning Process. These data requirements are generally communicated by OASIS, email, letter or combination thereof.

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6. Dispute Resolution

Requirements

- Transmission providers must develop a dispute resolution process to manage disputes on both procedural and substantive planning issues that arise from the Final Rule's planning process.
- The Commission encourages transmission providers, customers, and other stakeholders to utilize the Commission's Dispute Resolution Service to help develop a three step dispute resolution process, consisting of negotiation, mediation, and arbitration.

SMUD's Planning Process Complies with the Dispute Resolution Principle

SMUD meets the dispute resolution principle of FERC's Order 890 through the following activities:

- a. The WECC Dispute Resolution Process includes mediation and arbitration steps, but does not specifically include a negotiation step. Additionally, the WECC process is not specifically applicable to disputes that may arise between a WECC member and an entity that is not a WECC member, or disputes that do not involve WECC procedures, guidelines, policies, etc.
- b. WestConnect's transmission planning objectives and procedures require that any dispute relating to any study or information required to be provided to SWAT or CCPG for inclusion in the WestConnect transmission planning process and other agreed upon study work, including disputes regarding the scope of additional studies and the costs of providing such studies or information, be resolved through utilization of the WECC Dispute Resolution Process. WestConnect, SWAT and CCPG will work to revise their dispute resolution mechanisms in order to meet this Dispute Resolution Principle.
- c. In the event of a dispute between SMUD and a transmission or interconnection service customer under the SMUD Tariff, the dispute resolutions of the SMUD Tariff shall apply. The dispute resolution provisions of the SMUD Tariff require negotiation at the executive level, and then binding arbitration.

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7. Regional Participation

Requirements

➤ Each transmission provider must coordinate with interconnected systems to: (1) share system plans to ensure that they are simultaneously feasible and otherwise use consistent assumptions and data, and (2) identify system enhancements that could relieve “significant and recurring” transmission congestion.

SMUD’s Planning Process Complies with the Regional Participation Principle

SMUD meets the regional participation principle of FERC’s Order 890 through the following activities:

a. Regional participation principles are not new to WECC. For example, the WECC Policies and Procedures for Regional Planning Project Review, Project Rating Review, and Progress Reports:

- Provide procedures for WECC members and others to report on planned projects and to work together to expand the interconnected system capacity according to member and stakeholder needs;
- Inform others of the opportunity to participate in or review a project, and solicit participation to avoid duplicate projects and allow a new project to integrate others’ needs by mutual agreement;
- Provide agreed upon methods applicable to rating of transmission facilities; and
- Ensure reliable and coordinated integration of existing and new projects such that the use of the system is maximized for all participants and protected ratings of other facilities are recognized.

b. WestConnect is a regional effort. The electric systems of WestConnect participants, the “WestConnect Footprint”, are located in Arizona, New Mexico, the Imperial Valley of California, far west Texas, Colorado, Nevada, parts of Wyoming and the Sierra Nevada region of California. WestConnect efforts to coordinate regional transmission planning span this seven state region and involve CCPG and SWAT, the Sacramento Area Transmission Planning Group (SATPG) and other sub-regional transmission planning groups that have been active for many years.

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The WestConnect participants have agreed to utilize and make available to all study participants and stakeholders the planning standards, planning objectives, assumptions and base cases, including how they will treat native load, developed by SWAT and CCPG for the WestConnect transmission planning process. These standards, objectives, assumptions, and base cases will be available through CCPG, SWAT and WECC, subject to CEII procedures where appropriate. It is anticipated that the SWAT and CCPG study work will address, in part, wholesale market perspectives and identification of transmission system expansions that will facilitate competition and reliability objectives. The WestConnect annual transmission plan, produced through SWAT and CCPG, will include combinations of projects that are common to all or the most likely planning scenarios and that best meet all transmission needs of the WestConnect participants and other stakeholders.

c. SMUD is participating in the creation of a permanent committee, the California Subregional Planning Group (CPSG) to address subregional planning needs within California.

d. SMUD participates in the exchange of information with the following regional and subregional transmission planning groups:

Transmission Expansion Planning Policy Committee
Technical Advisory Subcommittee
WestConnect
NWPP (Columbia Grid, NTAC & NTTG)
California Planning Group
Sacramento Valley Study Group
Sacramento Area Transmission Planning Group
Transmission Agency Northern California
CEC's Northern California Renewable Integration
Northwest Power Pool
WECC Committees & Groups
Planning Coordination Committee
Technical Studies Subcommittee
System Review Work Group
Modeling and Validation Work Group
Loads and Resource Subcommittee
Regional Planning Task Force
Reliability Subcommittee
Compliance Monitoring and Operating Practices Subcommittee
Market Interface Committee
Regional Planning Groups⁴

⁴ Regional planning group for participation of project specific transmission projects seeking the WECC three phase rating are attended as warranted or identified as interest to SMUD's core business objective. Participation in such groups is obtained via registering in the formal invitation

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8. Economic Planning Studies

Requirements

- Transmission providers must take into account both reliability and economic considerations in transmission planning.
- The Transmission provider must give stakeholders the right to request a defined number of high priority studies annually to address congestion and/or the integration of new resources or loads. The cost of these high priority studies would be recovered as part of the overall *pro forma* OATT cost of service.
- The rule requires each transmission provider to comply with the requirement to perform economic planning studies both as to its own transmission system and as to a regional study process.

SMUD's Planning Process Complies with the Economic Planning Principle

SMUD meets the economic planning principle of FERC's Order 890 through the following activities:

- a. The primary provider of economic planning studies on a Western Interconnection-wide basis will be WECC TEPPC and its Technical Advisory Subcommittee. One of TEPPC's main responsibilities is to guide the analysis and modeling for Western Interconnection economic transmission expansion planning.

The TEPPC TAS has recently developed a draft of its first study plan. The preparation of the study plan considers: (1) model improvements that have become available since the formation of the last study plan; (2) recommendation for issues to be considered and methodology improvements to be made as a result of evaluating the results of the last study program; and (3) study issues that stakeholders have requested be considered in the next study plan. It is anticipated that TEPPC and the TAS will work to further develop mechanisms for stakeholders to request a defined number of high priority studies in order to address regional congestion and/or the integration of new generation resources or loads on a regional basis, as required under this Economic Planning Studies Principle.

for the announcement of the Rating Process through WECC's Technical Studies Subcommittee. Current Participation includes: Pacific Northwest-Northern California AC Transmission, Sea Breeze Undersea DC Cable-Victoria, BC to Northern California and California-Oregon Uprate Project.

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b. All phases of the WestConnect planning process are open for participation and comment by all interested parties. The WestConnect parties have committed to utilize and make available to all study participants and interested parties the planning standards, planning objectives, assumptions and base cases developed by SWAT and CCPG for the WestConnect transmission planning process. These standards, objectives, assumptions, and base cases will be available through CCPG, SWAT and WECC, subject to CEI procedures where appropriate. The SWAT and CCPG study work will encompass, among other factors, the consideration of wholesale market perspectives and identification of transmission system expansions that will facilitate competition and reliability objectives, and the results of simultaneous import studies.

There are a variety of studies that can be used to provide economic analyses, such as production cost modeling that identifies the location and cost of congestion, and economic studies that are not production cost model studies that identify and develop cost estimates for projects to address the congestion. WestConnect, SWAT and CCPG will work to further develop mechanisms for stakeholders to request a defined number of high priority studies in order to address regional and sub-regional congestion and/or the integration of new generation resources or loads on a regional and sub-regional basis, as required under this Economic Planning Studies Principle. Pursuant to these mechanisms, CCPG, SWAT, or a WestConnect transmission provider that has received requests for economic studies will work with WestConnect to determine what analysis is appropriate to evaluate the request.

Production cost modeling requires extensive modeling tools and expertise, and will be done at WECC. The primary provider of production cost modeling for economic planning studies on a Western Interconnection-wide basis will be WECC TEPPC and its Technical Advisory Subcommittee (TAS). One of TEPPC's main responsibilities is to guide the analysis and modeling for Western Interconnection economic transmission expansion planning. Through the TAS, TEPPC will consolidate input and develop a synchronized study plan, including study leads, clustering of studies, and relative priority of studies. WECC will post economic planning studies performed through the TEPPC TAS on its website, subject to CEI procedures as appropriate.

9. Cost Allocation for New Projects

Requirements

➤ A planning process must address the allocation of costs of new facilities. The cost allocation principle discussed herein is intended to apply to projects that do not fit under the existing structure, such as regional projects

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involving several transmission owners or economic projects that are identified through the study process described above.

➤ The proposal should identify the types of new projects that are not covered under existing cost allocation rules and, therefore, would be affected by this cost allocation principle.

SMUD's Planning Process Complies with the Cost Allocation Principle:

SMUD meets the cost allocation principle of FERC's Order 890 through the following activities:

a. An approach to soliciting interest and participation in development of new bulk power facilities in the West is incorporated in the WECC Policies and Procedures for Regional Planning Project Review, Project Rating Review, and Progress Reports. Those policies and procedures include mechanisms (1) for WECC members and others to report on planned projects and to work together to expand the interconnected system capacity according to member and stakeholder needs, and (2) to inform others of the opportunity to participate in or review a project, and solicit participation to avoid duplicate projects and allow a new project to integrate others' needs by mutual agreement.

b. WestConnect Objectives and Procedures for Regional Transmission Planning, effective August 24, 2006, state that the process for cost allocation for new projects developed pursuant to the WestConnect transmission planning process will, to the maximum extent practical, use open season solicitation, multi-party transmission ownership, and the potential co-existence of both physical and financial transmission rights. This approach for development, construction, ownership and operation of bulk power facilities has been used successfully in the entire Western Interconnection for 30+ years.

c. On a local level, the costs of a project will be allocated based on an agreement formed to finance and pay for a particular project or series of projects.