

LS Power Transmission appreciates the opportunity to provide the below comments. Please contact Sharon Segner, Assistant Vice President, LS Power at 636-484-0379(cell) or [ssegner@lspower.com](mailto:ssegner@lspower.com) with any further questions or concerns on these comments. We would be happy to meet with Sponsors in-person to further discuss ideas and comments. As an overall observation, the strawman is written as if there are two sets of rules, those for “Sponsors” and those for “non-incumbents.” LS Power Transmission believes that for compliance with Order 1000, there needs to be one set of rules that are applicable to all parties on a fair and not unduly discriminatory basis. Thus, qualification criteria, submission information and evaluation criteria need to be the same, whether the project is proposed by a “Sponsor” or a non-incumbent. Indeed, most tariff language need not distinguish between the party submitting the proposal at all.

Specific Section of SERTP Strawman Proposal	Specific Quote from SERTP Strawman Proposal	LS Power Transmission Stakeholder Comments and Feedback on Specific Section
<p>II. i. II. ii.</p>	<p>“Sponsors identify and evaluate potential regional transmission projects that may meet the region’s needs more efficiently and cost effectively.”</p> <p>“Potential regional transmission alternatives proposed by SERTP stakeholders, in accordance with 890 requirements, will be considered for evaluation.”</p>	<ul style="list-style-type: none"> <li>• This proposal concept implies that the SERTP Sponsors could be the only parties able to identify the initial solutions, thus placing the SERTP stakeholders in a disadvantaged position of only being able to submit ALTERNATIVES to pre-determined projects and ideas.</li> <li>• SERTP Sponsors and Qualified Transmission Developers should be on equal playing level in order to be able to propose, submit and evaluate solutions. A process that just allows a qualified developer to “react” to proposals with alternatives is not consistent with FERC Order 1000.</li> <li>• SERTP should propose a process that would provide transparent access to regional modeling and needs, including information for economic project proposals. This information should be made available to both SERTP Sponsors and stakeholders in a non-discriminatory manner.</li> <li>• The evaluation arm of SERTP should be separate and independent from the proposal submission process of SERTP Sponsors. The proposal submission and project evaluation process for SERTP sponsors should be non-discriminatory and identical to the process for a qualified developer.</li> <li>• SERTP and non-incumbent transmission providers are both subject to standard information requirements when submitting proposals. (Paragraph 325 of FERC Order 1000)</li> <li>• Non-incumbents and incumbent transmission owners must both have access to assignment and</li> </ul>

		cost recovery for unsponsored SERTP projects, in accordance with paragraph 336 of FERC Order 1000.
II.A.	“A non-incumbent transmission developer must meet certain qualification criteria to be eligible to propose a transmission project...”	<ul style="list-style-type: none"> <li>• Paragraph 324 of FERC Order 1000 states that qualification criteria should be fair and not unreasonably stringent when applied to either the incumbent transmission provider or non-incumbent transmission developers.</li> <li>• SERTP qualification criteria should apply to both non-incumbents and incumbent transmission owners or their affiliates. The qualification process should allow for the possibility that an existing public utility already satisfies the criteria, and should allow any transmission developer the opportunity to remedy any deficiency if it is determined that the developer does not meet the qualification criteria.</li> </ul>
III.A.i.	“Qualification criteria will require the non-incumbent transmission developer to demonstrate that it has the necessary financial and technical expertise to develop, construct, own, operate and maintain the transmission facilities”	<p>LS Power Transmission agrees that requiring financial and technical qualification criteria is consistent with FERC Order 1000. LS Power Transmission suggests a pre-qualification process, applying to both incumbents and non-incumbents. Once approved, the qualification would be good for three years; however a material adverse change could result in termination of qualification status by independent SERTP evaluator. The qualification process should allow a remedy process.</p> <p>LS Power Transmission suggests the following technical criteria:  “Demonstrated capability of parent company, affiliate, or project company of developing, constructing, operating, and maintaining US energy projects of similar or larger complexity, size and scope of greater than the <u>lesser</u> of \$300 million or the proposed project. FERC hydroelectric and pipeline licensing criteria precedent specifically allows for the technical capability requirement to be met with contracting capability”.</p> <p>LS Power Transmission suggests the following financial criteria:  “Demonstrated capability of parent company, affiliate, or project company of financing US Energy projects of similar or larger complexity, size, and scope of greater than the <u>lesser</u> of \$300 million or the proposed project. Material degradation of financial strength can be grounds for removal of qualification eligibility.”</p>
III.A.ii.	“Qualification criteria will also	LS Power Transmission supports qualification criteria that

	<p>require the non-incumbent transmission developer to demonstrate its ability to satisfy all applicable regulatory requirements necessary to acquire rights of way and to construct, operate, and maintain the proposed facilities in the associated jurisdictions.”</p>	<p>the entity must be willing to apply for state public utility status and eminent domain authority as part of the transmission line siting or Certificate of Public Convenience and Necessity application (or similar state process) at the appropriate point in the regulatory proceeding, if once a developer is awarded the project. Having state public utility status or eminent domain authority prior to a project being selected in the planning process is a barrier to entry and unduly discriminatory.</p> <p>In addition, LS Power Transmission believes that the entity must be willing to comply with NERC requirements when required and eligible.</p>
III.B.i.	<p>“The proposed transmission project must be regional in nature: above 300 kV and span 100 miles or more.”</p>	<p>This regional definition is not consistent with FERC Order 1000. FERC Order 1000 retains a ROFR for “local” projects in paragraph 63 of FERC Order 1000. If the project is not local and not an upgrade to existing facilities (defined in FERC Order 1000 as a tower change out or reconductoring), then the project must be open to both incumbents and non-incumbents.</p> <p>Paragraph 63 of FERC Order 1000 is clear that the definition of “local” is tied to <u>cost allocation</u>, not the length of a line, a type of line, or the voltage level of a line. LS Power Transmission believes that if ANY portion of ANY cost of ANY line is allocated between two or more utilities / footprints in a region, then the project is “regional” in nature, consistent with FERC Order 1000.</p> <p>In order for a project to be “local”, it must meet the requirement of “local” in paragraph 63 of FERC Order 1000. “A local transmission facility is a transmission facility located solely within a public utility transmission provider’s retail distribution service territory or footprint that is not selected in the regional transmission plan for purposes of cost allocation.” (Exact language from Paragraph 63)</p> <p>LS Power Transmission recommends the SERTP strawman language to be replaced with the following language, consistent with paragraph 63 of FERC Order 1000: “The proposed transmission project must be regional in nature: a project that has any portion of any cost of any line allocated between two or more utilities or footprints”</p>
III.B.ii.	<p>“The proposed transmission project must be... materially different than projects that have been previously considered in the</p>	<p>In Paragraph 95 of the Proposed Notice of Rulemaking (see footnote 308 of FERC Order 1000), FERC originally proposed that a transmission developer could maintain for a defined period of time its right to build and own a</p>

	expansion planning process.”	<p>transmission project that it proposed but was not selected in the planning process. In Paragraph 338 of FERC Order 1000, FERC declines to adopt that a sponsor of a project could “maintain for a defined period of time its right to build and own a transmission project that it proposed and was not selected” in the regional planning process.</p> <p>The SERTP proposal seeks to provide the SERTP Sponsors a “right” to projects that have been previously considered in the SERTP expansion planning process. This right is inconsistent with paragraph 338 of FERC Order 1000 and FERC’s directive to not provide ongoing sponsorship rights to projects that were proposed, but not selected in the regional planning process.</p>
III. B. ii.	“The proposed transmission project must be both a green-field facility...”	SERTP strawman should clarify that the transmission facility proposed should not be an update to an existing facility (as defined as a “tower change out or reconductoring” in FERC Order 1000), and a green-field facility as referenced in the SERTP strawman is defined as “not an upgrade to an existing facility as defined in FERC Order 1000”.
IV. A.iii.	“A capital cost estimate of transmission project”	LS Power Transmission believes independent cost estimates are appropriate for both new entrant and SERTP proposals. There should be a comparable method of evaluating cost estimates from both incumbents and non-incumbents.
IV. A. iv.	“Supporting documentation of the technical analysis performed to demonstrate that the proposed transmission project is a more efficient and cost-effective project than specific projects in the latest transmission expansion plans”	As noted above, this section of the submission and evaluation process appears to assume that the Sponsors of the SERTP have arrived at a pre-determined plan before non-incumbents or other stakeholders are permitted to propose projects and that the non-incumbents bear a burden of demonstrating that their alternative is better than the pre-determined plan. LS Power Transmission believes that the supporting documentation should reflect the project proposer’s rationale and technical analysis to justify why the project is a solid proposal. However, it should not be the project proposer’s burden to prove why the solution is better than other alternatives. The independent review process should highlight this finding, and there should be no partiality toward projects proposed by Sponsors in the process. Thus, all proposed projects should be submitted in the same submission window and evaluated following the same evaluation process. In fact, Paragraph 315 of FERC Order 1000 requires that the public utility transmission provider (SERTP) evaluate the relative economics and effectiveness of performance for each alternative offered for consideration.

<p>V.A.</p>	<p>Utilizing coordinated models and assumptions, each SERTP Sponsor will utilize their respective planning guidelines and criteria to evaluate submittals and determine the following:</p> <p>i. Does the proposal address transmission needs that are currently being addressed with projects in the latest transmission expansion plans and if so, which projects in the plans could be displaced by the proposed regional transmission project.</p> <p>ii. If any additional projects would be required as a result of the proposed regional transmission project</p>	<p>LS Power is concerned that the regional planning process, although using “coordinated models and assumptions” is delegated to “each SERTP Sponsor” to conduct individual evaluations and individual planning guidelines to evaluate potential projects and therefore is not a regional planning process at all for regional projects. Individual evaluation should be reserved only for those projects that are “local” in nature and which will not be regionally cost allocated. All other projects must be evaluated on a regional basis.</p> <p>As noted in previous comments, LS Power Transmission is also concerned that the planning process proposed here is only geared to evaluate alternatives to “transmission needs that are currently being addressed in the latest transmission expansion plans.” An objective of Order 1000 was to permit non-incumbent developers to play a role, including project construction and ownership, in the development of the “latest transmission plan” rather than simply propose alternatives to a pre-determined plan.</p>
<p>V.B.ii.</p>	<p>“The inclusion of the proposed transmission project must yield a regional benefit to cost ratio of at least 1.25 and not adversely impact an individual Sponsor.”</p>	<ul style="list-style-type: none"> <li>• LS Power Transmission is concerned that there is not clear direction in the SERTP strawman on the process for reliability and public policy projects to be awarded to a new entrant. LS Power Transmission believes that FERC Order 1000 directives on new entrants apply to not only economic projects, but reliability and public policy projects as well.</li> <li>• LS Power Transmission believes the regional benefit to cost ratio of at least 1.25 (for economic projects) is consistent with FERC Order 1000.</li> <li>• However, LS Power Transmission believes that the additional evaluation criteria of “not adversely impact an individual Sponsor” is impossible for an economic project. In economic transmission projects, there are clearly individual winners and losers on the generation side; however, the <u>region</u> as a whole benefits. LS Power Transmission believes this phrase should be removed.</li> <li>• Greater market transparency is needed in SERTP in order to encourage thoughtful economic transmission proposals.</li> </ul>
<p>V.C.i.</p>	<p>“Is determined to be more efficient and cost effective than projects in the existing transmission plans”</p>	<p>LS Power Transmission has the same comment as above regarding the reference to the “existing transmission plans.”</p>

		<p>LS Power Transmission believes that when comparing cost estimates of various projects that independent cost estimates should be performed on both the incumbent and non-incumbent proposals. The comparisons should be an apple-to-apple comparisons on cost estimates.</p> <p>For example, PJM hires Burns and McDonnell (and other qualified firms) to prepare independent cost estimates on competing proposals. Attached is a sample of an independent PJM cost analysis –  <a href="http://www.pjm.com/~media/committees-groups/committees/teac/20111103/20111103-mep-a-1-byron-cherry-valley-pleasant-valley.ashx">http://www.pjm.com/~media/committees-groups/committees/teac/20111103/20111103-mep-a-1-byron-cherry-valley-pleasant-valley.ashx</a></p>
V.C.ii.	<p>“Continues to remain more efficient and cost effective as assessed in subsequent expansion planning processes that reflect ongoing changes in forecast conditions”</p>	<ul style="list-style-type: none"> <li>• Any appropriate ongoing review process should apply to both incumbent and new entrant projects, not just new entrant projects.</li> <li>• There should be a reasonable period that is clearly defined on when incumbent and non-incumbent projects are no longer subject to re-evaluation. The same rules for both incumbents and non-incumbents should apply here. Once a project is assigned, the development costs should be eligible for abandonment recovery in the event of project termination.</li> </ul>
V.C.iii.	<p>“Is approved by the Sponsors whose transmission expansion plans would be altered with the inclusion of the proposal and their relevant jurisdictional and/or governmental authorities:  -Dalton: Board of Commissioners  -GTC: Rural Utility Services (as applicable) and Board of Directors  -MEAG: Board of Directors  -PowerSouth: Rural Utility Services (as applicable) and Board of Directors  -SMEPA: Board of Directors  -Southern: State public service commissioners with purview over the impacted facilities and affected retail rates”</p>	<ul style="list-style-type: none"> <li>• LS Power Transmission is unclear as to the SERTP Sponsor’s intent with regard to individual entity approval process. LS Power Transmission again objects to the reference to parties whose “transmission expansion plans would be altered with the inclusion of the proposal.” The purpose of transmission planning in compliance with Order 1000 is to determine the regional transmission plan. To the extent that the referenced “transmission expansion plans” are local, with their costs borne solely by the respective load zone, LS Power Transmission does not object to individual approval process before a regional project would displace those projects, which under Order 1000 could retain a right of first refusal. However, to the extent that the reference is to “transmission expansion plans” which include projects whose costs are to be allocated regionally, those plans must be developed on a non-discriminatory basis and no party which has signed on to be part of the “region” for purposes of compliance with Order 1000 should then be</li> </ul>

		<p>permitted to carve out an individual veto right to the regional plan. Nothing in the forgoing is intended to suggest that those statewide or local entities charged in each respective state with authority to approve the construction and routing of individual lines would be restricted in any way from undertaking their statutory duty. Any projects approved in the regional plan, whether incumbent or non-incumbent would remain subject to all state or local Certificate of need type processes currently mandated once the project is included in the regional plan.</p> <p>Any SERTP approval process for a non-incumbent project for a non-incumbent project versus an incumbent project should look identical and be non-discriminatory.</p>
VI.A	<p>“Sponsors will be allocated costs in proportion to their displaced transmission costs”</p>	<ul style="list-style-type: none"> <li>• LS Power Transmission is uncertain why the cost allocation reference is to “displaced transmission costs” rather than to the cost of the approved project. LS Power Transmission agrees that transmission costs should be allocated to those who benefit from the transmission upgrades approved.</li> </ul>