



prescribed in the Open Access Transmission Tariff (“OATT”) when faced with circumstances that are beyond their control. Transmission service system impact studies necessarily involve interaction with third parties and third party information. A system impact study may need to be reviewed by a regional organization that meets only periodically. Measuring the impacts on flowgates controlled by third parties also requires coordination with third parties who may not be subject to the same time clock. MidAmerican also has serious concerns about potential shortages of trained personnel qualified to perform these complicated studies. At a minimum a “grace period” should be added to take care of potential contingencies of this nature.

Second, changes need to be made on rehearing to the imbalance methodology approved in the order. Imbalances should not be priced at the generation cost of the last 10 MW of native load, but instead must reflect the highest cost generation operating at the time that the imbalance was incurred. Otherwise, there will not be appropriate incentives for transmission customers to schedule properly.

MidAmerican also requests clarification of several other provisions of the Commission’s order, including the manner in which available transfer capability (“ATC”) information is to be made available under the new requirements.

The following list of issues for which rehearing or clarification are requested is in order of significance to MidAmerican.

- 1. The Commission should reconsider its determination to subject transmission providers to operational penalties when they fail to meet the 60-day due diligence deadlines for system impact studies prescribed in sections 19.3, 19.4, 32.3 and 32.4 of the pro forma OATT. A 30-day grace period should be allowed**

**before imposing penalties.** [¶ 1340]. While MidAmerican supports prompt resolution of transmission service requests, it is concerned that strict adherence to the deadlines will lead to production of less complete analyses for the following reasons:

- Performance of these studies requires detailed analysis of third party impacts and coordination with regional reliability organizations and other transmission providers. This may be time-consuming and the actions are not entirely within the control of the studying transmission provider.
- Strict adherence to these timelines will require transmission providers to make assumptions regarding the impacts of higher queued requests.
- Conditional firm service will complicate study preparation and may lead to an increase in study volume.
- There may not be adequate skilled personnel in the marketplace.

A 30-day “grace period” should be included in these rules during which penalties would not be imposed. Such a grace period would not be an effective 30-day extension of the study period, but would provide a margin of time to reflect the disparate and complicating conditions that are involved in processing studies.

The milestone metric for meeting the due diligence requirement should also be clarified to be based upon first submission of the study report to the transmission customer. This will enable transmission providers to continue to obtain customer input prior to considering the study report final.

In addition, transmission service requests submitted in association with a generator interconnection should be coordinated and not be subject to the due diligence deadlines.

**2. The Commission should permit imbalance charges to be based on the cost of the most expensive 10 MW of generation in service, instead of the cost of generation supplying the last 10 MW of native load.** [¶¶ 664, 687, Revised OATT, Sheets 132-133, 140-141]. When the last 10 MW of native load generation is not the most expensive generation, an incentive may be created to intentionally cause imbalances to the extent that imbalance charges are less than the cost of other alternatives to supply load (in the case of energy imbalances) or the cost of generating (in the case of generator imbalances).

**3. The Commission should clarify that “netting” is to be based on hourly increments rather than monthly, and energy imbalances should not be netted against generator imbalances. Alternatively, this determination should be reheard.** [¶ 663-664; Revised OATT Sheets 132-133, 140-141]. Permitting netting of these amounts reduces the incentives for accurate scheduling by transmission customers.

**4. The Commission should clarify elements of the compliance filing that is to include the imbalance penalty distribution mechanism.** [¶ 727]. This mechanism should be included in the compliance filing of non-rate terms and conditions as it would thus accompany the new energy imbalance services.

**5. The Commission should clarify that transmission capacity cannot be reassigned to third parties.** [¶ 816]. Reassignment would be contrary to the Commission’s policy that capacity is not to be reassigned by an assignee.

**6. The Commission should clarify that transmission providers may voluntarily offer short-term conditional firm point-to-point (“PTP”) transmission service. [¶¶ 911, 925 and 1092].**

**7. The Commission should reconsider allowing conditional firm service to be based on the occurrence of a specific system condition [¶ 958].**

**8. The Commission should clarify the scope of a waiver or extension of assessment rights for conditional firm or redispatch service [¶ 985].**

**9. The Commission should clarify that if a request for firm redirected PTP service creates additional ATC, that ATC immediately precedes in queue order the new request [¶ 211].**

**10. The Commission should clarify that network resources can be designated and undesignated by electronic transmittals, including e-mail, until OASIS functionality becomes available. [¶¶ 1477, 1542-1543].**

**11. MidAmerican requests clarification regarding the following aspects of available transfer capability (“ATC”) posting and calculation:**

- That AFC flowgate quantities do not need to be converted into control area to control area path ATC quantities [¶ 211] .**
- That transmission providers may coordinate individual transmission provider service requests with seams agreements or regional tariff service on flowgates [¶ 211].**
- That transmission providers may provide their marketing affiliates with ATC/TTC data on constrained paths on a comparable basis with unaffiliated transmission providers, and if the Commission does not so clarify,**

**MidAmerican requests rehearing to permit comparable access to information to ensure that there is no discrimination against one category of transmission customers [¶ 348].**

- **Rehear the requirement to include the process flow diagram in the OATT and/or clarify that acceptable compliance is to include a web address in the OATT [¶ 323].**

**12. Clarify that OATT revisions are to take effect at the beginning of a calendar month.**

## **II. Statement of Issues for Which Rehearing is Sought**

- A. The Commission’s determination to impose operational penalties on transmission providers who fail to meet due diligence deadlines, if not coupled with a “grace period” to account for circumstances beyond the control of the transmission providers is arbitrary and capricious and denies transmission providers due process of law.**
- B. The Commission determination that the cost of generation serving the last 10 MW of native load should be used in imposing imbalance charges is arbitrary and capricious and discriminatory.**
- C. The Commission should clarify that netting is to be based on hourly increments, not monthly increments. Without this clarification, this method of netting discriminates unreasonably in favor of transmission customers who do not have appropriate incentives to schedule.**
- D. Any limitations on the requirement to provide ATC information to transmission customers are arbitrary and capricious and unreasonably discriminatory against any excluded subgroup of transmission customers or transactions.**

### **III. Request for Rehearing/Clarification**

#### **A. Consistency and Transparency of ATC Calculations**

##### **1. Converting AFC to ATC**

In Paragraph 211 of the Order, the Commission reminds transmission providers that the Commission's regulation requires the posting of ATC and not available flowgate capacity ("AFC"), so transmission providers are to convert AFC quantities on flowgates to ATC quantities on paths for OASIS posting. It then directs public utilities to work with the North American Electric Reliability Corporation ("NERC") to develop a method for conversion to be included in NERC Standard MOD-001.

MidAmerican notes that the flowgate methodology was initially developed to dramatically improve transmission service offered to transmission customers by replacing pancaked control area to control area path service offered through posting control area to control area path ATC with regional tariff service only limited by a few pinch points on the regional transmission service consisting of flowgates. In this way, the request for transmission service can be reduced to a single step of evaluating the request on a regional OASIS against the few true limiting facilities on the regional transmission system. ATC on the flowgates is referred to as AFC. MidAmerican believes AFC is an efficient transmission commodity to offer transmission customers. It protects reliability while reducing the complex regional transmission system into a reduced number of limiting facilities so as to maximize the flexibility and availability of the service offered on the transmission system. Consequently, flowgates are used in coordinating the evaluation of requests for transmission service offered through individual transmission provider tariffs and regional tariffs.

In Paragraph 211, the Commission indicates that flowgate AFC should be converted to path ATCs. MidAmerican requests the Commission clarify that it is not requiring AFC flowgate quantities to be converted into control area to control area path ATC quantities. MidAmerican also requests the Commission to clarify that it is not eliminating the coordination of individual transmission provider service with seams agreements and/or regional tariff service on flowgates. MidAmerican asks the Commission to confirm that it is merely intending to require NERC to define a flowgate ATC quantity which is equal to or related to the flowgate AFC. MidAmerican believes that requiring a definition of a flowgate ATC would be a positive development, provided that it is either equal to or directly related to a flowgate AFC quantity. However, MidAmerican believes that transmission customers, transmission operators, and transmission owners will not benefit from the conversion of flowgate AFCs into control area to control area path ATCs, the elimination of the AFC as a useful transmission commodity, or the elimination of the coordination of individual provider and regional transmission service over flowgates.

To the extent the Commission feels there is a real comparability benefit for the conversion of AFC to ATC, MidAmerican requests clarification that providing transmission customers with a mechanism on OASIS to query/assess the effective ATC on a specific transmission path over a specific time is sufficient for compliance with the transmission provider's ATC posting obligation.

## **2. ATC Process Flow Diagram**

Paragraph 323 requires a transmission provider to include in Attachment C of its OATT "a process flow diagram that describes the various steps that it takes in performing the ATC calculation." MidAmerican does not take issue with the requirement

to establish a process flow diagram for ATC calculation or to make such information readily available. However, process flow diagrams demand large amounts of computer capacity and, for efficiency and practicality purposes, MidAmerican seeks rehearing of the Commission's decision to include them within the tariff. For example, customers attempting to view the tariff on OASIS will experience unnecessarily long downloading time due to the increased size of the file. There are equally elaborate and important tasks throughout the tariff, such as the transmission service request procedure or the generation interconnection procedure. If process diagrams were required for these or other tasks, management and electronic transmittal of the tariff would become encumbered, if not unmanageable. MidAmerican requests that the Commission reconsider this requirement and simply require transmission providers to include a web link on the OASIS that will take the reader to a posting of the process flow diagram. This approach will fully achieve the Commission's transparency objective and expeditiously provide those that wish to navigate through a process diagram a direct access to the document. The process diagrams could be even more elaborate than the algorithm that the Commission correctly elected not to include in the tariff. The web link process is used for other posted documents and effectively preserves electronic and paper resources. Alternatively, if the Commission will not adopt the web link as the primary method of accessing the process flow diagram, MidAmerican seeks clarification that the Commission will accept internet posting of the diagram with the web address published in Attachment C, as acceptable compliance.

### **3. ATC/TTC Data Availability Requirements**

Paragraph 348 of Order No. 890 provides:

The Commission will continue to require transmission providers, on request, to make available *all* data used to calculate ATC and TTC for *any* constrained paths and *any* system planning studies or specific network impact studies performed for customers.

MidAmerican requests clarification with regard to this requirement and its application to the affiliated transmission customer of a transmission provider. The following requests for this data could be made:

- An unaffiliated transmission customer requests this information for its own transmission service request.
- An unaffiliated transmission customer requests the information for the request of another transmission customer.
- An affiliated transmission customer requests the information for its own transmission service request.
- An affiliated transmission customer requests the information for the request of another customer.

Transmission providers must know with certainty what is required to comply with both Order No. 890 and the Commission's Standards of Conduct. MidAmerican believes that in order to provide comparable transmission service, the data must be available in all circumstances. If the Commission does not clarify that this is the case, MidAmerican requests rehearing of this provision so that comparable information can be made available at all times.

## **B. Transmission Pricing**

### **1. Energy and Generation Imbalances.**

**The Commission should grant rehearing on the pricing of imbalance service. At a minimum, the Commission should permit the transmission provider to impose imbalance charges based on the cost of the most expensive 10 MW of generation in service (or where the Commission has approved the use of a market index for pricing imbalance energy, the lower of the most expensive 10 MW of generation or the market index). Imbalance pricing should not be based on the cost of the generation supplying the last 10 MW of native load.**

Order No. 890 modifies the energy imbalance and generator imbalance provisions of the pro forma OATT. Prior to Order No. 890, the Commission had permitted a variety of pricing mechanisms for these imbalance services.<sup>6</sup> In Order No. 890, the Commission affirmed its intent to establish imbalance charges that “provide an incentive for accurate scheduling.”<sup>7</sup> While MidAmerican supports this goal, the goal cannot be accomplished with the new charges for imbalances established in Order No. 890. The Commission must permit imbalance charges to be based on the highest-cost resources in service, not the resources used to supply native load.

Order No. 890 establishes three imbalance deviation bands, with the charges in each band to be based on increasing multiples of system incremental cost (for imbalances requiring the transmission provider to increase generation), or decreasing multiples of system decremental cost (for imbalances requiring the transmission provider to decrease generation). While MidAmerican does not oppose this basic structure, the definition of “system incremental / decremental cost” is insufficient to discourage imbalances.

Revised Schedule 4 (Energy Imbalance Service) and new Schedule 9 (Generator Imbalance Service) each define incremental and decremental cost as follows:

For purposes of this Schedule, incremental cost and decremental cost represent the Transmission Provider’s actual average hourly cost of the last 10 MW dispatched to supply the Transmission Provider’s Native Load Customers, based on the replacement cost of fuel, unit heat rates, start-up costs (including any commitment and redispatch costs), incremental operation and maintenance costs, and purchased and interchange power costs and taxes, as applicable.<sup>8</sup>

Thus, while imbalance service by its very definition is a “no notice” or “standby capacity and associated energy” service that the transmission provider can neither

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<sup>6</sup> Order No. 890 at ¶¶ 629-630 (energy imbalances) and 631-632 (generator imbalances).

<sup>7</sup> Order No. 890 at ¶ 635.

<sup>8</sup> Revised pro forma OATT at Original Sheet No. 133 (Schedule 4) and Sheet Nos. 141-142 (Schedule 9). See also Order No. 890 at ¶ 687.

anticipate nor plan for, under Order No. 890 it would be priced based on the cost of serving the transmission provider's firm native load. Consequently, imbalance service would, in many cases, be less expensive than the provider's firm, long-term sales and less expensive than the energy a customer would otherwise need to purchase in the marketplace. Clearly, this does not create an incentive to avoid imbalances. Rather, it creates an incentive to deliberately *create* imbalances, to the extent that imbalance charges are less than the cost of other alternatives to supply load (in the case of energy imbalances) or the cost of generating (in the case of generator imbalances).

Consider, for example, the case of a gas-fired generator operating in a region where the transmission provider's native load is being served with coal-fired units. The gas-fired generator will likely have an incentive to deliberately under-generate in order to create an imbalance that would be priced at the provider's cost of coal rather than the generator's cost of gas. Even if the under-generation creates third-tier imbalances that are priced at 125% of the provider's system incremental cost, the resulting imbalance charges may be well below the gas-fired unit's own cost.

The result is particularly egregious, since the transmission provider, while capable of supplying its native load with coal-fired units, may nonetheless be operating gas-fired units to supply supplemental reserves, requirements sales, and other firm, off-system transactions. In such a situation, the customer who deliberately under-generates would be charged for imbalances based on the cost of coal, and the transmission provider's requirements customers will face additional gas costs.

At a minimum, the Commission must permit the transmission provider to impose imbalance charges based on the incremental cost of its most expensive resources in

service at the time the imbalance occurs. (In regions where the Commission has approved the use of market indices to price imbalance service, imbalance prices would be based on the lower of these indices or the incremental cost of the provider's most expensive resources.) This reflects the true incremental cost of supplying the imbalance and represents the minimum reasonable charge for imbalance service. The Commission has previously approved other imbalance pricing mechanisms that are also just and reasonable and take additional steps to encourage reliable operation of the system and discourage intentional imbalances. For example, the Commission has approved charges based on the greater of actual cost or a fixed price per MWh.<sup>9</sup>

The Commission should also allow the use of the joint dispatch incremental and decremental cost to be used in place of the native load in instances where there exists a joint dispatch agreement between the transmission provider and other balancing area utilities. In these instances, there is no identification of the transmission provider's native load other than as part of an aggregated, jointly dispatched load. Therefore, there is no identification of the resources used to satisfy the last 10 MW of native load; only the last 10 MW of jointly dispatched load.

Apart from these policy concerns, there appear to be practical implementation difficulties in certain regions. For example, in retail choice states the transmission provider may have little or no "native load" from which to price imbalance service.

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<sup>9</sup> Order No. 890 at ¶¶ 629-632.

**2. The Commission should clarify the manner in which imbalances will be netted.**

Order No. 890 contains certain provisions for the netting of imbalances. The Commission should clarify that imbalance *charges* (not the *energy imbalances* themselves) are to be netted over the course of a month for settlement at the end of the month.

Order No. 890 provides that:

[I]mbalances of less than or equal to 1.5 percent of the scheduled energy (or two megawatts, whichever is larger) will be netted on a monthly basis and settled financially at 100 percent of incremental or decremental cost at the end of each month. Imbalances between 1.5 and 7.5 percent of the scheduled amounts (or two to ten megawatts, whichever is larger) will be settled financially at 90 percent of the transmission provider's system decremental cost for overscheduling imbalances that require the transmission provider to decrease generation or 110 percent of the incremental cost for underscheduling imbalances that require increased generation in the control area. Imbalances greater than 7.5 percent of the scheduled amounts (or 10 megawatts, whichever is larger) will be settled at 75 percent of the system decremental cost for overscheduling imbalances or 125 percent of the incremental cost for underscheduling imbalances.<sup>10</sup>

The Commission should clarify that imbalance charges are to be calculated for each hour, based on that hour's scheduled MW quantity, actual MW quantity, and the incremental/decremental cost associated with the imbalance. At the end of the month, these hourly imbalance charges (some of which will be owed to the transmission provider, and some of which will be owed to the customer, based on the direction of the imbalance) are to be netted for billing purposes. Stated differently, the hourly charges, not the energy imbalances, are to be netted at the end of the month prior to calculating the imbalance charges.

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<sup>10</sup> Order No. 890 at ¶ 664. See similar language at revised pro forma OATT at Original Sheet Nos. 132-133 (Schedule 4) and Sheet Nos. 140-141 (Schedule 9).

To the extent this is not the Commission's intent, MidAmerican requests rehearing of the Commission's findings. Basing imbalance charges on the net energy imbalance over the course of a month would allow customers to intentionally under schedule in high-cost hours and over-schedule in low-cost hours with no net monthly imbalance, thus imposing significant cost on transmission providers while avoiding any imbalance charges for themselves.

**3. Compliance Filing for the Mechanism to Credit Revenues from Imbalance Penalties.**

MidAmerican also seeks clarification of the compliance filing requirements for imbalance penalty distributions. The sixth sentence of paragraph 727 states:

Therefore, as part of their compliance filings in this proceeding, transmission providers are required to develop a mechanism for crediting such revenues to all non-offending transmission customers (including affiliated transmission customers) and the transmission provider on behalf of its own customers.

Since there are numerous compliance filings required by the order, it is ambiguous as to just which compliance filing the imbalance penalties distribution mechanism is to accompany. MidAmerican seeks clarification that filing the imbalance penalty distribution mechanism with the compliance filing of the pro forma non-rate terms and conditions is acceptable for this compliance filing. MidAmerican believes this is an appropriate time for the filing as it would accompany the Commission's new energy imbalance services which would go into effect with such a filing. MidAmerican also seeks further clarification on the mechanism to be filed for crediting revenues received through imbalance penalties or charges that are in excess of incremental cost as described in paragraph 727. MidAmerican reads the filing provisions for the crediting of revenues received through imbalance penalties as only one compliance filing for the mechanism to

credit revenues from imbalance penalties. If that is not the Commission's intention, additional clarification and details would be appreciated from the Commission at this time. Few details are provided in the order on what information the Commission requires for the compliance filing for the crediting mechanism to distribute revenues received through imbalance penalties. MidAmerican welcomes any additional guidance and any particulars that the Commission may have had in mind regarding the structure for the compliance filing.

#### **4. Capacity Reassignment**

Paragraph 816 requires that the assignee of transmission capacity execute a service agreement governing the reassignment and that the assignment shall be *only to the specified assignee*, without any obligation that the capacity be made available to third parties. MidAmerican seeks clarification that the assignee cannot then reassign the capacity to another third party. MidAmerican believes that capacity reassignment subleased by the assignee would go against the Commission policy that the assignment shall be only to the specified assignee. In addition, if an assignee were permitted to sublet its capacity assignment to multiple parties, it would be a costly administrative, tracking and posting burden.

#### **5. Operational Penalties for Late Studies – 60-day Due Diligence Deadline**

The Commission has ruled to subject transmission providers to operational penalties for late studies when they routinely fail to meet the 60-day due diligence deadlines prescribed in sections 19.3, 19.4, 32.3 and 32.4 of the pro forma OATT (§ 1340). MidAmerican believes the circumstances described below represent facts not previously considered by the Commission in arriving at this ruling, and merits the

provision of a grace period for the imposition of penalties for failing to meet the 60-days deadline.

First, as a result of coordination within the Mid-Continent Area Power Pool (“MAPP”) region and seams coordination with neighboring systems, for transmission service over the MEC system it is necessary to monitor and respect third-party facilities and flowgates both when evaluating transmission service requests using automated request evaluation tools (for monthly and shorter transmission service requests) and when performing system impact studies for yearly or longer firm transmission service requests. This coordination with third-party facility and flowgate owners when performing a system impact study is required in order to determine whether a request can be accepted while respecting the reliability requirements of not only MEC’s system, but also that of other systems impacted by the transmission service request. Due in large part to the overlapping nature of the various entities in and around the MAPP region, the work involved in regional coordination is extensive. For example, at the present time, flowgate coordination for the MEC system involves 19 MAPP flowgates, 102 Midwest ISO flowgates, 11 PJM flowgates and 7 SPP flowgates. Of the 139 flowgates monitored when evaluating transmission service requests on the MEC system, only 7 flowgates are on the MEC system. While the number of flowgates used in automated request evaluation is extensive, the vast extent of the systems that must be monitored when performing an off-line system impact study is far greater.

A typical system impact study involving transmission service crossing the boundary between MidAmerican and an adjoining entity such as the Midwest ISO, SPP or PJM will involve coordination with not only other MAPP members, but PJM staff (as

well as PJM transmission owners such as Commonwealth Edison, Midwest ISO staff and Midwest ISO Transmission Owners). Similarly in the West, PacifiCorp must coordinate with multiple large cooperatives, municipal utilities, and governmental transmission agencies. Such coordination requires: (1) Agreeing on appropriate power flow models; (2) Agreeing on the disturbance, monitoring and performance criteria to be used with respect to each coordinated party's system; (3) requesting and receiving updates to the power flow models from the coordinated parties; (4) determining transmission service requests on the coordinated parties' tariffs which have a higher queue priority and should be considered in the study; (5) obtaining review of initial study results; (6) verifying facility ratings for potentially impacted facilities; (7) reaching final agreement on whether the service can be granted within the various parties' criteria, and if not, what service constraints exist; and (8) finally writing a comprehensive system impact study report.

The various seams agreements between transmission owners in the greater Midwest region and in the West have recognized the importance of monitoring third party facilities to ensure the reliability of the regional transmission system is not harmed by the aggregate of the transmission service sold by the parties. However, depending on the extent of impacts for a particular service request, this coordination process must be completed early within the 60-day due diligence period to allow time for finalizing studies and report writing. If the 60-day processing deadline is imposed with no flexibility to accommodate regional coordination, transmission providers will have no recourse but to forego or reduce the amount of coordination taking place across the various seams, with potential negative impacts to reliability. The reduced coordination would likely not meet the requirements of the various seams agreements approved by the

Commission and result in flawed results for customers which could lead to reliability degradation, cost shifts, and disputes over impacted system cost recovery at a later date as facilities are built.

Second, since transmission service requests are evaluated in queue order, transmission providers must consider the affects of all previously-submitted transmission service requests, including those for which system impact studies have not been completed. For a variety of reasons, a number of transmission service requests in “Study” status at any given time are not ultimately approved by the transmission provider or not confirmed by the transmission customer. Some requests are accepted but not confirmed by the customer; and other requests are withdrawn by the customer at some point in the process between the time the request is queued and completion of the study. However, in order to meet the 60-day requirement, transmission providers are required to make assumptions regarding the ultimate disposition of earlier-queued requests in the status of “Study” when performing system impact studies. Such assumptions will have consequences on the study results for the later-queued request. For example, if it is assumed that earlier-queued requests which are still being studied will ultimately be confirmed and will flow as a study-case assumption in a system impact study for a later-queued request, the transmission system will be loaded to a higher level in the study case for the later-queued request. Since the system is loaded to a higher level as a study case assumption, it could be concluded in the system impact study for the later-queued request that the service can not be granted due to expected overload conditions with the later-queued service added to the system on top of the earlier-queued study-status requests. The transmission customer for the later-queued request could then be required to address

the expected overload conditions as a condition of obtaining the service. In addition, to the extent that such facility additions can not be completed before the service period, the transmission provider may refuse the request. In such cases, if the assumptions regarding higher-queued study-status requests turn out to be different than modeled and the transmission system would not in fact have been overloaded, then the transmission customer is harmed and would have been better off waiting for earlier-queued requests to be resolved.

Third, the Commission has ruled that transmission providers must provide a new conditional firm point-to-point service. Under this requirement, the transmission provider must study the limited conditions or hours under which firm service can be curtailed, and allow firm service to be provided in all other conditions or hours. The Commission also ruled that transmission customers have the choice of requesting that the transmission provider study the modified planning redispatch option, the conditional firm option, or both. Adding these additional study requirements will significantly increase the time required to complete system impact studies. The time required to complete such additional studies has been understated in the Commission's determination of the 60-day operational penalty. Conditional firm service is a significant additional requirement that will make it substantially more difficult to meet the 60-day deadline. MidAmerican believes that transmission providers may see an increase in the number of studies required as a result of customers opting for this new type of service. The anticipated increase in study volume and the increase in study requirements provide additional merit for a grace period from the end of the current 60-day deadline to when penalties become effective.

Fourth, the availability of outside consultants to support transmission providers in performing system impact studies is limited. Depending on the scope of the study and the consultant's workload, it may be difficult for the transmission provider to meet the 60-day deadline at all times. Furthermore, assigning more persons to perform studies has a diminishing return due to the necessary queue sequencing and coordination, which are limiting factors beyond transmission provider's staffing level. For the reasons cited above, MidAmerican requests that the Commission reconsider its 60-day due diligence deadline and adopt the 120-day due diligence deadline MidAmerican proposed in its NOPR comments. Failing to extend the 60-day due diligence deadline or by providing a grace period may negatively impact reliability as a result of reduced opportunity for seams coordination and increased pressure on transmission providers to complete more complex studies within the shortened timeframe.

Fifth, facility studies for transmission service requests which require new transmission construction cannot accurately calculate an accurate cost within a 60-day study window. New transmission line rights of way require a protracted route study to fully evaluate all the environmental, cultural, and landowner issues to fully determine the optimum route for a new line. Without knowing the route a line should take, an accurate cost estimate and schedule cannot be prepared for the customer. Given the high costs of transmission construction, it is unreasonable for a customer to sign a service agreement within 60 days with a highly variable cost and schedule estimate. The Commission should remove the penalty provisions for facility studies requiring major construction, or offer customers the option of extending the study period without penalty to the

transmission provider where a customer has a desire for an accurate cost and schedule estimate.

Sixth, with the distinction of generator interconnection service from transmission “delivery” service in the OATT, a coordination issue may arise in cases of transmission service requests submitted in association with a generation interconnection request. The OATT specifies certain time-requirements for completing various generation interconnection studies. Under the Large Generator Interconnection Procedures, the time required to determine the facilities necessary to accommodate a generation interconnection request can exceed 250 days from the date the interconnection request is submitted. This is not inclusive of the performance of the Interconnection Facilities Study or the negotiation of the interconnection agreement. To the extent transmission service requests are submitted concurrently with or shortly after the interconnection application is submitted (which is often the case), the system impact study for the transmission service requests may not start for 250 days. It is not possible to start the system impact study for the transmission service requests until after it is known what the topology of the system will be with the new generating facility and any associated network upgrades. Since the Large Generator Interconnection Procedures provide for these time-frames, MidAmerican requests clarification that, in cases where transmission service requests are submitted in association with a new generation interconnection request, coordination with the generation interconnection queue is not subject to the due diligence deadline.

While MidAmerican believes a strong case exists to extend the 60-day requirement, MidAmerican requests that, at a minimum, the Commission build into the

schedule a time margin, albeit a grace period, at the end of the 60-day period before penalty provisions are invoked. This is consistent with the financial community giving customers a “grace period” for paying bills after the due date and not charging the customer a penalty if paid within a certain time period following the due date. This is also consistent with the billing provisions in the pro forma tariff for allowing transmission customers a 30-day “grace period” prior to being deemed to be in default. With the added provisions of a grace period, the Commission would retain the tariff’s 60-day requirement as presently stated, but would not impose the reporting and penalty provisions until the transmission provider exceeded a 90-day timeframe. This would put pressure on transmission providers to work on the tariff’s 60-day calendar (nominally 40 to 44 working days) in order to stay clear of the 90 day penalty window. Utilities have customarily used margins to avoid penalties, most notably with respect to generation reserve margins. Work practices build in margins to avoid penalties and will be a practice rapidly adopted for this penalty provision. Without a permissible margin transmission providers will find that they will need to plea for extenuating circumstances due to normal and routine work patterns, which is clearly not the intended purpose of the extenuating circumstances provision. MidAmerican believes the extenuating circumstances provisions are necessary and should not be considered an alternative to the grace period being requested for the reasons set forth above.

MidAmerican requests clarification that the milestone metric for meeting the due diligence requirement will be upon first submission of the study report to the transmission customer. It is customary for transmission providers to share a review copy of the system impact study report with the transmission customer prior to issuing a final

system impact study report. If a transmission provider forwards to the customer a copy of the study report for its review prior to the due diligence deadline, and upon review, the customer is unsatisfied with the transmission provider's results, requiring additional analysis or, at a minimum, requiring a review of the potential issues, MidAmerican requests clarification that the first submission of the study report to the transmission customer satisfies the tariff deadline requirements for the transmission provider. Should the Commission deem the initial submittal of a comprehensive study report does not meet the due diligence deadline, then transmission providers will have no opportunity to obtain customer review and must proceed with issuing a final report without customer input. The Commission's 60-day due diligence deadline will eliminate the time needed to have review with the transmission customer. This is likely to result in more disputes, while the transmission provider will have met the due diligence deadline. An extended deadline will facilitate early resolutions with customers by providing the customer an opportunity to review and respond to the study report rather than the transmission provider consider the report final without customer input as a result of the 60-day deadline.

Finally, by establishing the transmission provider meeting its 60-day due diligence deadline upon the initial submittal of a comprehensive study report to the transmission customer, any delays that occur as a result of review and acceptance of study results due to regional planning process criteria would not subject the transmission provider to penalties as a result of additional regional coordination.

## **6. Filings Regarding Distribution of Penalty Revenues**

MidAmerican seeks clarification that Paragraph 861 requires the transmission provider to submit two distinct and separate annual filings with the Commission.

MidAmerican believes that the Commission will get more consistent and uniform reporting if the Commission provides additional guidance on this matter at this time.

First, the Commission requires a “compliance” filing to, “propose in the filing a mechanism through which it will identify non-offending transmission customers and a method by which it will distribute the unreserved use penalties revenue it receives to the identified transmission customers.” Since this is a compliance filing, MidAmerican seeks clarification that the transmission provider is to wait for an order from the Commission before commencing the implementation of its filed revenue distribution plan.

MidAmerican seeks clarification that it would be acceptable for a transmission provider to use the full annual compliance period to identify the non-offending transmission customers. If the annual compliance period is not an acceptable period, MidAmerican requests that the billing month be an acceptable period to identify the non-offending transmission customers. MidAmerican also seeks clarification that an “offending transmission customer” can be classified as an offending transmission customer for the entire reporting period and not just some subset of the reporting period. MidAmerican seeks confirmation that it would be acceptable to allocate the penalty revenues between non-offending network customers and point-to-point customers based on the total megawatthours that each of these customer groups scheduled during the compliance period. MidAmerican requests clarification as to whether the Commission has an alternative preference for how to share the pool of penalty revenues between the two customer groups.

Second, MidAmerican seeks clarification that it is acceptable to submit the informational filing some months following the compliance filing. It is MidAmerican’s

understanding that the compliance filing would be submitted prior to the distribution of penalty revenues. MidAmerican also seeks clarification that these two filings can be submitted anytime during a calendar year for penalty “billings” that were imposed during the prior calendar year.

MidAmerican seeks clarification that the Commission intended the penalty revenue distribution to be credits toward a future billing cycle. MidAmerican requests that the Commission adopt a reasonable threshold below which penalty revenue distributions becomes disproportionately burdensome and may be more expensive to administer than the amounts involved. MidAmerican recommends that for any calendar year when the total penalties are less than \$10,000, the transmission provider may opt to make the payment to the transmission provider’s regional reliability organization, in MEC’s case the Midwest Reliability Organization, as doing so will contribute to reducing payments for reliability that all customers benefit from.

### **C. Non-Rate Terms and Conditions**

#### **1. Modifications to Long-term Firm Point to Point Service.**

##### **a. Conditional Firm Service should not be offered conditioned on specific system conditions.**

In the final order, the Commission has expanded its initial form of conditional firm service presented in the NOPR to include service conditional on either the number of hours or system conditions at a point in time. This has added an additional type of service beyond which was proposed in the NOPR proposal, and discussed in the technical conference. This new type of service, consisting of firm service curtailable equivalent to network secondary service only upon certain system conditions, is inherently different than conditional firm service based on an estimated limit of curtailable hours in one year.

This type of service has been referenced as “contingent firm service” in various industry meetings.

Conditional firm service was premised on the assumption that operators will be able to respond in time to loadings on flowgates or paths by curtailing transmission service, and likely associated generation, to avoid reliability impacts ahead of a system contingency. The use of curtailable hours, as outlined in the NOPR proposal, aligns with the current operational curtailment practices associated with secondary network, and gives operators the ability to respond to growing utilization of the transmission network ahead of system contingencies that could jeopardize the reliability of the transmission system.

By adding the additional requirement to offer conditional firm service conditioned upon a specific system condition (contingent firm service) (paragraphs 958, 978, 980, 981, 1064, and 1066), the Commission has expanded the initial conditional firm proposal to an extent possibly jeopardizing the reliability of certain transmission systems. It appears that this additional requirement will trigger curtailment of conditional firm service by operators only after a contingency occurs on the transmission system and only as outlined in the specific service agreement associated with that service. By requiring this expansion, the Commission apparently assumes that the system has the built-in ability to absorb, for some period of time, scheduled flow of energy from full utilization of firm or network service plus flows from contingent firm service upon an instantaneous system contingency until an operator can curtail conditional service. Expanding this application is not advised, as during contingencies on certain types of systems (most notably systems susceptible to rapid voltage collapse or other stability issues), cascading

outages can occur before the operator can respond by curtailing “contingent firm” service.

MidAmerican seeks rehearing of the Commission’s decision to expand the scope of conditional firm service beyond the original proposal. The Commission’s original proposal used only curtailable hour limits within a specified period. Requiring transmission providers to provide conditional firm service only based upon hour limits in an annual period would still offer transmission customers the ability to secure traditional firm transmission service through the use of Special Protection Schemes and other automatic devices, while preserving the reliability of the transmission system for all customers. The existing practice of securing firm transmission service through the application of Special Protection Schemes (and associated generator tripping), if able to be applied in a reliable fashion, is a more efficient and reliable method of securing firm transmission service than by requiring transmission providers to offer “contingent firm” service.

- b. The Commission should clarify that waiver of restudy after assessment periods for redispatch and conditional firm service should not constitute a waiver of restudy rights to all customers receiving conditional firm and redispatch service.**

In Paragraph 985 regarding the assessment period for the restudy of conditional firm and redispatch, Order No. 890 states that

In the event a transmission provider is able to extend the assessment period, we will allow the transmission provider to waive or extend its rights to reassess the availability of the option, provided that the waiver or extension is provided consistently for all similarly situated customers.

MidAmerican seeks clarification of the phrase “similarly situated customers.”

Specifically, MidAmerican seeks clarification as to whether the phrase “similarly situated

customers” is intended to include all other customers purchasing conditional firm and redispatch service, or whether it is limited to customers utilizing the same scheduling path or affecting the same flowgate.

Order No. 890 permits a transmission provider to waive the need for restudy of curtailment limits or dispatch effects associated with particular service in one area for reasons such as few changes occurring over the assessment period. This waiver or extension should not extend to other customers in areas that experience frequent changes. Applying this waiver or extension clause to all customers using similar services will force transmission providers to spend limited resources on formal re-studies of redispatch and conditional firm service every two years, whether needed or not, to maintain their right to re-study other services using redispatch or conditional firm after the assessment period. MidAmerican also seeks clarification that waiving the right to reassess a study is not an act of discretion and thus no OASIS posting would be required for instances where the transmission provider waives the right to reassess a study.

Finally, MidAmerican seeks clarification that the waiver of re-study associated with a particular service will not constitute an infinite waiver of re-study rights, but only a waiver of study until the next two year assessment period is reached. Furthering this request, MidAmerican also seeks clarification that this waiver of re-study, when applied to the final requested definition of other similarly situated customers, should only constitute a waiver of re-study upon similarly situated customers until the end of the next two-year reassessment period of the original service that reassessment rights were originally waived upon.

**2. The Commission should clarify that Order No. 890 does not preclude transmission providers from voluntarily offering short-term conditional firm PTP transmission service.**

Order No. 890 requires transmission providers to offer conditional firm PTP transmission service.<sup>11</sup> The Commission states that conditional firm service “is not a third service, but rather represents a modification to the existing procedures for granting long-term PTP service and the curtailment priorities for that service.”<sup>12</sup> While MidAmerican does not believe transmission providers should be required to offer short-term conditional firm service, the Commission should clarify that transmission providers are not prohibited from voluntarily offering conditional firm PTP service on a short-term basis.

Specifically, for MEC, MAPP currently provides a *short-term* conditional firm PTP service under which transmission service requests are approved contingent on either a flowgate redispatch agreement between the customer and a generator, or the customer’s willingness to redispatch its designated network resources.<sup>13</sup> Order No. 890 does not require transmission providers to submit revised tariff sheets associated with provisions of the pro forma OATT that have not been modified in this proceeding,<sup>14</sup> and the Commission should clarify that the Order’s revisions regarding long-term conditional firm service neither preclude nor alter existing provisions for transmission providers to *voluntarily* offer short-term conditional firm service.

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<sup>11</sup> Order No. 890 at ¶ 911.

<sup>12</sup> Order No. 890 at ¶ 925, emphasis added.

<sup>13</sup> MAPP Policies and Procedures at Paragraphs 2.12.3 - 2.12-4. See Order No. 890 at ¶ 1654 citing the MAPP Policies and Procedures’ “information supplementing its OATT pertaining to ... methods to accommodate a firm transmission request with redispatch.”

<sup>14</sup> Order No. 890 at footnote 106.

### 3. Modification of Receipt or Delivery Points

- a. **The Commission should clarify that if a request for firm redirected PTP service (or redesignation of network resources) creates additional ATC, that ATC immediately precedes in queue order the new request for service by that same transmission customer.**

Order No. 890 finds that pursuant to Section 22.2 of the pro forma OATT, redirects are to be “treated as a new request for service in accordance with section 17.” Therefore, a redirect right “does not grant the customer access to system capacity or queue position different from other customers submitting new requests for service,” and that redirect requests must be “evaluated in accordance with section 17 using the same system assumptions and analysis applicable to any other new request for service, including whether sufficient ATC exists to accommodate the request.”<sup>15</sup>

Likewise, relative to network service, Order No. 890 rejected the argument that a “network customer be allowed to be ‘first in line’ to use the ATC freed up by an undesignation of a network resource, as long as the network customer uses that ATC to designate an alternate resource.”<sup>16</sup>

It is important for the Commission to clarify that only the residual ATC is freed up by redirected PTP service or by undesignation of a network resource. Consider the following example:

- Transmission Customer A has an existing, approved, confirmed PTP reservation that reduces ATC by 15 MW.
- ATC is currently posted as zero after accounting for the confirmed reservation above.
- Transmission Customer B has a transmission service request in the queue that would consume 10 MW of ATC.

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<sup>15</sup> Order No. 890 at ¶ 1285.

<sup>16</sup> Order No. 890 at ¶ 1587.

Under these conditions, the request by Transmission Customer B would be denied for lack of ATC.

Now assume Transmission Customer A submits a request to redirect its existing reservation such that

- Eliminating the existing reservation would increase ATC by 15 MW, and
- The new, redirected reservation would reduce ATC by 10 MW, so that
- The net effect of the requested redirect would increase ATC by 5 MW.

This redirect request would, of course, be queued later than the request of Transmission Customer B.

The Commission should clarify that ATC in this example is not freed up for Customer B, because the increase in ATC is contingent upon the approval of Transmission Customer A's later redirect request. Stated differently, ATC cannot be freed up for earlier queued requests on the assumption that a later queued redirect will be granted.

This clarification does not violate the finding of Order No. 890 that redirects should be treated as new service requests, and it is consistent with the requirement of section 17 that requests for redirected service be subject to the "same system assumptions and analysis applicable to any other new request for service, including whether sufficient ATC exists." The clarification merely recognizes the obvious - that the ATC available for an earlier queued request cannot be based on assumptions about later queued requests that may never be granted nor confirmed.

#### **D. Designation of Network Resources**

- 1. The Commission should clarify that, during the period until improved OASIS functionality is available for designating and undesignating network resources, electronic transmissions and email are acceptable means of designating and undesignating network resources.**

Order No. 890 revises the requirements for documenting network resources.

Transmission providers are to develop OASIS functionality to allow all information required for a request to designate network resources to be provided electronically.<sup>17</sup>

This OASIS functionality cannot be implemented immediately, and Order No. 890 directs transmission providers to “work in conjunction with NAESB to develop business practice standards describing procedural requirements for submitting designations over any new OASIS functionality. . . . Prior to implementation of this new OASIS functionality, any information that cannot be provided electronically may be submitted by transmitting the information to the transmission provider by telefax or providing the information by telephone over the transmission provider’s time recorded telephone line.”<sup>18</sup>

The Commission should clarify that between the time Order No. 890 becomes effective until such OASIS functionality has been tested and made operational, electronic transmissions and email are acceptable forms for transmitting customer data. Electronic transmittals are similar to both telefax and recorded phone lines in that they provide a quick, efficient means of communication that can be readily stored. They are more legible than many telefax transmissions, and are less likely than recorded phone messages

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<sup>17</sup> Order No. 890 at ¶ 1477. Similar provisions for undesignating network resources are found at ¶¶ 1542 – 1543.

<sup>18</sup> *Id.*

to be misunderstood or unintelligible. Unlike recorded phone messages, there is no need to transcribe an electronic transmission or e-mail in the event of a dispute.

**2. The Commission should clarify the timing requirements when a transmission provider approves or denies requests for undesignations.**

Order No. 890 provides for a transmission provider, in rare instances, to deny a request to undesignate a network resource.<sup>19</sup> MidAmerican is uncertain whether the transmission provider must explicitly approve a request to undesignate a network resource, or whether approval is to be assumed unless the provider issues an explicit denial. Likewise, MidAmerican is uncertain of the timing requirements for these approvals / denials. The Commission should clarify that the transmission provider must explicitly approve or deny requests to undesignated network resources, and that the timing requirements for undesignating a resource should be consistent with the timing requirements to designate a network resource.

In some cases, a customer may request to temporarily undesignate a unit so that another customer may temporarily designate that unit. Unless timing requirements are in place requiring a transmission provider to explicitly act on the request to undesignate, the request to designate may be approved before the request to undesignate is addressed. To avoid a condition where one customer can designate a resource before another customer's request to undesignate the unit has been approved, the timing requirements for undesignating a network resource should be consistent with the timing requirements to designate a new resource.

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<sup>19</sup> Order No. 890 at ¶ 1585.

**E. Effective Date of pro forma Tariff Non-Rate Terms and Conditions**

Many of the provisions of the non-rate terms and conditions outlined in the pro forma tariff will become effective during a mid-month and therefore in mid-billing cycle for transmission providers. Implementing changes at a mid-billing cycle time will be burdensome for transmission providers to administer as well as confusing to transmission customers who will be billed twice for services provided in a single month.

MidAmerican therefore seeks clarification and guidance from the Commission that the appropriate effective date for pro forma tariff provisions will be clarified as the first day of the month following the Commission's effective date, where that effective date is based upon publication in the Federal Register or a FPA Section 205 filing.

**IV. Conclusion**

**WHEREFORE**, MidAmerican respectfully requests that the Commission grant rehearing and/or clarification as specified herein.

DATED this 19<sup>th</sup> day of March, 2007.

Respectfully submitted,

**MidAmerican Energy Company**

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