

PSC Staff Comments

February 6, 2004

Electric System Planning - Regulated Reliability Upgrades

Cost Recovery

- Cost recovery of regulated transmission solutions should be through the utility's Open Access Transmission Tariff (OATT). FERC would approve the revenue requirement and possibly the rate design for recovery. The PSC approved retail tariffs would then reflect that rate design approved by FERC.
- Cost recovery of regulated generation, demand-side management or any other non-transmission solutions should be through the utility's PSC approved retail tariffs.

Cost Allocation

- The overall approach to be adopted should be that beneficiaries pay
- Only reliability benefits should be included when determining beneficiaries
- A bright line voltage test should not be used to determine local versus regional beneficiaries. This determination should be made on a case-by-case basis. There could be instances when a 345kV upgrade would benefit a very localized area, in this case, the bright-line approach would have improperly assigned the costs on a regional basis.
- If a reliability project is revised to capture economic benefits, the incremental costs and benefits related to economics should be dealt with under a separate process.

Incentives

- No incentives should be provided for construction of regulated reliability upgrades beyond any incentives that FERC provides