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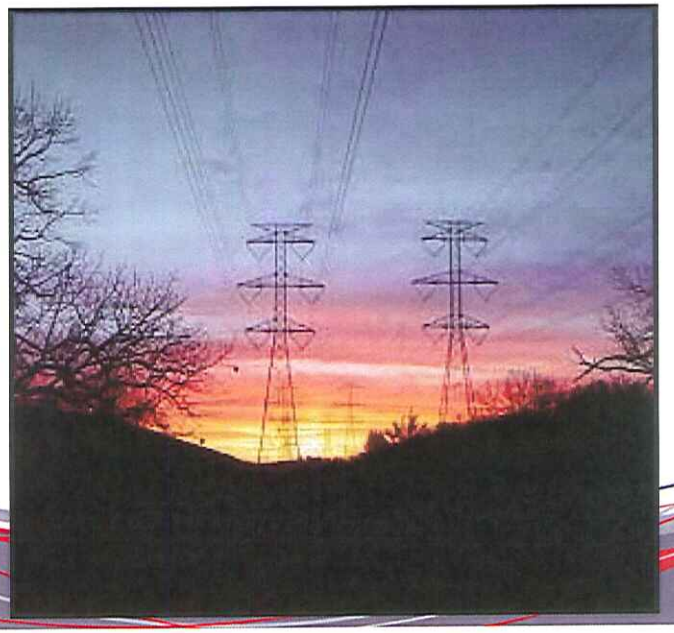
# Preserving New Mexico's Oversight of Transmission Facilities:

# Proposed 2015 Electric Transmission Right of First Refusal (ROFR) Bill

Radioactive and Hazardous Materials

Interim Committee

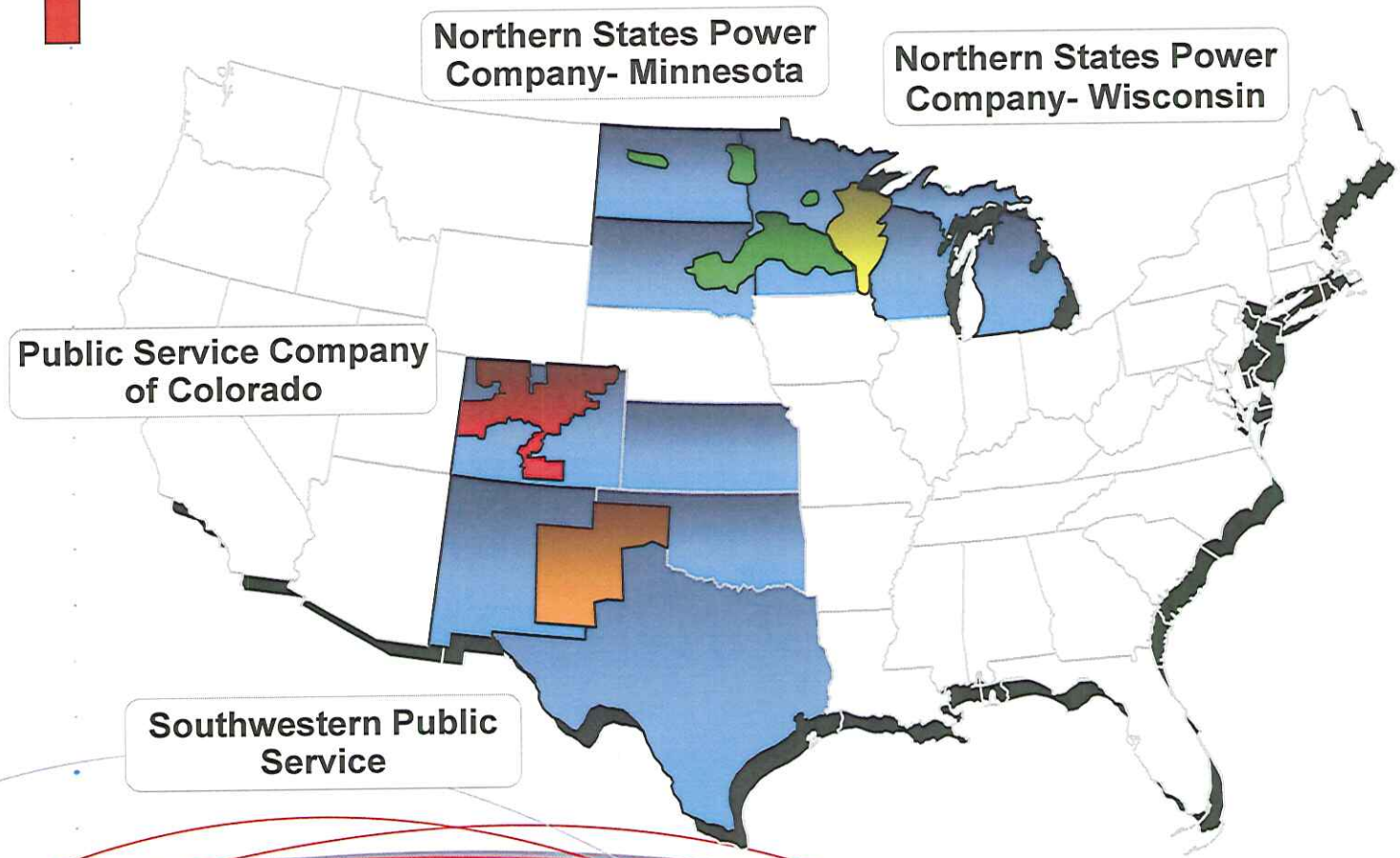
September 17, 2014



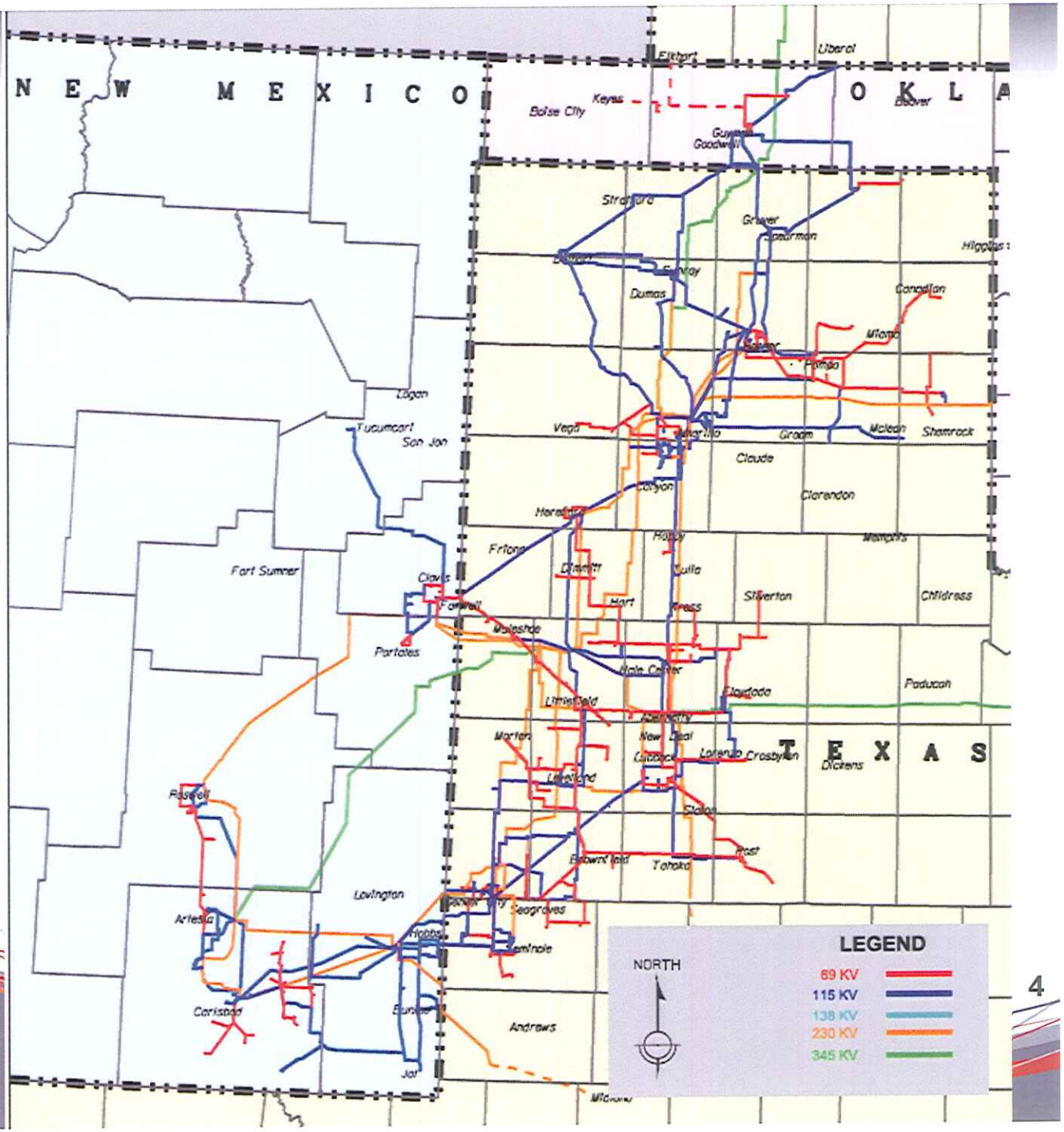
# Agenda

- About SPS and Xcel Energy
- About FERC and SPP
- Transmission ROFR Bill
- Benefits of Bill to New Mexico

# Xcel Energy Company Overview



# SPS Transmission System



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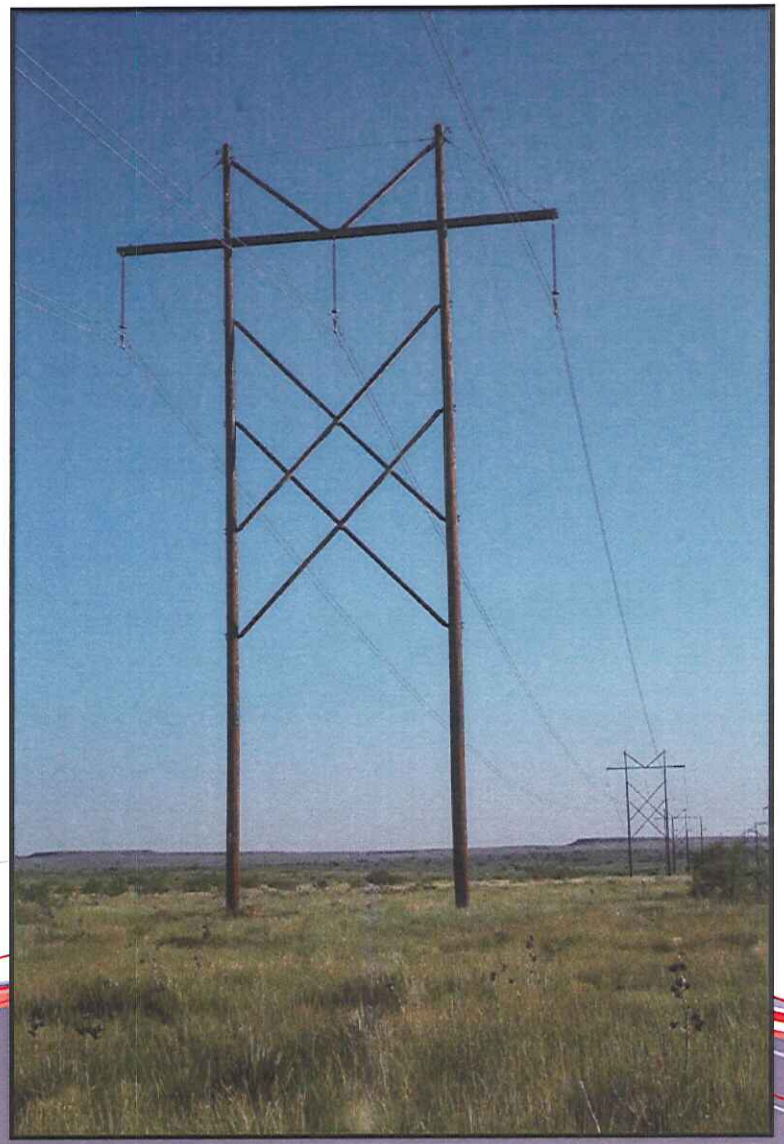
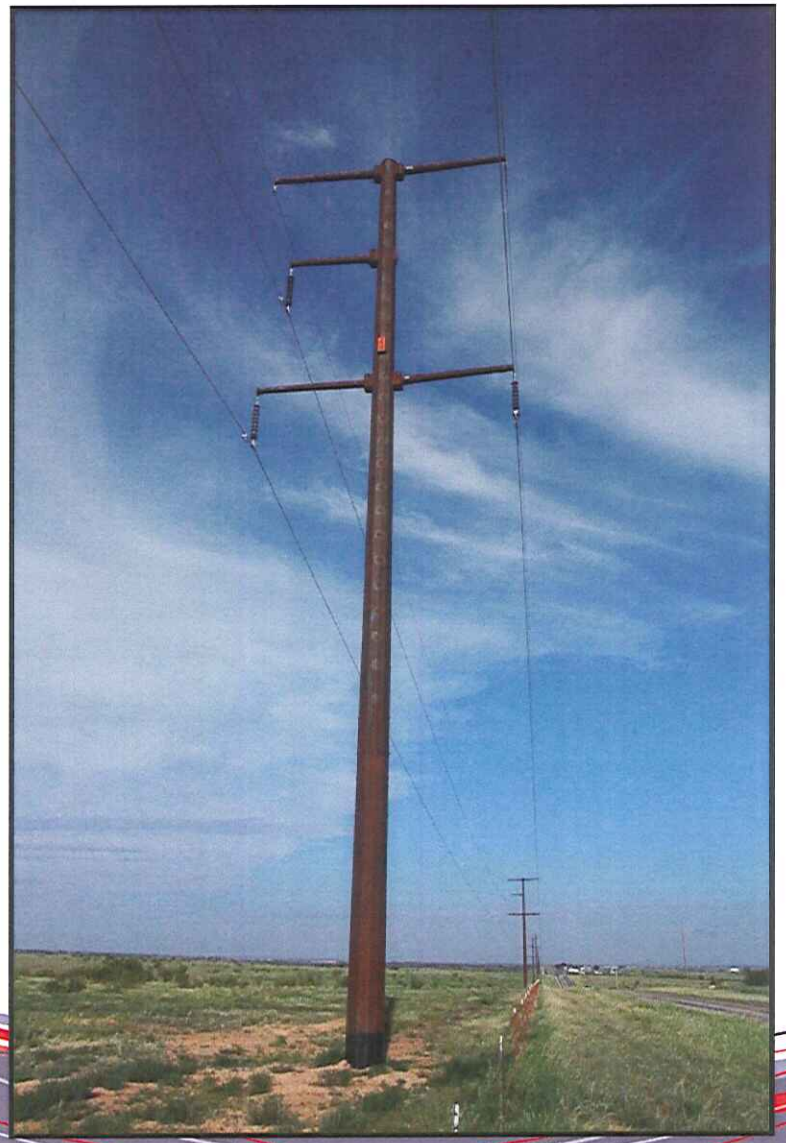
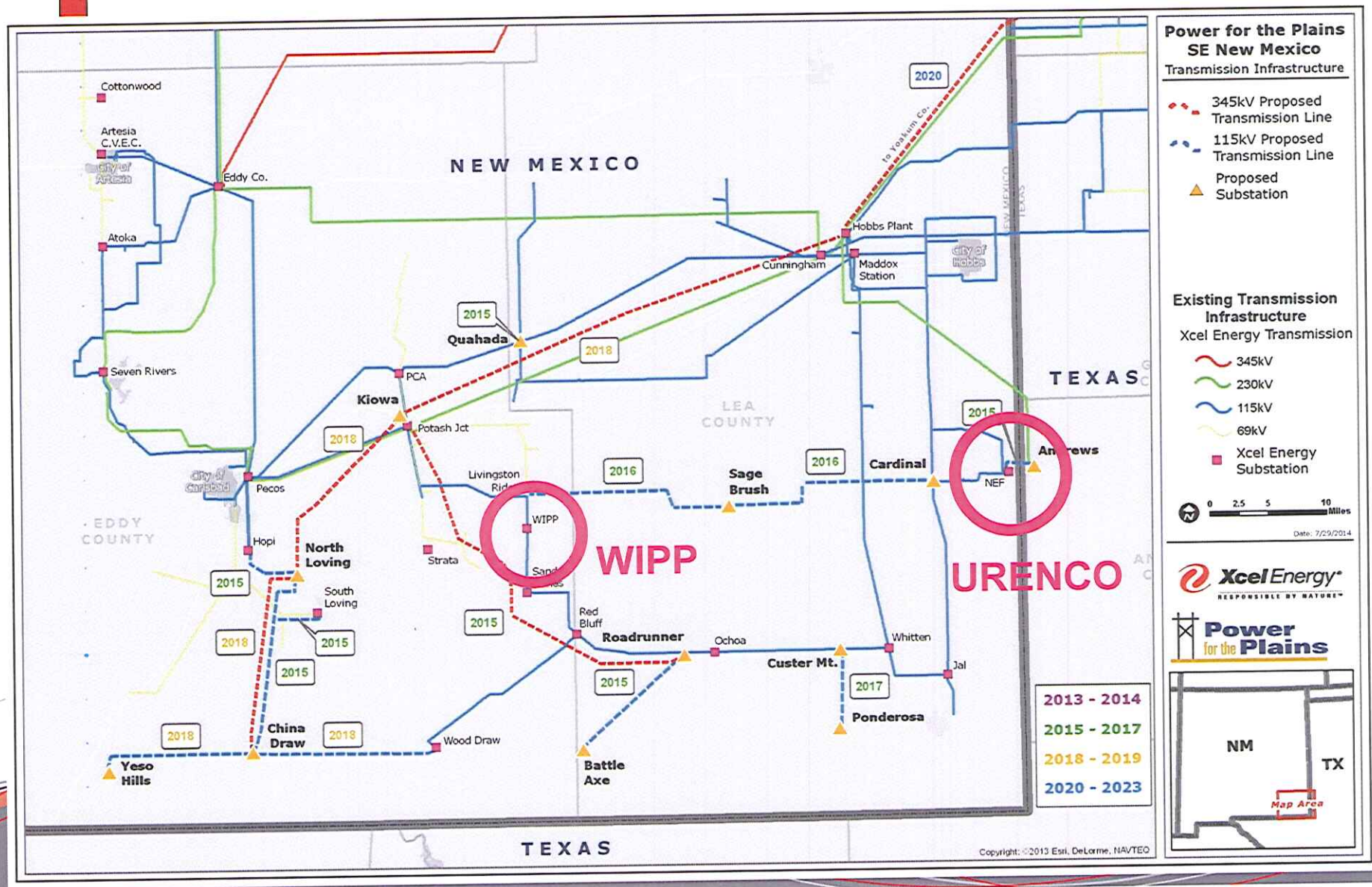
# Typical Transmission Lines





# Enhanced Service to WIPP and URENCO

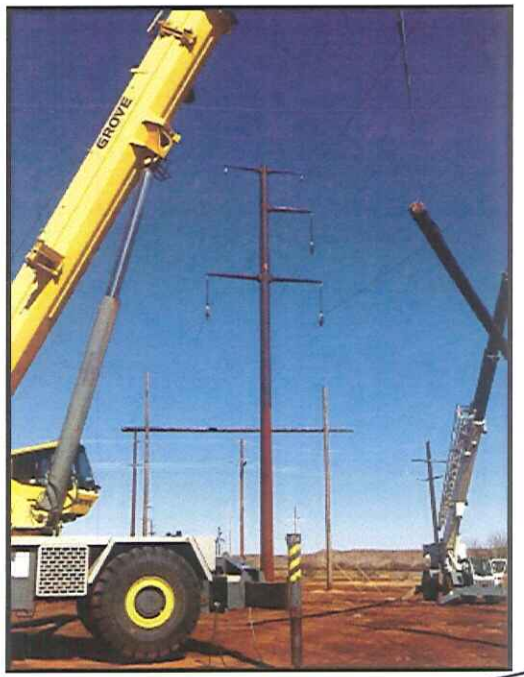


# Right of First Refusal (ROFR) Bill

- **Yesterday**
  - Public utility had first option to build & own transmission
  - State public utility commission approved costs and lines
- **Today**
  - Some large new lines will be subject to a bid process
  - Oversight for new lines by federal agency, not state
- **Proposed Bill** would continue commission oversight by continuing the ROFR for SPS

# Benefits of Transmission ROFR Bill

- **State Control** – PRC maintains state oversight of:
  - Cost of transmission service
  - Reliability performance
  - Line need, cost and routing
- **Jobs** - promote continued full-time job growth of local utilities



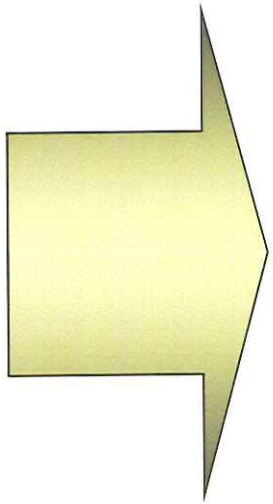
# Federal Energy Regulatory Commission

FERC
FEDERAL ENERGY REGULATORY COMMISSION

- Regulates interstate commerce in gas, oil, electricity
- Enact regulations to provide reliable, efficient, sustainable energy services at a reasonable cost

# FERC Objectives: Transmission

- Promote more transmission build
- Meet policy needs along with reliability / economic goals
- Enable robust energy market
- Ensure beneficiaries pay

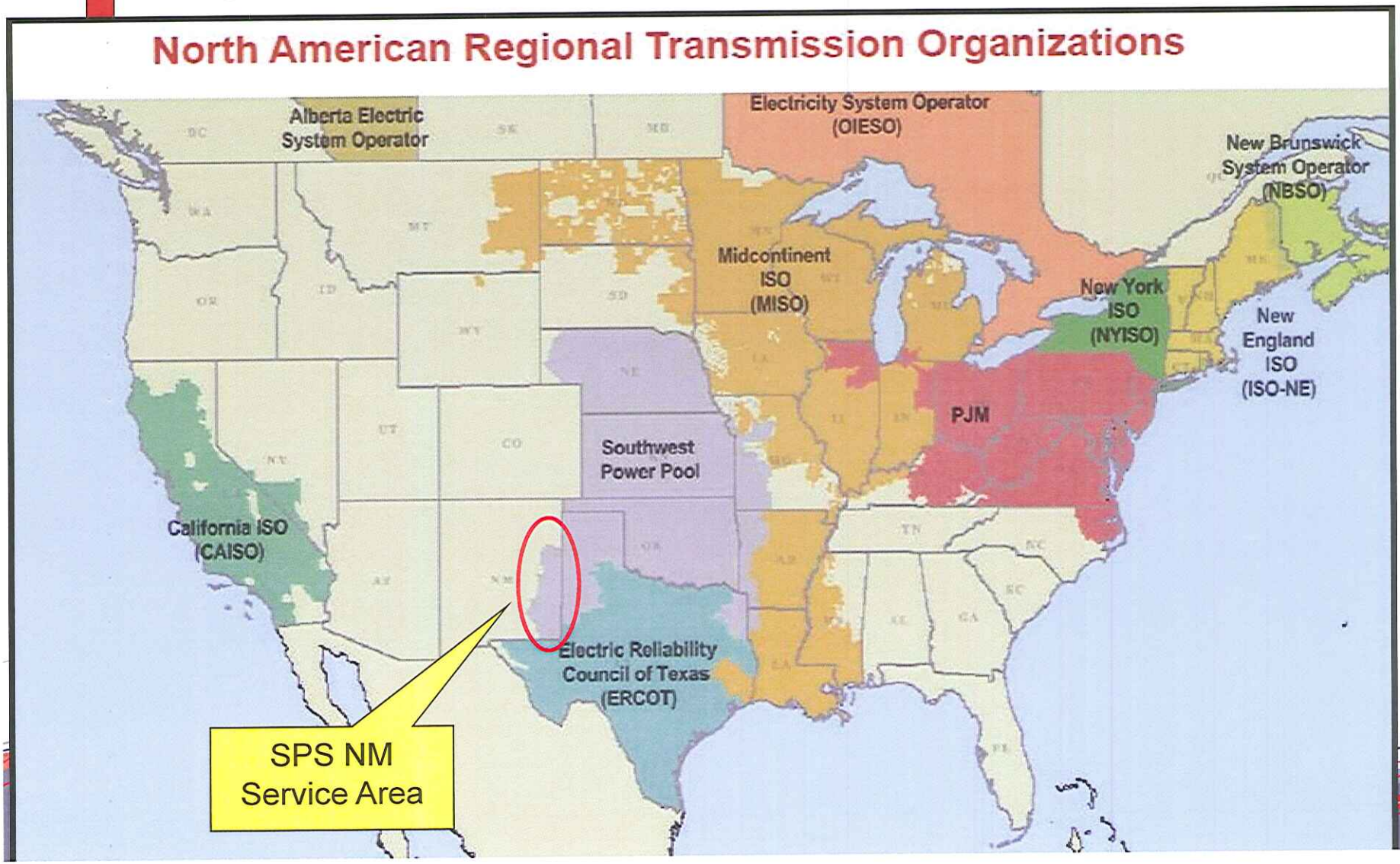


**FERC Order 1000**

# SPP - Southwest Power Pool

- Implements rulings from FERC
- Operates regional transmission grid
- Operates wholesale Energy Market
- Administers Open Access Trans. Tariff
- Provides regional & inter-regional planning
- Administers cost allocation of regional projects

# Regional Transmission Organizations (RTO)



# History of Right Of First Refusal

- Historically, public utilities with the obligation to serve had ROFR on transmission facilities within their service area
- 1992 Energy Policy Act required public utilities to provide open access to transmission systems
- In 2011, FERC Order 1000 removed ROFR for public utilities but will defer to state policy
- In 2015, SPP will solicit proposals the first group of projects to be subject to bidding

# Key Points of FERC Order 1000

- May 2012 ruling aimed at expanding the electric transmission grid
- Three key areas of focus:
  - Regional and inter-regional planning
  - Cost allocation
  - Federal Right Of First Refusal replaced by bid process for some projects

# Transmission Development Company ( Transco)

- Companies that specifically build and/or own only transmission assets
  - Independent company
  - Subsidiary of existing regulated utility company
  - Joint ventures
- Return on Equity (profit margin) set by FERC
- Responsible to FERC

# Maintains NM PRC Oversight of Costs

- PRC oversight of rates has kept customer costs reasonable
- SPS regulated utility: 9.96%
- FERC transmission rates in the SPP region:
  - Range: 10.0% to 12.3%
  - Median rate: 11.20%

# Maintains PRC Oversight of Reliability and New Lines

- PRC is customer's advocate for affordable, reliable service
- SPS' reliability is near the top among its peer utilities
- SPS is responsible to PRC for system reliability even if others own some of the transmission lines
- PRC maintains oversight of new transmission lines in NM:
  - Need
  - Cost
  - Routing

# Full-Time Jobs and Community Involvement

- SPS adds full-time employees as system grows
  - Local employees to operate and maintain all its systems and respond to outages and problems
  - Added 46 full-time positions over last 4.5 years (+24%)
- SPS employees enhance communities
  - Support and live in NM communities
  - Involved in economic and civic efforts

# Summary of ROFR Bill Contents

- Provides public utilities / rural cooperatives / G&T cooperatives first option to construct new transmission lines in its service area if new line is:
  - Approved by Regional Transmission Org. (RTO)
  - Line is cost-allocated to RTO members
- As written, applies only to SPS service area
- Does not affect interconnection of new renewable generation or non-utility transmission lines
- Provides ownership mechanism for lines between local utilities and cooperatives

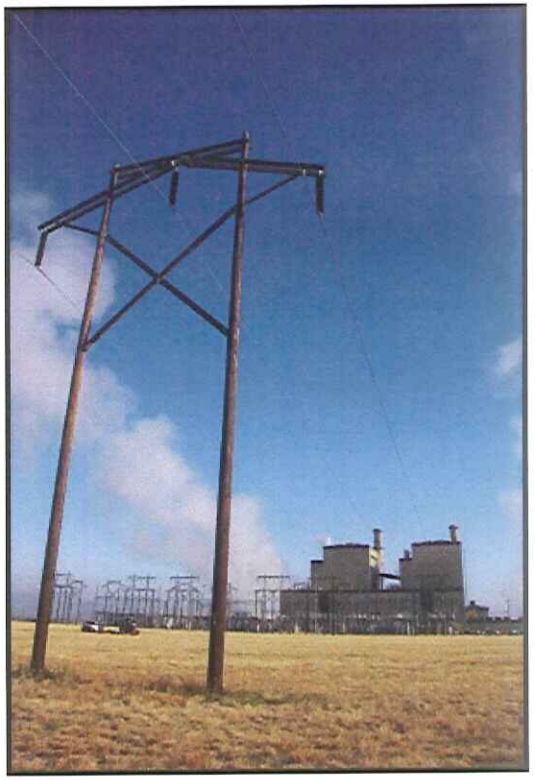
# Actions Taken by Other States to Maintain State Oversight

- Seven states have enacted Transmission ROFR legislation or have other laws in place to protect their state oversight of rates, reliability and new lines:
  - Indiana
  - Minnesota
  - North Dakota
  - South Dakota
  - Nebraska
  - Oklahoma
  - Texas – transmission line permitting statute

- FERC recognizes state's right to enact ROFR legislation

# Why Transmission ROFR Bill in 2015

- FERC policies are resulting in PRC losing oversight over new transmission development in New Mexico
- SPP will request transmission line bids starting in 2015
- SPS well positioned to compete
- SPS strategy in NM with ROFR continue to build cost effective projects that provide affordable, reliable service



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# Questions?