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The Honorable Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, DC 20426

Re: South Carolina Electric & Gas Company
Docket No. ER13-107-008

Dear Secretary Bose:

Pursuant to Section 206 of the Federal Power Act,¹ the Federal Energy Regulatory Commission's ("Commission" or "FERC") order issued in *South Carolina Electric & Gas Co.*, 147 FERC 61,126 (2014) ("May 15 Order"), South Carolina Electric & Gas Company ("SCE&G") hereby submits this compliance filing to reflect changes to Attachment K of the SCE&G FERC Electric Tariff, Third Revised Volume No. 5 ("SCE&G OATT") in compliance with the May 15 Order.² A revised Attachment K is included with this filing in both clean and redline formats.³ In compliance with the May 15 Order, SCE&G requests to reestablish the originally proposed effective date of April 19, 2013.⁴

I. Contents of Filing

¹ 16 U.S.C. § 824e (2006).

² This compliance filing is without prejudice to SCE&G's pending requests for rehearing and clarification of the May 15 Order.

³ The Attachment K included in this filing is redlined from the Attachment K submitted to FERC on October 25, 2013 in this proceeding.

⁴ May 15 Order at P 36.

This filing consists of the following:

- this transmittal letter;
- a clean copy of the revised Attachment K; and
- a redlined copy of the revised Attachment K comparing it to the Attachment K filed on October 15, 2013 in this proceeding.

II. BACKGROUND

On October 11, 2012, SCE&G filed its revised Attachment K of its OATT in compliance with the regional transmission planning requirements of Order No. 1000. The Commission issued an order on SCE&G's compliance filing on April 18, 2013, finding that SCE&G partially complied with the requirements of Order No. 1000 and directing SCE&G to file further revisions to its Attachment K ("April 18 Order").⁵ On May 20, 2013, SCE&G submitted a Request for Rehearing with regard to certain determinations made by the Commission in its April 18 Order. On October 15, 2013, SCE&G submitted its second compliance filing in response to the Commission's April 18 Order.

On May 15, 2014, the Commission issued an order on SCE&G's Request for Rehearing and second compliance filing ("May 15 Order"). SCE&G submitted a Request for Clarification or in the alternative Rehearing, on June 16, 2014, in response to certain determinations in the Commission's May 15 Order. This filing provides revisions to Attachment K for SCE&G's OATT in compliance with the Commission's May 15 Order.

III. REVISIONS TO ATTACHMENT K

A. Order No. 890 Requirements: Information Exchange

In its May 15 Order, the Commission approved SCE&G's proposal to use in its regional transmission planning process the information it receives under the previously-accepted guidelines and schedule for the submittal of customer and stakeholder information in its local transmission planning process.⁶ However, the Commission determined that while SCE&G described this process in the transmittal letter to its second compliance filing, it did not describe the process in its OATT.⁷ The Commission directed SCE&G to revise its OATT to include this

⁵ South Carolina Electric & Gas Co., 143 FERC ¶ 61,058 (2013) ("April 18 Order")

⁶ May 15 Order at P 45.

⁷ *Id.* at P 45.

approved process.⁸ Accordingly, SCE&G has added language to Section III.E.1 to state that the customer and stakeholder information submitted at the beginning of each local transmission planning cycle is also used in the regional transmission planning process.

B. Affirmative Obligation to Plan

In its May 15 Order, the Commission rejected SCE&G's definition of "Transmission Needs" and instructed SCE&G to remove the term from its OATT.⁹ SCE&G has requested clarification, or in the alternative, rehearing, of the Commission's directive.¹⁰ Notwithstanding this pending request, in compliance with the Commission's directive for the purposes of this compliance filing, SCE&G has removed the definition of the term "Transmission Need" and removed all references to "Transmission Need" as a defined term.

C. Definition of Local and Regional Transmission Projects

In its May 15 Order, FERC instructed SCE&G to revise its OATT to make clear that a transmission developer is not responsible for determining whether a regional transmission project benefits both transmission providers currently enrolled in the SCRTP region and that the SCRTP process will determine the beneficiaries of any proposed transmission project.¹¹ Additionally, the Commission noted that this section would need to be revised if another transmission provider were to enroll in the SCRTP region to amend the reference to "both" transmission providers.¹² Accordingly, SCE&G has amended its Attachment K to require that the proposed project benefit "more than one" transmission provider, as opposed to "both" transmission providers, and has added footnote five to its Attachment K to make clear that the regional planning process will determine whether a proposed project benefits more than one transmission provider.

Additionally, the SCRTP requires that a proposed regional transmission project must be materially different from projects that are currently in the Regional Transmission Plan or the current Local Transmission Plan. In its May 15 Order, the Commission explained that it understands SCE&G's concerns over the possibility of having to study substantially similar transmission projects and the potential delays that could result in the development of needed

⁸ *Id.*

⁹ *Id.* at P 71.

¹⁰ Request for Clarification and Rehearing filed by South Carolina Electric & Gas Co. in Docket No. ER13-107-006 on June 16, 2014.

¹¹ May 15 Order at P 87.

¹² *Id.*

regional transmission facilities, but held that SCE&G has not defined or sufficiently explained how it will determine whether a proposed transmission project is “materially different” from transmission projects that are currently in the regional or local transmission plans.¹³ The Commission instructed SCE&G to revise its OATT to clarify how it will determine whether a proposed transmission project is materially different from a transmission project currently in the local or regional transmission plans.¹⁴ To comply with this requirement, SCE&G has amended its OATT to clarify that “a project will be deemed materially different, as compared to another transmission alternative(s) under consideration, if the proposal consists of significant geographical or electrical differences in the alternative’s proposed interconnection point(s) and transmission line routing.”¹⁵ The Commission should accept this tariff amendment as consistent with the Commission’s holding in *Duke Energy Carolinas, LLC*, in which the Commission accepted this definition.¹⁶ Additionally, the Commission required that SCE&G make a posting for stakeholders of any determinations made by the transmission providers that a proposed transmission project is not “materially different.”¹⁷ SCE&G has amended Section VII.A.d of its Attachment K to comply with this requirement.

D. Consideration of Transmission Needs Driven by Public Policy Requirements

In its May 15 Order, the Commission found that SCE&G’s revised definition of public policy requirements does not comply with Order No. 1000 and instructed SCE&G to reestablish SCE&G’s original proposed definition of a public policy requirement.¹⁸ SCE&G has revised Section II.D. of its OATT to reinstate its original definition in compliance with this directive.

Additionally, the Commission expressed concern regarding the following criteria by which SCE&G proposes to evaluate proposed transmission needs driven by public policy requirements: (1) whether the proposed regional transmission project meets a transmission need driven by public policy requirements and (2) the ability of the proposed regional transmission project to fulfill the identified transmission need driven by public policy requirements practically.¹⁹ The Commission directed SCE&G to remove the second factor, holding that it was

¹³ *Id.* at P 89.

¹⁴ *Id.* at P 89.

¹⁵ See OATT Section VII.A.d.

¹⁶ *Duke Energy Carolinas, LLC*, 147 FERC ¶ 61,241 at P 146 (2014).

¹⁷ May 15 Order at P 89.

¹⁸ *Id.* at P 108.

¹⁹ *Id.* at P 112.

redundant and unnecessary in light of the first factor.²⁰ In compliance with this determination, SCE&G has revised Section VI of its OATT.

The Commission also noted an inconsistency between two sections of SCE&G's OATT that describe the deadline for when stakeholders may identify local transmission needs driven by public policy projects.²¹ SCE&G has corrected this typographical error in Section III of its OATT to state that that stakeholders may identify potential transmission needs by July 15 of the second year of the planning cycle.

E. Nonincumbent Transmission Developer Reforms

In its May 15 Order, the Commission granted rehearing regarding whether SCE&G may require that a transmission project not alter a transmission provider's existing right-of-way in order to be eligible for potential selection in the regional transmission plan for purposes of cost allocation.²² In light of this decision, the Commission instructed SCE&G to restore sections VII.A.f and VII.C.g of Attachment K as originally proposed in SCE&G's October 22, 2012 compliance filing, with addition of "unless agreed to by the transmission providers" to section VII.C.g.²³ SCE&G has revised Attachment K to comply with the Commission's decision.

F. Qualification Criteria

In its May 15 Order, the Commission granted rehearing of its acceptance in the April 18 Order of the parental guarantee provision and the requirement to be in business for at least one year.²⁴ The Commission determined that the parental guarantee provision should be more limited than what SCE&G had proposed.²⁵ The Commission directed SCE&G to revise the parental guarantee requirement to state that a transmission developer relying on its parent company to demonstrate that it is creditworthy must provide a satisfactory written guarantee from its parent company to be unconditionally responsible for all of the transmission developer's financial obligations that are related to any transmission project the transmission developer may propose for potential selection in the regional transmission plan for purposes of cost allocation.²⁶ The

²⁰ *Id.*

²¹ *Id.*

²² *Id.* at P 132.

²³ *Id.*

²⁴ *Id.* at P 148.

²⁵ *Id.*

²⁶ *Id.*

Commission also directed SCE&G to revise the requirement to be in business for at least one year to state that the transmission developer, affiliate, or parent company has been in business at least one year.²⁷ Accordingly, SCE&G has revised Section III.1 of its Attachment K to comply with these directives.

Further, the Commission directed SCE&G to revise its OATT to provide a defined, reasonable time period in which a transmission developer may remedy of any deficiencies in its qualification application. SCE&G has amended Section VII.E. to state that a transmission developer has 15 days within which to remedy any deficiencies in its qualification application. The 15 day time period is consistent with the time period offered by SERTP and approved by the Commission for transmission developers to remedy such deficiencies.²⁸

G. Information Requirements

In its May 15 Order, the Commission directed SCE&G to amend its OATT to specify that it will refund interest on excess study deposits calculated in accordance with section 35.19a(a)(2) of the Commission's Rules and Regulations.²⁹ SCE&G notes that its intent, as described in Section VII.C of Attachment K, has always been to refund interest on excess study deposits in accordance with the Commission's Rules and Regulations; however, in compliance with this order, SCE&G has revised Section VII to ensure its intent is more clearly stated in its OATT.

The Commission also instructed SCE&G to remove certain criteria in the information requirements, finding that it places an undue burden on the entity proposing a regional transmission project.³⁰ In compliance with the Commission's directive, SCE&G has removed the following information requirements from Section VII.C of its OATT: (1) the requirement that an entity proposing a regional transmission project to identify any NERC standards that will be implicated by developing the project and that any proposed regional transmission project meet all applicable local or regional reliability and transmission provider requirements, (2) the requirement that identification of transmission projects in the latest expansion plans that may be avoided, canceled or postponed as a result of the proposed project, and (3) the requirement that entity provide reports, such as system impact studies or load flow cases, that demonstrate the expected performance of the project.

²⁷ *Id.*

²⁸ See *Duke Energy Carolinas, LLC*, 147 FERC ¶ 61,241 (2014).

²⁹ May 15 Order at P 175.

³⁰ *Id.* at P 176.

The Commission additionally required SCE&G to revise its OATT to make clear that stakeholders may submit ideas and provide input into the regional transmission planning process without being required to submit a regional transmission project and adhere to the information requirements of Section III.C.³¹ The Commission's order states that such a requirement is based in Order No. 890's coordination principle, which SCE&G's Order No. 1000 planning process must incorporate.³² In compliance with this directive, SCE&G has revised Section VII.A of its OATT to explicitly state that consistent with Order No. 890, stakeholders may provide input into and participate in the development of the Regional Transmission Plan without submitting a Regional Project and the information requirements of Section III.C.

H. Evaluation Process

In its May 15 Order, the Commission found that SCE&G had not justified or explained the need to consider as separate factors in its evaluation criteria: (1) whether the proposed regional transmission project meets a transmission need *and* (2) the ability of the proposed regional transmission project to fulfill the identified need practically.³³ The Commission instructed SCE&G to revise its Attachment K to remove the provision stating that the transmission providers will consider the ability of the proposed regional transmission project to fulfill the identified need practically.³⁴ Accordingly, SCE&G has removed this provision from Section VII.F of its OATT.

Additionally, the Commission held that it is not clear how the transmission providers will identify alternative local or regional transmission projects that would be required in lieu of the proposed regional transmission project for purposes of calculating the benefits of the proposed project.³⁵ The Commission instructed SCE&G to revise its OATT to clearly describe how the transmission providers will identify alternative local or regional transmission projects that would be required in lieu of the proposed regional transmission project for purposes of calculating the benefits of the proposed project. SCE&G has revised Section VII.G.1. of its OATT to describe that SCE&G will develop alternative project plans that establish similar functionality and capability in the transmission system as created by the proposed regional transmission project. These alternative project plans will be used in the regional transmission planning process to evaluate the proposed regional transmission projects. Additionally, the transmission providers will share with stakeholders in a transparent manner the assumptions and data used to support the

³¹ *Id.* at P 177.

³² *Id.* at P 177 and FN 358.

³³ *Id.* at P 209.

³⁴ *Id.*

³⁵ *Id.* at P 210.

identification of the alternative projects. This proposed process provides an open and transparent evaluation process by which proposed regional projects can be compared to determine if they are more efficient or cost effective.

The Commission asked SCE&G to clarify that: (1) to be selected in the regional transmission plan for purposes of cost allocation, a proposed regional transmission project must not have unmitigated adverse impacts on reliability; and (2) the costs of any necessary mitigation measures will be accounted for as part of the metric for calculating the costs of a proposed regional transmission project that measures the cost of any additional projects or increase in cost to other planned projects required due to the proposed project.³⁶ SCE&G's intent has been to include the costs of any mitigation in the calculation of costs of a proposed regional project, but its OATT was not clear that a proposed project must not have **unmitigated** adverse impacts on reliability. In compliance with the Commission's directive, SCE&G has revised Section VII.G of its Attachment K to make these clarifications.

The Commission held that SCE&G's proposed revision stating that when more than one regional transmission project has a benefit to cost ratio greater than 1.25, those projects may be considered for selection, regardless of costs or benefit to cost ratios, is unclear and instructed SCE&G to revise the proposed provision to be consistent with the provision proposed in its first compliance filing or to remove the proposed revision.³⁷ SCE&G has amended Section VII.G.1 to use the language that was included in its first compliance filing, which states, "[i]f more than one regional transmission project meets the benefit to cost ratio, both projects may be considered for selection, regardless of whether one has a lower cost than the other."

I. Reevaluation

The Commission held that SCE&G must remove or justify its proposal to assign to a transmission developer SCE&G's and Santee Cooper's costs associated with an abandoned or delayed transmission project.³⁸ In response to the Commission's directive, SCE&G is removing this language from its OATT.

J. Cost Allocation

In its second compliance filing, SCE&G described the processes it will use to identify regional transmission solutions for the SCRTP region. In part, SCE&G stated that "[t]o the extent that regional cost allocation is sought for any needed regional solutions, the Transmission

³⁶ *Id.* at P 211.

³⁷ *Id.* at P 212.

³⁸ *Id.* at P 235.

Providers will submit such regional solutions for consideration.” The Commission held that this language is unclear and could have the effect of prohibiting nonincumbent transmission developers from proposing transmission projects that are identified through the transmission providers’ regional analysis.³⁹ SCE&G has revised this sentence to better communicate its intent that should the transmission providers desire regional cost allocation through the Order No. 1000 process for a regional transmission project that they have identified, the transmission providers will submit that project through the SCRTP Order No. 1000 planning process.

The Commission held that SCE&G’s proposed benefit to cost ratio does not comply with Regional Cost Allocation Principle 3 and instructed SCE&G to revise its OATT to clarify that a regional transmission project must have a benefit to cost ratio *equal to or* greater than 1.25 or provides a justification for a higher ratio.⁴⁰ SCE&G has revised Section VII.G.1 of its Attachment K to include the phrase “equal to or” in regard to its benefit to cost ratio.

The Commission additionally held that SCE&G’s proposed cost allocation methodology does not comply with the Regional Cost Allocation Principle 4 requirement that the regional transmission planning process identify the consequences of a transmission facility selected in the regional transmission plan for purposes of cost allocation for other transmission planning regions, such as upgrades that may be required in another region.⁴¹ SCE&G will generally recognize that the constructing transmission owner in a neighboring transmission planning region has cost responsibility for network upgrades resulting from transmission projects included in the SCRTP regional transmission plan for purposes of cost allocation. However, when reliability upgrades are required on a neighboring system in another transmission planning region, SCE&G will work with the constructing transmission owner on a case-by-case basis to determine, by mutual agreement, whether all or a portion of the network upgrade should be paid for by the neighboring transmission owner.

Additionally, the Commission held that SCE&G did not address whether the SCRTP region has agreed to bear the costs associated with any required upgrades in another transmission planning region or, if so, how such costs will be allocated within the SCRTP region. SCE&G has currently not agreed, as a general rule, to bear the costs associated with any upgrades needed in another transmission planning region in connection with transmission projects approved for inclusion in the SCRTP regional transmission plan for purposes of cost allocation.

The Commission also held that SCE&G’s OATT does not require that SCE&G and Santee Cooper provide documentation regarding the application of the regional cost allocation method to determine benefits, identify beneficiaries, and allocate costs of specific proposed transmission facilities, and directed SCE&G to revise its OATT to provide that SCE&G will

³⁹ *Id.* at P 240.

⁴⁰ *Id.* at P 275.

⁴¹ *Id.* at P 276.

provide adequate documentation to allow a stakeholder to determine how the regional cost allocation method and data requirements for determining benefits and identifying beneficiaries were applied to a proposed transmission facility.⁴² SCE&G has revised Section VII.L of its OATT to comply with this directive.

K. Contractual Provisions

SCE&G has removed from its OATT the requirement that a Qualified Developer enter into a Coordination Agreement in order to be selected in the regional transmission plan for purposes of cost allocation. SCE&G believes it would be more appropriate for such agreements to be negotiated between the transmission providers and the developer after a project has been selected in the regional transmission plan for purposes of cost allocation because the terms of such an agreement will vary based upon the facts and circumstances surrounding each project. Additionally, as a legal matter, such a post-selection, implementation contract goes beyond transmission planning and could address interconnection, operation and maintenance (“O&M”), system restoration and cost recovery issues going far beyond the scope of Order No. 1000. Therefore, SCE&G believes the most appropriate action is to simply remove this language from its OATT.

II. SERVICE AND WAIVERS

SCE&G is serving an electronic copy of this filing via email on all of its OATT customers, the Public Service Commission of South Carolina, and the South Carolina Office of Regulatory Staff. SCE&G will also post a copy of the revisions to its Attachment K on its public OASIS. SCE&G requests any and all waivers necessary to enable the Commission to accept this filing.

III. CONCLUSION

SCE&G respectfully requests that the Commission grant the waivers requested herein and accept the proposed revisions to its Attachment K to the OATT. If any questions arise regarding this filing, please feel free to contact the undersigned.

Respectfully submitted,
South Carolina Electric & Gas Company

/s/ J. Ashley Cooper

⁴² *Id.* at P 278.

The Honorable Kimberly D. Bose
July 14, 2014
Page 11

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