UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Transmission Planning and Cost Management	Docket No. AD22-8-000

SUMMARY STATEMENT OF DAN O'HAGAN ON BEHALF OF THE FLORIDA MUNICIPAL POWER AGENCY AND THE TRANSMISSION ACCESS POLICY STUDY GROUP FOR THE OCTOBER 6 TECHNICAL CONFERENCE

Thank you for the opportunity to participate in this important Technical Conference.

My name is Dan O'Hagan, and I am the Assistant General Counsel and Manager of Regulatory Compliance for Florida Municipal Power Agency ("FMPA"). FMPA is a joint action municipal power supply agency owned by thirty-one municipal electric systems in Florida. It was created in 1978 under Florida law to finance, construct, own and operate generation, transmission and other projects for, and supply power, transmission or other project services to, its municipal electric system members, who combine to serve approximately 2.7 million Floridians, or 12% of the state's population.

FMPA operates the All-Requirements Power Supply Project ("ARP" or "Project"), which serves all of the wholesale power needs of fourteen FMPA members, including seven located on the Florida Power & Light ("FPL") transmission system, six located on the Duke Energy Florida ("DEF") transmission system, and one located in central Florida adjacent to both DEF and FPL. Measured by the participants' 2021 non-coincident summer peak demand, the ARP serves over 1,477 MW of load.

FMPA is dependent on the FPL and DEF transmission systems to serve its members. The ARP allows FMPA to jointly plan power supply for its Project participants and to integrate its and its Project participants' resources to better serve Project load economically, reliably and environmentally. To do so, FMPA takes network integration transmission service under both the FPL and DEF Open Access Transmission Tariffs ("OATTs") for its network load on the respective transmission systems. To access its generation, FMPA also purchases transmission services from other Florida utilities. As a result, FMPA has been actively engaged in the stakeholder processes associated with the implementation of Orders 890[1] and Order 1000,[2] which we supported, and participates in the local and regional planning processes in Florida.

In addition to speaking for FMPA, I speak today on behalf of the Transmission Access Policy Study Group ("TAPS"), an association of transmission dependent utilities in thirty-five states. TAPS has long advocated for non-discriminatory access at reasonable rates to a robust transmission system that supports competitive wholesale markets, so TAPS members can provide affordable and reliable electricity to their customers. TAPS vigorously supported Order 1000's objective of ensuring selection of the more efficient and cost-effective alternatives in transmission plans. And TAPS is actively participating in the *Building for the Future Through Electric Regional*

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[1] Order No. 890, 118 FERC ¶ 61,119, P 593 (2007) ("Order 890"), *order on reh'g and clarification*, Order No. 890-A, 121 FERC ¶ 61,297 (2007), *order on reh'g*, Order No. 890-B, 123 FERC ¶ 61,299 (2008), *order on reh'g and clarification*, Order No. 890-C, 126 FERC ¶ 61,228, *order on clarification*, Order No. 890-D, 129 FERC ¶ 61,126 (2009)).

[2] *Transmission Planning & Cost Allocation by Transmission Owning & Operating Pub. Utils.*, Order No. 1000, 136 FERC ¶ 61,051 (2011) ("Order 1000"), *reh'g denied*, Order No. 1000-A, 139 FERC ¶ 61,132, *on reh'g*, Order No. 1000-B, 141 FERC ¶ 61,044 (2012), *review denied sub nom. S.C. Pub. Serv. Auth. v. FERC*, 762 F.3d 41 (D.C. Cir. 2014) (per curiam).

Transmission Planning and Cost Allocation and Generator Interconnection rulemaking, having filed extensive comments on both the July 15, 2021 Advance Notice of Proposed Rulemaking[3] and the April 21, 2022 Notice of Proposed Rulemaking.[4] TAPS supports the NOPR's objective to accommodate the transition in our resource mix in a manner that maximizes benefits to consumers over time without over-building transmission facilities. TAPS's comments focus on how the Commission may better achieve that objective, while keeping jurisdictional rates affordable and consistent with the Commission's statutory mandate to meet the reasonable needs of load-serving entities ("LSEs"), as required by the Federal Power Act sections 205, 206, and 217(b)(4).[5] Among other thing, TAPS's comments have highlighted the need to improve planning in non-Regional Transmission Organization ("RTO") regions if the Commission is to achieve Order 1000's objectives, much less the objectives of the ongoing rulemaking.[6]

My comments will focus on planning deficiencies in non-RTO regions, using Florida as an example. Today, the state faces significant congestion in Central Florida, where numerous utilities and generators are located. Local planning processes do not adequately address the many seams in that area; instead, each of the major transmission providers—Florida Power & Light and Duke Energy Florida—focuses on planning for its

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[3] *Bldg. for the Future Through Elec. Reg'l Transmission Plan. & Generator Interconnection*, 176 FERC ¶ 61,024 (2021) ("ANOPR").

[4] *Bldg. for the Future Through Elec. Reg'l Transmission Plan. & Generator Interconnection*, 179 FERC ¶ 61,028 (2022) ("NOPR").

[5] 16 U.S.C. § 824d; 16 U.S.C. § 824e; 16 U.S.C. § 824q(b)(4).

[6] *See* Comments of Transmission Access Policy Study Group at 15-19 (Oct. 12, 2021), eLibrary No. 20211012-5388 ("TAPS ANOPR Comments"); Initial Comments of Transmission Access Policy Study Group at 14-16, 67-70 (Aug. 17, 2022), eLibrary No. 20220817-5183 ("TAPS Initial NOPR Comments").

own needs within its individual footprint. And, as Order 1000 has been structured and implemented in Florida, no project has ever been selected for regional cost allocation.[7] Thus, the combination of the local and regional transmission planning processes fails to address Florida's needs.

Below I will describe: (a) the challenges for effective planning in Florida, and particularly Central Florida; (b) the local planning processes conducted by the two major utilities in Florida, and where they miss the mark; and (c) how these shortcomings feed into deficiencies in the regional process. I will close by making suggestions as to how these processes can be made to work better together so Florida's transmission grid can meet the needs of Floridians today, and in the future.

I. CHALLENGES FOR EFFECTIVE PLANNING IN FLORIDA

Florida's electric utilities, and their Balancing Authority Areas, consist of loads and resources that often overlap and are intertwined. Some Florida utilities have loads and resources that stretch nearly the entire length of Peninsular Florida. FMPA's ARP Participants' loads, for instance, span from Jacksonville Beach in the north down to Florida's southernmost point in Key West, and are located on both the DEF and FPL transmission systems. These, together with Florida's numerous other investor-owned, municipal and electric cooperative utilities' intertwined, overlapping and adjacent systems create numerous transmission "seams" throughout the State.

The complexity of, and issues created by, these intertwined, overlapping systems are most evident in Central Florida. Central Florida is a populous, multi-seamed area

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[7] According to the NOPR, P 39, no Order 1000 project has emerged from any non-RTO region.

stretching across the state, from east to west, along Interstate 4 (commonly referred to as the "I-4 Corridor") where many Florida systems converge: FPL, DEF, Tampa Electric Company, Orlando Utilities Commission, Lakeland Electric, FMPA, Kissimmee Utility Authority, Seminole Electric Cooperative, Inc., and Reedy Creek Improvement District all have resources and load in Central Florida. Over the years, the area has seen significant population growth; and it is an attractive location for siting generation due to proximity to load, the intersection of two major gas pipelines, existing transmission facilities, and water availability. Now, Central Florida is a sought-after location for renewable generation.

The result of all this, however, has been significant historical transmission congestion due, in part, to a lack of coordinated transmission planning and implementation. Although improvements have been made in recent years, congestion "Band-Aids" are evident. For example, in the past Florida utilities have agreed to (and documented) numerous Operational Remedies to reliably address third-party impacts in contingency situations (including first contingency situations) from new generator interconnection and transmission service requests. This area has seen a patchwork of attempted remedies over the years, including a 2006 joint study conducted outside the local transmission planning process (the Florida Central Coordinated Study), yet still cries out for effective, proactive planning.

II. FLORIDA'S LOCAL TRANSMISSION PLANNING PROCESSES AND THEIR LIMITATIONS

In response to Order 890, each of Florida's TPs created a local transmission planning process that it memorialized in its OATT (generally in "Attachment K"). In short, the region's existing local transmission planning processes provide for each TP to

develop its own local transmission plan, with the primary focus on identifying and addressing reliability issues *within* that TP's own footprint. The processes allow for stakeholder participation through initial data submittals, an initial stakeholder kick-off meeting coordinated by each TP to discuss planned projects and planning criteria, and general coordination and participation through Florida Reliability Coordinating Council ("FRCC")[8] committees. In general terms, each TP analyzes the load, resources and existing and planned transmission to identify any reliability concerns and submits the final plan to FRCC.

While these Order 890 processes are a significant improvement over the pre-Order 890 planning process, they provide only a limited view of the planning decisions being made by Florida TPs—and often only late in the planning and development process. Moreover, they do not provide insight into the *needs* that the projects are designed to address, nor explain the *reasons* why particular projects were selected by the TP to address those needs. As a result, FMPA and other stakeholders do not have confidence that the most efficient and cost-effective projects are being selected in local plans. And, as discussed in Part III of this Statement, the limitations of the local process handcuff the Order 1000 regional transmission planning process.

For example, since the scope of information presented during the Attachment K local planning processes varies, FMPA is sometimes completely unaware of significant planned projects. While DEF provides an overview of nearly all planned projects within its footprint, FPL's Order 890 process kick-off meeting typically offers information on

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[8] The FRCC is the state's Reliability Coordinator and Planning Authority. FRCC helps coordinate the local transmission planning processes and implements the Order 1000 regional transmission planning process.

only a select few projects for discussion with stakeholders. Granted, FPL is a very large system and providing details on every project FPL is contemplating would be a time-consuming endeavor. But it is unclear to stakeholders how and why FPL determines which projects to highlight to stakeholders as part of its local planning process.[9] In fact, on one occasion, FMPA transmission planners did not become aware of an FPL 230 kV transmission line addition in St. Lucie County—not far from some of FMPA's own generation and load—until after FPL's line was in service and affecting FMPA's operations.

In addition, by the time that projects are presented in the Order 890 processes, they are often far along the planning and development process. Projects presented in the local process are generally less than three years out when they are first revealed to stakeholders. In many cases, engineering has already been completed, and the projects are close to breaking ground when stakeholders first learn of them. We understand that this will be unavoidable for at least some projects that may be needed to address pressing system needs. But where a high percentage of the projects presented fall into that category, it is impossible, as a practical matter, to review and discuss alternatives as part of the Order 890 process. (As discussed below, it also makes it impossible to consider and identify regional alternatives as part of the Order 1000 process).

This problem is not just limited to small projects. A real-world example illustrating FMPA's concerns with the local planning process timing issues is FPL's

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[9] Although information on FPL-planned local projects is consolidated into a statewide database maintained by the FRCC, it is unreasonable to expect stakeholders—especially smaller stakeholders with limited transmission planning staff and resources—to mine that database and independently analyze the projects in order to identify those that might affect the stakeholder.

recently constructed transmission line in north Florida—the North Florida Resiliency Connection or "NFRC." FPL's parent company, NextEra Energy, completed its acquisition of Gulf Power Corporation in 2019. Shortly after, FPL announced plans to build a 176-mile, 161 kV transmission line running in an east-west direction across seven counties in northern Florida to interconnect the former Gulf Power system with the rest of the FPL system.

FPL first brought the NFRC to FMPA's attention, and presumably the attention of the rest of the FRCC TPs and stakeholders, on April 22, 2019, during a telephone conference call organized, at FPL's request, though the FRCC Operating Committee and Planning Committee. FPL's initial plan was to bring the NFRC online by December 2020. FPL moved forward with the NFRC before any other TPs or stakeholders had an opportunity to analyze it as part of the local or regional planning process.[10]

While the project may succeed in FPL's stated goal of enhancing the resiliency of the system in north Florida, FMPA and other Florida stakeholders will never know what other projects or alternatives—on a local or regional level—if any, might have been a better, more cost-effective solution.

The Order 890 local planning process also leaves us largely in the dark about the reasons why projects have been selected by TPs for inclusion in their local plans. At the beginning of the annual local planning process, the TPs identify, and provide

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[10] DEF's August 6, 2021 complaint regarding FPL's North Florida Resiliency Connection in Docket No. EL21-93 was withdrawn by motion on August 29, 2022, https://elibrary.ferc.gov/eLibrary/filedownload?fileid=51B5B59E-73D6-C3EA-9A34-82EA69C00000, pursuant to a settlement agreement, accepted by a June 30, 2022 letter order that resolved outstanding issues related to the impacts to DEF's transmission system caused by FPL's transmission service requests associated with that line. *Duke Energy Fla., LLC*, Docket No. ER22-1795-000 (June 30, 2022), eLibrary No. 20220630-3023.

stakeholders with, the *reliability* criteria they use to plan their systems—i.e., the criteria necessary to comply with North American Electric Reliability Corporation ("NERC") reliability standards and TP-specific facility ratings methodologies (i.e., methodologies necessary per NERC standards). What is *not* apparent are additional decision-making "criteria" used by the TPs in determining which specific projects, and not other alternatives, are included in their plans. For example, the relevant business, economic, logistic, political or other pertinent factors influencing the TP's decision to select a given project over another are not made available to stakeholders.

Unfortunately, improving seams does *not* appear to be a factor that the TPs consider as part of their local planning processes. The North Florida Resiliency Connection example highlights that. There may well have long been opportunities to substantially improve resilience and provide economic benefits by improving the transmission system between FPL and FRCC western ties with Southern Company (where Gulf Power previously served). But the TPs' local planning processes were not designed to consider them. It was only *after* the FPL/Gulf Power merger that FPL decided to build that 176-mile transmission line.

III. LIMITATIONS OF THE LOCAL TRANSMISSION PLANNING PROCESS HAVE HOBBLED REGIONAL PLANNING.

Peninsular Florida's regional planning process focuses on avoided cost of displaced projects and transmission losses for evaluating regional projects.[11] In the Order

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[11] Theoretically, if it does not avoid a transmission project identified in a TP's local plan, a potential project may be eligible as a regional Cost Effective and/or Efficient Regional Transmission Solution ("CEERTS") project if it addresses a regional reliability need or economic transmission need(s) for which no transmission projects are currently planned. To FMPA's knowledge, such a project has never been identified as part of the Florida Order 1000 regional process.

1000 compliance process, FMPA argued for consideration of congestion relief for the purpose of selecting projects for inclusion in the regional plan for regional cost allocation. The filing Florida utilities argued that use of production cost savings was too speculative in the absence of centralized dispatch.[12] The Commission disagreed with the filing utilities, noting the adoption of production cost savings in other non-RTO regions,[13] but "decline[d] to impose . . . [use of production cost modeling in Florida] at this time."[14]

In general, then, to qualify for selection for regional cost allocation, a proposed regional project must avoid more costly local projects. Thus, any limitations or deficiencies in local planning directly feed into and limit the effectiveness of the regional planning process. I highlight several:

First, as I noted, local plans in peninsular Florida are focused on issues internal to the large TP systems. They do not prioritize issues at the edges, which can significantly affect the operations of neighboring utilities and their ability to fully dispatch their resources to serve their loads economically and reliably (including municipal loads internal to the larger TPs). While the internal focus of the local planning processes is not irrational, it is debilitating to a regional planning process focused on selecting regional projects based on the local projects they displace. If local plans do not include facilities to

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[12] *Tampa Elec. Co.*, 148 FERC ¶ 61,172, P 406 (2014) ("Second Compliance Order").

[13] *Id.* P 420, (*citing Tampa Elec. Co.*, 143 FERC ¶ 61,254, P 254 (2013) ("First Compliance Order"), which cites (P 254 n.404) as an example, *Pub. Serv. Co. of Colo.*, 142 FERC ¶ 61,206, PP 314, 317 (2013), *order on reh'g and compliance*, 148 FERC ¶ 61,213 (2014), *order on reh'g and compliance*, 151 FERC ¶ 61,128 (2015), *part vac. El Paso Elec. Co.*, 832 F.3d 495 (5th Cir. 2016), *order on remand*, 161 FERC ¶ 61,188 (2017)).

[14] Second Compliance Order P 425.

relieve congestion at seams, it becomes much more difficult, if not impossible, to plan regional projects to address that problem. The absence of any Order 1000 regional projects, notwithstanding congestion and numerous seams in Central Florida, attests to the problematic interaction of the local and regional planning processes as now structured.

Second, as I mentioned earlier, Florida TPs tend to reveal their local projects only when the projects are within a few years of needing to go into service—even though the projects are likely to have been the subject of intensive internal planning efforts for some years prior to that. For example, a TP may know an upgrade is needed five years in the future, but may not reveal it until immediately prior to the biennial Order 1000 process. That leaves little opportunity to attempt to displace the project with a more cost-effective and efficient regional alternative in the Order 1000 process. The result is to frustrate the ability to develop regional alternatives that, with more lead time, could have been proposed. And some major projects never proceed through the normal Order 890 process (e.g., the North Florida Resiliency Connection discussed above.).

Third, when a regional alternative to a TP-planned project has been identified, that TP can move the goalpost by unilaterally eliminating, modifying or changing the timing of the base case local projects that a regional alternative would displace. Because the Florida Order 1000 process affords no opportunity for those offering alternatives to modify them to address such TP amendments, such TP changes can prevent proposed regional projects from being selected and constructed.

And this is not hypothetical; it has in fact occurred. During the Order 1000 regional transmission planning process, a potential regional transmission project—or, as

termed in the Florida TPs' OATTs, a potential "Cost Effective and/or Efficient Regional Transmission Solution" or "CEERTS"—was identified and project sponsors were solicited. The potential CEERTS project would have avoided a project identified in Duke Energy Florida's local transmission plan. However, after it had been identified, but before the CEERTS project could move to the next phase of the regional process when project economics are considered, DEF amended its local plan. After the amendment, the project proposed to be avoided was no longer part of DEF's local plan, effectively killing the CEERTS project prior to any consideration of economic benefits.

IV. PLANNING PROCESS IMPROVEMENTS NEEDED

The various deficiencies and limitations of the local planning process identified above go a long way toward disabling an effective regional process in Florida. The region's heavy reliance on the avoided cost of displaced projects in its Order 1000 selection process means that the main predicate for proposing a regional project is the presence of TP local projects in the base case that can be displaced by a more efficient and cost-effective regional alternative. TPs are able to limit the ability of others to propose superior alternative regional projects by focusing local plans on their internal needs without considering the edges of their systems; simply failing to disclose their planned local projects until the eleventh hour; or amending their local plans if a regional alternative is suggested.

These local planning process shortcomings add to other obstacles in the Florida regional planning process that prevent consideration of more cost-effective and efficient project. For example, under Florida's Order 1000 process, before any consideration of the benefits of an alternative project, a full technical analysis that affords flexibility to reject

the alternative based on tiny differences from the TP project(s) identified for possible displacement, must be successfully completed.[15] As a result, the potential benefits of alternative projects never get considered at all, short circuiting projects that could have produced savings for Floridians. In 2017, FPL's then-Senior Director, Development, provided detailed documentation of this fundamental defect.[16]

It is thus no surprise that in non-RTO regions, the combination of the local and regional planning processes is not advancing the important objective of selecting the more efficient and cost-effective projects. A key reason is the absence of meaningful independent oversight, allowing the process to be effectively controlled by TPs that do not want to face competition.

There may be ways to bolster the local planning process to make it a better foundation for the regional planning that is needed in Florida.[17] But much of what is needed to meet Order 1000's objectives, and those under consideration in the current NOPR, in non-RTO regions, such as Florida, is at the boundaries between these processes and in the regional processes themselves.

Specifically, as suggested by TAPS,[18] to ensure that we are building the right facilities in a cost-effective manner, the Commission should:

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[15] We understand the approach to be quite different from how a TO analyzes potential projects internally.

[16] *See* TAPS Initial NOPR Comments, Appendix C.

[17] *E.g.,* a small step would be to require TPs to share a more comprehensive set of its planned transmission projects, including those in a developmental stage, at the time of the kick-off meeting, with updates as the planning process unfolds, including a short description of the other criteria used in the projects' selection (i.e., other, non-reliability criteria that led the TP to select a given project). But that will not solve the more intractable problems I discuss.

[18] *See* TAPS ANOPR Comments at 18-19; TAPS Initial NOPR Comments at 69-71.

(i) Require an independent transmission monitor in non-RTO regions. This measure, which the ANOPR (PP 163-174) identifies as a possible reform, is essential for non-RTO regions. Robust independent monitors to oversee non-RTO regional planning processes are crucial to making those processes capable of achieving Order 1000's goals as well as those envisioned in the current ANOPR process. How the independent monitor is selected and its authority will be important in making this oversight meaningful.

(ii) Require production cost savings to be considered as a metric for economic projects. While some non-RTO regions use production cost savings modeling as an Order 1000 metric for evaluating benefits,[19] others do not.[20] Today, production cost savings modeling is well-accepted. For example, the Commission has proposed its use in granting incentives for economic projects in both RTO and non-RTO regions.[21] Given the absence of regional projects to address congested non-RTO areas, it is time to revisit the Commission's 2014 declination to impose use of production cost modeling "at this time."[22]

(iii) Direct development and consideration of process reforms to allow for a more open, collaborative and effective regional process that would help identify more efficient and cost-effective projects. The Commission should require more collaborative, interactive joint planning processes that invite input from affected stakeholders at all stages, allow stakeholders to participate in decision-making, and assure that stakeholder views are considered on a non-discriminatory basis. In addition, the process deficiencies I've described warrant a close evaluation of non-RTO planning processes to identify reforms to make them work as Order 1000 intended. Such reforms could include providing for a high-level assessment of claimed economic benefits of alternative projects before completion of the lengthy technical assessment, to allow for a more meaningful and timely consideration of alternative projects. Other potential reforms could address timing issues and the mismatch between TO flexibility to amend their base case plans and the inability of third parties to revise alternative proposals to respond to such modified plans.

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[19] *See Pub. Serv. Co. of Colo.*, 142 FERC ¶ 61,206, PP 314, 317 (2013), cited in First Compliance Order P 254 n.404.

[20] Florida's metrics were modeled on those of the Southeastern Regional Transmission Planning region, as directed in its Second Compliance Order. *Tampa Elec. Co.*, 151 FERC ¶ 61,013, PP 76, 90 (2015).

[21] *Elec. Transmission Incentives Pol'y Under Section 219 of the Fed. Power Act*, 170 FERC ¶ 61,204, P 48, *corrected*, 171 FERC ¶ 61,072 (2020) (proposing use of adjusted production cost savings "or similar measures of congestion reduction or certain other quantifiable benefits that are verifiable and not duplicative").

[22] Second Compliance Order P 425.

Again, I appreciate the opportunity to participate in this conference and look forward to the discussion of these important issues.

September 20, 2022