

SERTP Interim Stakeholder Meeting – Order No. 1000 Draft Interregional Tariff Sections

May 28, 2013

Andrew Taylor of Southern Company Transmission, on behalf of the SERTP Sponsors, led the discussion of the draft tariff language. This presentation included the power point slide program entitled “Presentation - SERTP May 28th Interim Stakeholder Meeting” as well as a discussion of the draft tariff language entitled “SERTP Draft Order 1000 Interregional Tariff Language - Non-RTO Seams.” As such, the discussion that tracked the slides in that presentation and/or the draft tariff language is not reproduced below, but the substance of those discussions is contained in those documents, available on the SERTP website.¹ Please submit any written comments on the Non-RTO Draft Tariff Language by June 11, 2013 to provide the SERTP Sponsors time to evaluate the comments and consider changes to the draft language. Meetings such as the May 28, 2013 interim meeting are an avenue for stakeholders to offer comments, but there are others. Interested parties can submit written comments through the SERTP website.

Schedule/Overview

- Kim Jones (NC PUC) – Has FERC acted on the regional filing? Are you going ahead with July 10th filing even if you don’t have FERC’s response?
 - Andrew Taylor (Southern) – FERC has not yet ruled on the SERTP regional filing. We have a legal obligation to file by July 10th.
- Andrew Taylor (Southern) – Although the focus of today’s discussion is on the non-RTO seams tariff language, the concepts in the language largely reflect the content of the posted RTO seams strawmen.

Interregional Draft Tariff Language – Non-RTO Seams

- Introductory language
 - The introductory language is *pro forma* language in Order No. 1000. The last paragraph of the introduction section is not pro forma, but allows for references to the “regional transmission planning processes,” which are used throughout the document.
- Coordination
 - Biennial review of respective regional plans (which include transmission projects and the associated transmission needs). There has been a change from an annual review to a biennial review to provide consistency with the other three RTO seams strawmen and the regional processes of some regional neighbors (that have a

¹ This document represents a good faith effort to accurately capture the major themes of the discussions that occurred at this meeting (although, again, it does not repeat the portions of those discussions that simply followed the power point presentation). Importantly, this document should not be considered to be in the nature of an official transcript.

- biennial regional planning cycle) and also recognizes the heavy lifting involved with implementing procedures on five interregional seams.
- Regions agree that the third quarter is the appropriate time to begin these reviews. Data exchange will typically be effectuated before that time, and such timing will largely be driven by the regional processes.
 - This section also provides for coordination with respect to assumptions used in the joint evaluations of interregional projects.
 - Data Exchange
 - Exchange of data used in the development of respective regional plans will be performed annually. This exchange will be effectuated through each region posting the information on the respective regional websites, subject to CEII or confidential non-CEII treatment, as applicable.
 - Joint Evaluation
 - Three different avenues are prescribed by which more efficient or cost effective interregional transmission projects may be identified:
 - The regions identify potential projects based upon reviews of the the respective regional plans (Section 3.1).
 - Stakeholders identify potential interregional projects pursuant to the respective regional processes (Section 3.2)
 - Transmission developers identify potential projects for purposes of cost allocation (Sections 3.4/4)
 - If an interregional project is proposed for purposes of cost allocation, the evaluation of that project will typically begin in the third calendar quarter.
 - In performing the joint evaluation of an interregional project both regions will act through their regional processes, while relying upon the prescribed data exchange/coordination procedures.
 - Alison Clements (NRDC) – Is there not a case where there will be a joint study taking place? It looks like you are only looking to do independent studies.
 - Andrew Taylor (Southern) – I wouldn't characterize it as independent studies – we are outlining a joint evaluation. Each region is working through its regional process to perform the evaluation, as required by the Order, but there is a lot of work going on to perform that joint evaluation: coordinating the assumptions, years under study, evaluation timeline(s), status updates between the regions, as examples. If the project is proposed for cost allocation, the benefit to cost (“BTC”) evaluation relies upon the adjacent regions’ calculations of regional benefits, resulting in additional coordination. There is not, however, a separate evaluation process outside of the regional processes.
 - Allison Clements (NRDC) – I'm not sure how you would capture all interregional benefits only looking at regional plans

- Andrew Taylor (Southern) – The Order spells out that you act through the regional process. If you have an interregional project idea, you are looking to include it in the regional plans to effectuate it. Each region needs to be able to act through their regional processes, or it won't get done. We try to make this a cohesive process that facilitates the joint evaluation through the regional processes resulting in the potential inclusion in the regional plans.
 - James Manning (NCEMC) – Will your metrics for determining whether an interregional transmission project is more efficient or cost-effective consist of the neighboring regions' respective benefit calculations, if the project is proposed for cost allocation?
 - Andrew Taylor (Southern) – The discussion of Section 4 will cover that.
 - James Manning (NCEMC) – I'm looking for a bright-line test that shows that an interregional project proposed for cost allocation is more efficient or cost-effective than the regional projects.
 - Andrew Taylor (Southern) – We will discuss this more in depth in the cost allocation section, but the evaluations and approvals will be determined by the respective regions' processes. Each region will perform a regional benefit calculation based upon displaced projects. The regional benefit calculations will factor into regional (BTC) ratio calculations, which are used in part in this determination.
- Interregional Cost Allocation
 - There are three main components to this section
 - Criteria to be able to propose a project for Interregional cost allocation purposes ("CAP")
 - The mechanics of evaluating that project
 - How costs are allocated
 - To be considered for Interregional CAP, a project must be located in and interconnect to both planning regions and must satisfy the qualification criteria for cost allocation projects in both regions.
 - The strawman included project criteria of 300 kV and 100 miles in length to explicitly illustrate the SERTP's regional criteria for CAP proposals. The reference to those metrics is not in the interregional language because they are subsumed in the requirement that the proposal must meet regional criteria.
 - Alison Clements (NRDC) – What are you referring to in the case-by-case basis evaluation when you refer to threshold criteria?
 - Andrew Taylor (Southern) – That is a reference to both regions' regional criteria (i.e. the SERTP's 300 kV/100 mile criteria).

- Allison Clements (NRDC) – What region’s criteria could potentially not be satisfied?
 - Andrew Taylor (Southern) – When developing the SERTP’s regional filing, we got feedback from FERC that we should include language to provide ourselves the flexibility to consider projects that do not necessarily meet the bright-line criteria. We felt it was beneficial to include this flexibility in the interregional process.
 - Allison Clements (NRDC) – Are there any criteria you are going to consistently use when making that determination (case-by-case)?
 - Andrew Taylor (Southern) – The intent is to give ourselves flexibility to consider things that don’t meet bright-line criteria. Therefore, there it does not seem appropriate to restrict this flexibility by adding additional criteria to the “case by case” consideration.
- In evaluating an interregional project for CAP, each region will determine if the interregional project meets regional transmission needs and, if so, which projects currently included in the respective regional plans could be displaced. The regional benefit will be calculated based upon the avoided cost of projects that would be displaced by the interregional project.
- The SERTP will calculate the benefit to cost ratio and compare it to the 1.25 regional benefit to cost threshold, just as it does with regional project evaluations. Each region would use a “cost” based upon the expected allocation in the regional benefit to cost calculation. This cost will be determined by the ratio of the region’s benefits to the sum of the benefits for both regions. This is an example of how important continued coordination between the two regions is, because you have to know the ongoing regional benefit calculation of the neighboring region to determine your region’s foreseeable cost allocation.
- The project will be included in the respective regional plans once each region has performed all evaluations and obtained all approvals as required in the respective regional processes.
- The allocation of cost will be proportionate to the ratio of benefits assigned to one region to the total benefits identified for both regions.
- Allison Clements (NRDC) – If an interregional project is proposed and it has benefits that do not exist in one of the displaced regional projects, do those benefits get accounted for?
 - Andrew Taylor (Southern) – At a regional level, FERC has already required each region to address public policy, economic, and reliability considerations, so as you move to the interregional level, if there is a project that can address those needs more efficiently and cost effectively than projects included in the regional plan, then the benefit each region

would see from that interregional project would be the avoided cost of projects they will not have to pursue.

- Allison Clements (NRDC) – What about other benefits that aren’t captured.
 - Doug McLaughlin (Southern) – Can you explain what kind of benefits you are talking about?
- Allison Clements (NRDC) – Reliability benefits, public policy benefits, congestion reduction, etc. Are there stranded benefits?
 - Doug McLaughlin (Southern) – A transmission line can only provide delivery service. If you have a reliability need, or a congestion need you have to have projects to address it, so if you find an interregional project, it will replace projects providing that benefit. If there is a congestion benefit and it is indeed a “need,” then there has to be a project in a plan that addresses it, so there will always be a project in the plan that will be replaced. We cannot see how a project will solve something that is indeed a need and there not be a project already there to meet such need.
- Transparency
 - The mechanism for sharing data will be through the regional websites. Stakeholders will have access to data subject to appropriate confidentiality or CEII requirements.
- Any additional questions or comments?
 - [None]

Additional Tariff Discussion

- SIRPP
 - Questions/Comments?
 - [None]

Please submit comments by June 11, 2013 if possible.

Attendees:

<u>Name</u>	<u>Company</u>
<u>Andrew Taylor (Web/Phone)</u>	<u>Southern Company</u>
<u>Doug McLaughlin (Web/Phone)</u>	<u>Southern Company</u>
<u>James Manning(Web/Phone)</u>	<u>NCEMC</u>
<u>Zakia El Omari (Web/Phone)</u>	<u>GTC</u>
<u>Kimberly Jones (Web/Phone)</u>	<u>NC Utilities Commission</u>
<u>Valerie Martin (Web/Phone)</u>	<u>FERC</u>
<u>Martie Berland (Web/Phone)</u>	<u>Electricities</u>
<u>Troy Willis (Web/Phone)</u>	<u>GTC</u>
<u>Tim Lyons (Web/Phone)</u>	<u>OMU</u>
<u>Kevin Hopper (Web/Phone)</u>	<u>AECI</u>
<u>Chris McGeeney (Web/Phone)</u>	<u>AECI</u>

<u>Jay Farrington (Web/Phone)</u>	<u>PowerSouth</u>
<u>Jesse Unkenholz (Web/Phone)</u>	<u>Balch & Bingham</u>
<u>Andy Tunnell (Web/Phone)</u>	<u>Balch & Bingham</u>
<u>Robert Matthey (Web/Phone)</u>	<u>OVEC</u>
<u>Larry Monday (Web/Phone)</u>	<u>TranServ</u>
<u>Richard Saas (Web/Phone)</u>	<u>TVA</u>
<u>Marjorie Parsons (Web/Phone)</u>	<u>TVA</u>
<u>Danny Dees (Web/Phone)</u>	<u>MEAG</u>
<u>Edwin Galloway (Web/Phone)</u>	<u>Dalton</u>
<u>Kerry Sibley (Web/Phone)</u>	<u>GTC</u>
<u>Rob Wiley (Web/Phone)</u>	<u>GTC</u>
<u>Josh Pierce (Web/Phone)</u>	<u>Southern Company</u>
<u>Bryan Hill (Web/Phone)</u>	<u>Southern Company</u>
<u>Oliver Burke (Web/Phone)</u>	<u>Entergy</u>
<u>Susan Morris (Web/Phone)</u>	<u>FERC</u>
<u>Bob Pierce (Web/Phone)</u>	<u>Duke Energy</u>
<u>Kimberly Jackson (Web/Phone)</u>	<u>Southern Company</u>
<u>Blair Fink (Web/Phone)</u>	<u>GA PSC</u>
<u>Benjamin Crawford (Web/Phone)</u>	<u>FL PSC</u>
<u>John Free (Web/Phone)</u>	<u>AL PSC</u>
<u>Arthur Bishop (Web/Phone)</u>	<u>AMEA</u>
<u>Allison Clements (Web/Phone)</u>	<u>NRDC</u>
<u>Nina McLaurin (Web/Phone)</u>	<u>Duke Energy</u>
<u>Jay Rasmussen (Web/Phone)</u>	<u>Duke Energy</u>
<u>Jennifer Key (Web/Phone)</u>	<u>Steptoe</u>
<u>Kyo Kelly (Web/Phone)</u>	<u>Southern Company</u>
<u>Chris Diebold (Web/Phone)</u>	<u>Tallahassee</u>
<u>Brent Gilroy (Web/Phone)</u>	<u>WIRES</u>
<u>Warren Whitson (Web/Phone)</u>	<u>Southern Power</u>
<u>Christin Domian (Web/Phone)</u>	<u>Mitsubishi Electric</u>