

FERC Order 1000 Discussion at the 1st Quarter SERTP Meeting on March 14, 2012

Andrew Taylor, of Southern Company Transmission, on behalf of the SERTP sponsors, provided a presentation regarding the SERTP sponsor's initial strawman for complying with certain of Order No. 1000's requirements. This presentation followed the power point slide program entitled "2012 SERTP 1st Quarter Meeting Presentation") that is posted on the SERTP website. As such, much of the discussion that tracked the slides in that presentation is not reproduced below, but can be found on the [SERTP website](#).¹

FERC Order 1000 – Implementation Process & Timeline

- Sharon Segner (LS Power) – How should comments be submitted?
 - Andrew Taylor (Southern Company Transmission) – please submit comments through the “contact us” link on the SERTP website. If a commenter prefers to submit a document (and cannot submit it through the website), please contact Andrew Taylor (Southern Company Transmission), who will coordinate the submittal.

FERC Order 1000 – Regional Requirements

- Regional Requirements
 - The “region” is the area served by the SERTP sponsors.
 - Sharon Segner (LS Power) – when you look at and weigh alternatives from a “cost-effective” standpoint, what does the evaluation look like? How do you ensure that SERTP cost estimates are comparable and accurate?
 - Andrew Taylor (Southern Company Transmission) – [This question pertained to the Order No. 890 requirement that stakeholders should be allowed to propose alternatives in the transmission planning process]. Stakeholders don't provide the cost estimate, they just provide the proposal, and cost effectiveness is assessed through the SERTP process. Non-incumbent proposals will be addressed later in the presentation.
- Regional cost allocation method meeting six principles identified in Order 1000
 - Non-incumbent qualification requirements
 - Demonstrate the necessary financial capability and technical expertise to develop, construct, own, operate, and maintain transmission facilities.
 - Demonstrate the ability to satisfy all applicable regulatory requirements to:
 - Acquire rights of way and

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.

- Construct, operate, and maintain the proposed facilities
- Sharon Segner (LS Power) – what is meant by “demonstrate the ability to satisfy applicable regulatory and legal requirements”?
 - Andrew Taylor (Southern Company Transmission) –because of, for example, Southern’s duty to serve, it is not familiar with the regulatory requirements that would apply to a non-incumbent. The non-incumbent’s demonstration would have to show what it is required to obtain and that it can obtain those things.
- Bob Beadle (NCEMC) – you may want to consider specific construction criteria in the qualifications.
- Sharon Segner (LS Power)– do the qualification criteria apply to Sponsors as well?
 - Andrew Taylor (Southern Company Transmission) – Generally, under the current Strawman proposal, it is envisioned that SERTP sponsors would have to be able to meet the same qualifications criteria as the non-incumbent criteria used in this process
- Criteria related to the transmission proposal itself
 - “Regional” in nature
 - 300 kV and over 100 miles
 - Green-field
 - Materially different than those projects previously considered in the planning process
 - Able to be constructed and tied into the network by the recommended in-service date
 - Alan Williford (AMEA) – Where did 300 kV come from?
 - Andrew Taylor (Southern Company Transmission) – The backbone of the system within the SERTP is 500 kV, but we do not want to preclude 300 or 345 kV lines (even though there aren’t any currently within the SERTP)
 - Sharon Segner (LS Power) – Paragraph 63 of Order No. 1000 defines “local” transmission projects as those paid for by the local utility. LS Power has a concern with the definition of regional being of different scope than that defined in paragraph 63.
 - Andrew Taylor (Southern Company Transmission) – we will look into paragraph 63 and consider that issue, but the focus is on “regional” lines, which, in the SERTP footprint,

have traditionally been long lines (above the voltage of load serving lines)

- Sharon Segner (LS Power) – regarding the criteria that a project must be materially different than projects previously considered, where do you draw the line on what was included in the regional expansion plan in the past?
 - Andrew Taylor (Southern Company Transmission) – we are trying to identify projects that are more efficient and cost effective than those previously considered, so if a proposal has already been considered, it is outside of the scope. At this point, we don't know how this will ultimately look.
 - Jeremy Bennett (Southern Company Transmission) – If projects look very similar to those already considered, they will not be included at this point.
 - Keith Daniel (GTC) – in response to an indication by Sharon Segner (LS Power) that she understood the SERTP process to be a new planning process, Keith Daniel (GTC) responded that the SERTP sponsors don't consider the region (SERTP) to be new. It has been engaging in the regional planning process for 5 or 6 years.
- Sharon Segner (LS Power) – what they've seen in other markets is that it is important for everyone's cost estimates to be verified independently, and it is important to be consistent (between incumbents and non-incumbents) in the analysis of cost estimates
- Sharon Segner (LS Power) – 1.25 cost benefit ratio is consistent with Order 1000, but she is concerned about the language “not adversely impact an individual Sponsor” because it may be impossible to meet this criterion.
 - Andrew Taylor (Southern Company Transmission) – each sponsor should not have to incur more costs than they would have incurred otherwise, going to the second principle of Order 1000, that a sponsor should not have to pay for a project they do not benefit from.
 - Sharon Segner – Just because a sponsor doesn't benefit doesn't mean the project should be rejected.

- Danny Dees (MEAG) – If a project does not benefit MEAG, but MEAG has to incur cost to accommodate the project, should MEAG be compensated for those costs?
 - Sharon Segner indicated that she thinks that MEAG should be paid back for such costs.
 - Andrew Taylor (Southern Company Transmission) – we do not envision that each sponsor would have to benefit for a project to be selected, but no sponsor should incur more cost than they would have otherwise with the inclusion of a proposal.
- Necessary Governance/Jurisdictional Approvals
 - Sharon Segner (LS Power) – Is this separate from the CPCN (certificate of public convenience and necessity) process? Is this prior to inclusion in the regional plan?
 - Andrew Taylor – this is prior to inclusion in the regional plan. What we are talking about is displacing projects in the plan that are there for reliability purposes, so before those projects are replaced, they have to show approvals can be obtained.
 - Sharon Segner (LS Power) – do these requirements also apply to the Sponsors?
 - Andrew Taylor (Southern Company Transmission) –Southern’s plans, for example, are approved by the relevant PSCs. This is not exactly the same as what will be required of non-incumbents because Southern has the duty to serve. With non-incumbents, which do not have the duty to serve, they need to demonstrate that these approvals can be obtained.
 - Bryan Hill (Southern Company Transmission) – if the Sponsors identified a regional solution, the same approvals would probably have to be obtained.
- Cost allocation methodology
 - Sponsors are allocated costs in proportion to their displaced transmission costs
 - There is not a specific formula at this time
- Questions/Comments
 - Sharon Segner (LS Power) – in the original NOPR, FERC gave a sponsorship right, FERC did not include the sponsorship provision in the final rule. When Andrew said the proposed project must be materially different than those previously considered in the expansion

planning process, consider FERC's language carefully. Paragraph 336 of Order 1000 talks about if a region adopts a sponsorship model, there has to be a mechanism for access to non-sponsored projects that is not unduly discriminatory. In PJM, PJM may come up with the "right answer" though none of the sponsors came up with the ideas.

- Andrew Taylor (Southern Company Transmission) – this concept has not been considered by the SERTP Sponsors at this point. In most cases, the projects would be sponsored and that paragraph probably would not apply. Non-incumbents would sponsor their proposals. The SERTP sponsors come up with other solutions, but they will be sponsored by the respective SERTP sponsors, so a closer look would be needed to see how the concept of "non-sponsored projects" applies.
- Alan Williford (AMEA) – when the proposal says that the project must "continue" to be more efficient and cost effective, what does it mean to a developer who is gearing up to build and then a project no longer makes sense from a cost effective standpoint? What happens?
 - Andrew Taylor – this is something that needs to be fleshed out as the process is further developed.
- Sharon Segner (LS Power) – LS Power may submit additional ideas on qualification criteria, including that an entity may need to be able to apply to become a public utility within the state and to receive eminent domain authority. Many states want to deal with that within the CPN (certificate of public need) context.
- If there are any other questions or comments, they can be submitted through the "contact us" link on the SERTP website.
- Next SERTP Meeting
 - Location: TBD
 - Date: June 2012
- Interim Meeting(s) for purposes of Order 1000
 - Please let SERTP sponsors know whether a phone/web conference or in person meeting is desired.
 - Currently plan to hold interim meeting in late April to early May 2012.