

SERTP Interim Meeting

October 17th

FERC Order 1000 Discussion

“SERTP”

Background

➤ Background

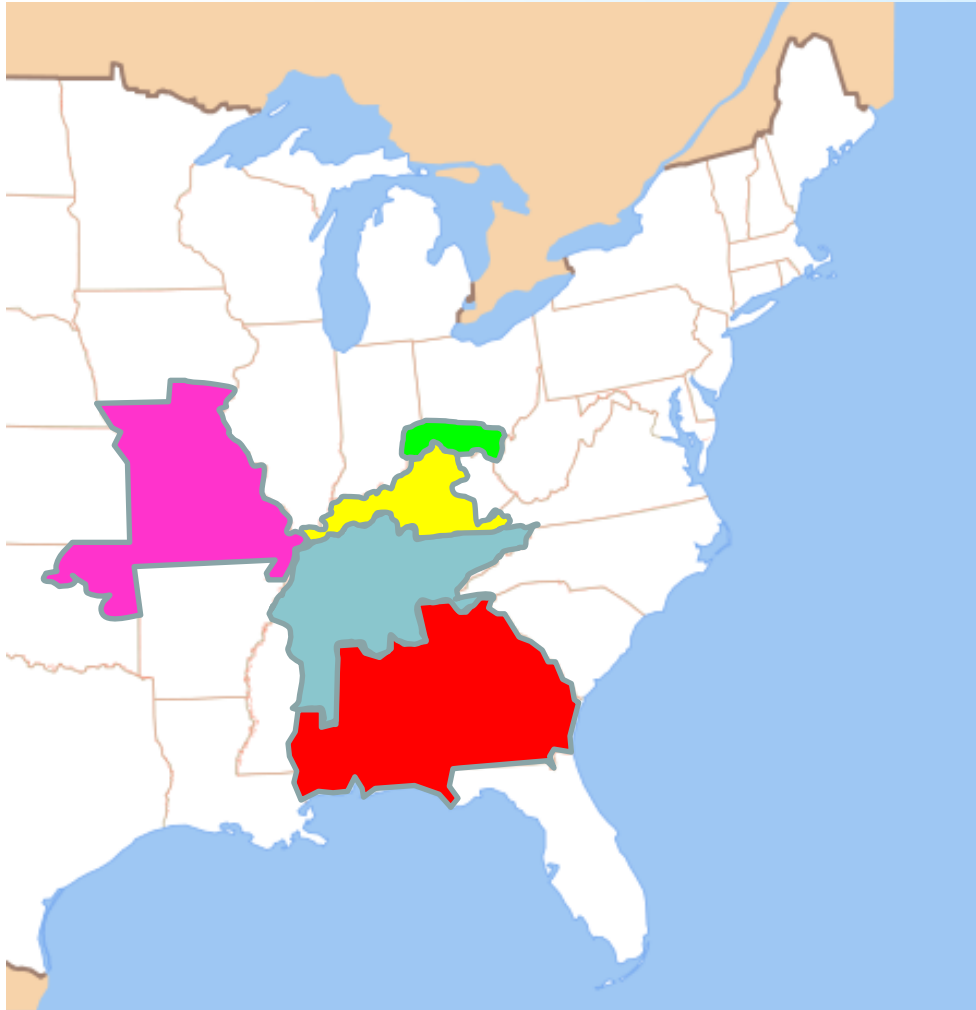
❖ The Southeastern Regional Transmission Planning (“SERTP”) Process was formed in 2007 by:

- Dalton Utilities (“Dalton”)
- Georgia Transmission Corporation (“GTC”)
- Municipal Electric Authority of Georgia (“MEAG”)
- PowerSouth Electric Cooperative (“PowerSouth”)
- South Mississippi Electric Power Association (“SMEPA”)
- Southern Companies (“Southern”)

➤ Background

- ❖ Recently, the SERTP has received an extension of time to submit an Order 1000 compliance filing that expands the SERTP region to include the following entities:
 - Associated Electric Cooperative, Inc. (“AECI”)
 - Louisville Gas & Electric and Kentucky Utilities (“LGE / KU”)
 - Ohio Valley Electric Corporation (“OVEC”)
 - Tennessee Valley Authority (“TVA”)
- ❖ Motion for Extension
 - FERC granted the 120 day extension on September 6th, 2012 extending the filing due date until February 8, 2013

SERTP Sponsors



Original SERTP

- Southern
- GTC
- MEAG
- Dalton
- PowerSouth
- SMEPA

TVA

AECI

LG&E / KU

OVEC

SERTP Sponsors

➤ Associated Electric Cooperative, Inc.

- ❖ AECI is owned by and provides wholesale electricity to six G&Ts who serve 51 Distribution Cooperatives with a combined service area covering 90,414 square miles.
 - Headquarters: Springfield, MO
 - Miles of Transmission Line \approx 9,650
 - Historical Peak Demand \approx 4,495
 - Number of Member Consumers \approx 875,000
 - States
 - Missouri
 - Northeast Oklahoma
 - Southeast Iowa

➤ Dalton Utilities

- ❖ Established in 1889, DU provides electric, natural gas, water, wastewater, stormwater & telecommunications services to approximately 77,000 customers in Dalton, GA and five surrounding counties.
 - Headquarters: Dalton, GA
 - Miles of Transmission Line \approx 305
 - Historical Peak Demand \approx 272 MW
 - Number of Electric Consumers \approx 18,200
 - States
 - Georgia

SERTP Sponsors

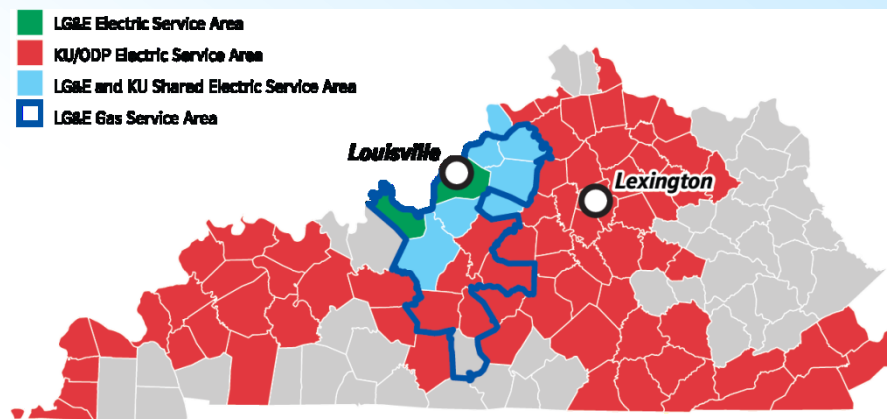
➤ Georgia Transmission Corporation

- ❖ GTC is an electric membership corporation that provides transmission service to 39 retail distribution cooperative members in the state of Georgia.
 - Headquarters: Tucker, GA
 - Formed in 1997 with restructuring of Oglethorpe Power Corporation
 - Miles of Transmission Line \approx 3,100
 - Historical Peak Demand \approx 9,300 MW
 - Members serve approximately 4 million people

SERTP Sponsors

➤ LG&E / KU

- ❖ Louisville Gas & Electric and Kentucky Utilities are vertically integrated companies that serve two-thirds of the counties in Kentucky and parts of Virginia.
 - Headquarters
 - Louisville, Kentucky
 - Miles of Transmission Line
 - ~5000
 - Historical Peak Demand
 - 7,175 MW
 - Number of Customers
 - 943,000 (Electricity)
 - 321,000 (Natural Gas)
 - States
 - Kentucky
 - Virginia



➤ MEAG Power

- ❖ A public corporation and an instrumentality of the State of Georgia providing G&T service to 48 cities and one county.
 - Headquarters: Atlanta, GA
 - Miles of Transmission Line \approx 1320
 - Historical Peak Demand \approx 2200 MW
 - Number of City and County Consumers \approx 310,000
 - States
 - Georgia

➤ OVEC

- ❖ OVEC, and its wholly owned subsidiary Indiana-Kentucky Electric Corporation (IKEC), owns and operates a 345kV transmission system across three states; Ohio, Kentucky, and Indiana.
 - Headquarters: Piketon, OH
 - Miles of Transmission Line \approx 660
 - Peak Generation \approx 2,200 MW
 - Sell Only to Sponsoring Utilities
 - By contract, owners are entitled to all generation
 - DOE facility in Balancing Area; Supplied by off-system sources

➤ PowerSouth

- ❖ PowerSouth is a G&T Cooperative consisting of 16 Distribution Cooperatives and 4 Municipal systems with a total service area of approximately 31,000 square miles.
 - Headquarters: Andalusia, Alabama
 - Miles of Transmission Line \approx 2,240
 - Historical Peak \approx 2,400 MW
 - Number of Customers \approx 418,000
 - States
 - Alabama
 - Florida

➤ Southern Company

- ❖ Southern Company, which includes four retail operating companies, provides electric service across 120,000 square miles in four states.
 - Headquarters: Atlanta, GA
 - Miles of Transmission Line \approx 27,000
 - Historical Peak Demand \approx 38,500 MW
 - Number of Customers \approx 4,400,000
 - States
 - Alabama (Alabama Power Company)
 - Georgia (Georgia Power Company)
 - Mississippi (Mississippi Power Company)
 - Florida (Gulf Power Company)

➤ SMEPA

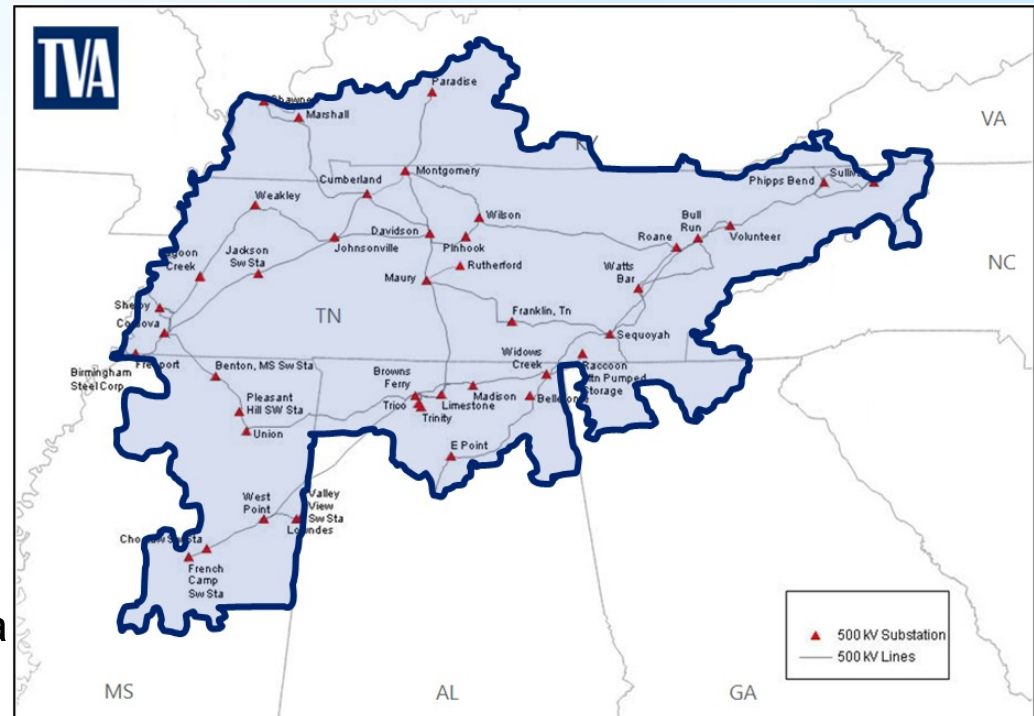
- ❖ South Mississippi Electric Power Association is a rural electric cooperative that generates, transmits and sells power to 11 member distribution cooperatives in Mississippi.
 - Headquarters: Hattiesburg, MS
 - Miles of Transmission Line \approx 1,741
 - Historical Peak Demand \approx 1507 MW
 - Number of Customers \approx 410,000 homes/businesses
 - States
 - Mississippi

SERTP Sponsors

➤ Tennessee Valley Authority (TVA)

❖ Corporation owned by the U.S. government, provides electricity for 9 million people across 80,000 square miles in parts of seven southeastern states.

- Headquarters
 - Knoxville, Tennessee
- Miles of Transmission Line
 - ~16,000 (2,500 - 500kV)
- Historical Peak Demand
 - 33,482 MW
- Number of Customers
 - 155 distributors
 - 58 direct served customers
- States
 - Alabama
 - Georgia
 - Kentucky
 - Mississippi
 - North Carolina
 - Tennessee
 - Virginia



FERC Order 1000

Stakeholder Discussion

October 17th, 2012

FERC Order 1000

High-Level Overview

➤ Order 890

❖ Transmission Planning Principles

- Coordination
- Openness
- Transparency
- Information Exchange
- Comparability
- Dispute Resolution
- Regional Participation
- Economic Planning Studies
- Cost Allocation

➤ Order 1000

❖ Planning Requirements

- Produce a regional transmission plan, consistent with the principles of Order 890
- Develop procedures to identify those transmission needs driven by public policy requirements for which potential transmission solutions will be evaluated
- Determine merchant developer information/data necessary to assess impacts of proposed facilities

➤ Order 1000

❖ Cost Allocation Requirements

- Develop a method for allocating costs of those facilities that have been selected in the regional plan for purposes of cost allocation
 - Regional Cost Allocation Methodology
 - Interregional Cost Allocation Methodology
- Regional and interregional cost allocation methodologies must satisfy the six cost allocation principles

➤ Order 1000

❖ Six Cost Allocation Principles

- 1) The cost of transmission facilities allocated in a way that is roughly commensurate with benefits.
- 2) No involuntary allocation of costs to those who receive no benefits.
- 3) Benefit to Cost threshold, if used to determine if facilities have sufficient net benefits to be selected for regional cost allocation, cannot exceed 1.25.
- 4) The cost allocation method cannot allocate costs to entity's outside the region, unless that entity voluntarily agrees to assume cost.
- 5) The cost allocation method and data requirements for determining benefits and identifying beneficiaries must be transparent.
- 6) A region may have different cost allocation methods for different types of facilities. Each cost allocation method must be clearly set out and explained.

FERC Order 1000

SERTP October 17th Proposal

Order 1000

➤ Regional Requirements – Order 1000

- ❖ Develop procedures to identify those transmission needs driven by public policy requirements, for which potential transmission solutions will be evaluated

Order 1000

- Consideration of Transmission Needs Driven by Public Policy Requirements (PPRs)
 - ❖ SERTP Sponsors address transmission needs driven by PPRs in the routine planning, design, construction, operation, and maintenance of the transmission system.
 - Sponsors consider input of SERTP Stakeholders regarding transmission needs driven by PPRs
 - To be considered in the upcoming transmission planning cycle, input should be provided no later than 60 days after the SERTP Annual Transmission Planning Summit.
 - PPR must be a federal or state law/regulation
 - Sponsors will provide and post a response to Stakeholder input

- **Consideration of Transmission Needs Driven by Public Policy Requirements (PPRs)**
 - ❖ The Sponsors will evaluate SERTP Stakeholder input to determine if there is a transmission need driven by the PPR identified by the Stakeholder
 - ❖ If a transmission need is identified, that is not already addressed in the expansion planning process, the SERTP Sponsors will identify a transmission solution to address the need in the expansion planning processes.
 - ❖ Stakeholder input regarding potential transmission needs driven by PPRs may be directed to the governing OATT process as appropriate.
 - Ex: if the potential transmission need identified by the SERTP Stakeholder is essentially a request by a network customer to integrate a new network resource, the request would be directed to that existing OATT process.

➤ Regional Requirements – Order 1000

- ❖ Determine which information/data is necessary for merchant developers to provide transmission providers in order to allow transmission providers to assess the reliability and operational impacts of proposed facilities

➤ Merchant Developer Data/Information

- ❖ Merchant transmission developers who propose to develop a transmission facility potentially impacting the SERTP will provide information and data necessary for the Sponsors to assess potential reliability and operational impacts of the merchant transmission developer's proposed transmission facilities on the region, including:
 - Transmission project timing, scope, network terminations, steady-state and stability modeling data, HVDC data (as applicable), details of service commitments, and other data necessary to assess potential impacts.

Order 1000

➤ Regional Requirements – Order 1000 A

- ❖ A clear enrollment process will be established that defines how public utility and non-public utility transmission providers, make the choice to become part of, or to terminate participation in the SERTP region.

➤ Enrollment

❖ Purpose

- Entities that enroll in the SERTP may be allocated costs based upon the benefits received from a regional project included in the regional plan for **C**ost **A**llocation **P**urposes (“CAP”)

➤ Enrollment

❖ General Eligibility for Enrollment

- A public utility or non-public utility, transmission service provider, and/or transmission owner having a statutory or tariff obligation to ensure that adequate transmission facilities exist to meet its firm service commitments within the SERTP region.

➤ Enrollment

❖ Enrollment Requirement

- A potential transmission developer and/or transmission dependent utility must enroll in the SERTP in order to be eligible to propose a regional project for CAP if it, an affiliate, or parent company has load in the region.

➤ Enrollment

❖ How to Enroll?

- A form will be posted on the Regional Planning website.

❖ How to withdraw from enrollment?

- Provide written notification of such intent at least 60 days prior to the Annual Transmission Planning Summit.
- Termination effective at the end of the then-current transmission planning cycle.
- Enrollee remains subject to regional cost allocations made while enrolled.

Order 1000

➤ Regional Requirements – Order 1000

- ❖ Develop a method for allocating costs of those facilities that have been selected in the regional plan for purposes of cost allocation

Order 1000

- Transmission Developer Qualification Criteria
 - ❖ Demonstrate the necessary *financial capability* and technical expertise to develop, construct, operate and maintain the proposed transmission facility.
 - S&P credit rating of BBB- or higher (or similar credit rating from another agency if not rated by S&P)
 - AND demonstrated capability to finance U.S. energy projects equal to or greater than the cost of the proposed regional transmission project

Order 1000

➤ Transmission Developer Qualification Criteria

- ❖ Demonstrate the necessary financial capability and *technical expertise* to develop, construct, operate and maintain the proposed transmission facility.
 - Demonstrated capability to develop, construct, operate, and maintain U.S. electric transmission projects of similar or larger complexity, size, and scope as the proposed project.
 - Summary of transmission projects in-service, under construction, and/or projects not completed including locations, operating voltages, mileages, development schedules, approximate installed costs; and how these facilities are owned, operated and maintained. This may include projects and experience provided by a parent company or affiliates or other experience relevant to the development of the proposed project.
 - List of NERC and/or Regional Entity reliability standard violations

➤ Transmission Facility Qualification Criteria

❖ Regional in nature

- Operating voltage of 300 kV or above
- Spans 100 miles or more
- Located in two or more balancing authorities
- Consideration will be given to projects that do not fully meet the foregoing on a project by project basis to ensure the proposal satisfies similar regional criteria/provides similar regional benefits

❖ Green-field project

❖ Materially different from those projects previously considered in the expansion planning process

❖ Able to be constructed and tied into the network by the recommended in-service date

Order 1000

- Submittal – Regional Proposal for CAP
 - ❖ Demonstration of Qualification Criteria
 - Transmission Developer (“TD”)
 - Regional Transmission Facility
 - ❖ NERC and/or Other Industry Registrations
 - ❖ Project Description
 - ❖ Capital Cost Estimate
 - ❖ Technical Analysis performed by “TD”
 - ❖ Data/Files to Evaluate the Proposal
 - ❖ Planned Approach to Satisfy Regulatory Req’s
 - ❖ Submittal Fee
 - ❖ Deadline for Submittal

➤ Submittal – Regional Proposal for CAP

❖ Submittal Fee

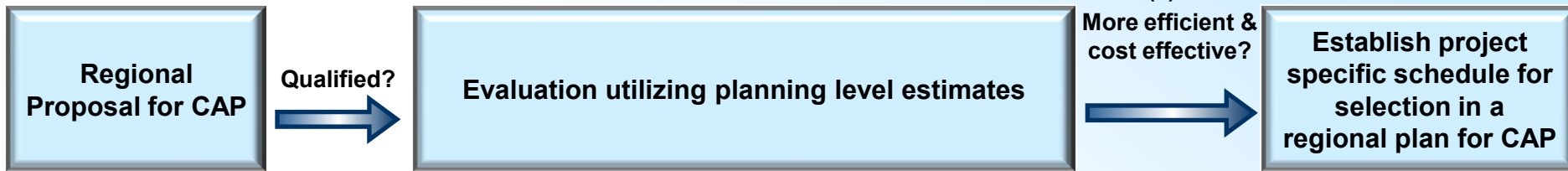
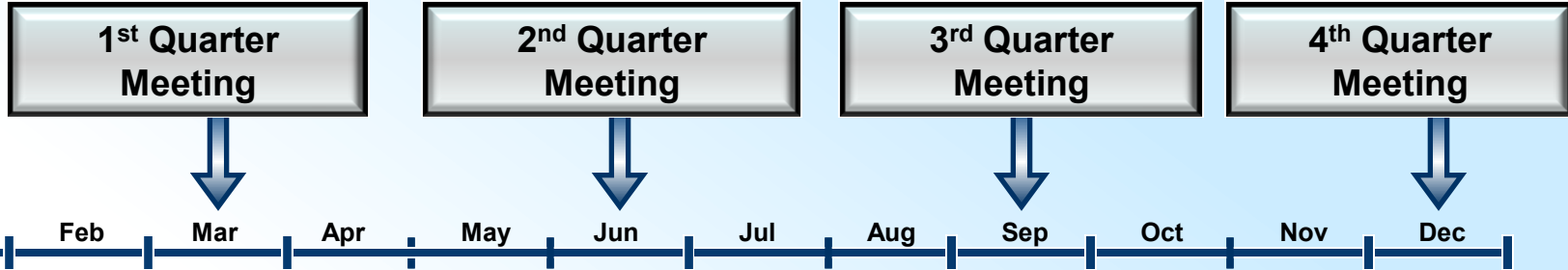
- A non-refundable, administrative fee of \$25,000 per regional proposal for CAP will be required
- The fee will be used to offset the costs to review and process the qualification criteria and supporting documentation for each submittal

➤ Submittal – Regional Proposal for CAP

❖ Deadline for Submittal

- To be considered in the upcoming transmission planning cycle, a regional proposal for CAP should be provided no later than 60 days after the SERTP Annual Transmission Planning Summit.
 - The transmission developer will be notified within 30 days after the submittal deadline if there is an incomplete submittal or if qualification criteria is not met.
 - Within 15 days of such notification, the transmission developer can resubmit the necessary supporting documentation to remedy identified deficiencies.

Order 1000



Timeline dependent on the regional project and the current transmission needs



*Project may be removed from regional plan for CAP based upon subsequent reevaluation, project delays/abandonment, or failure to meet developmental milestones

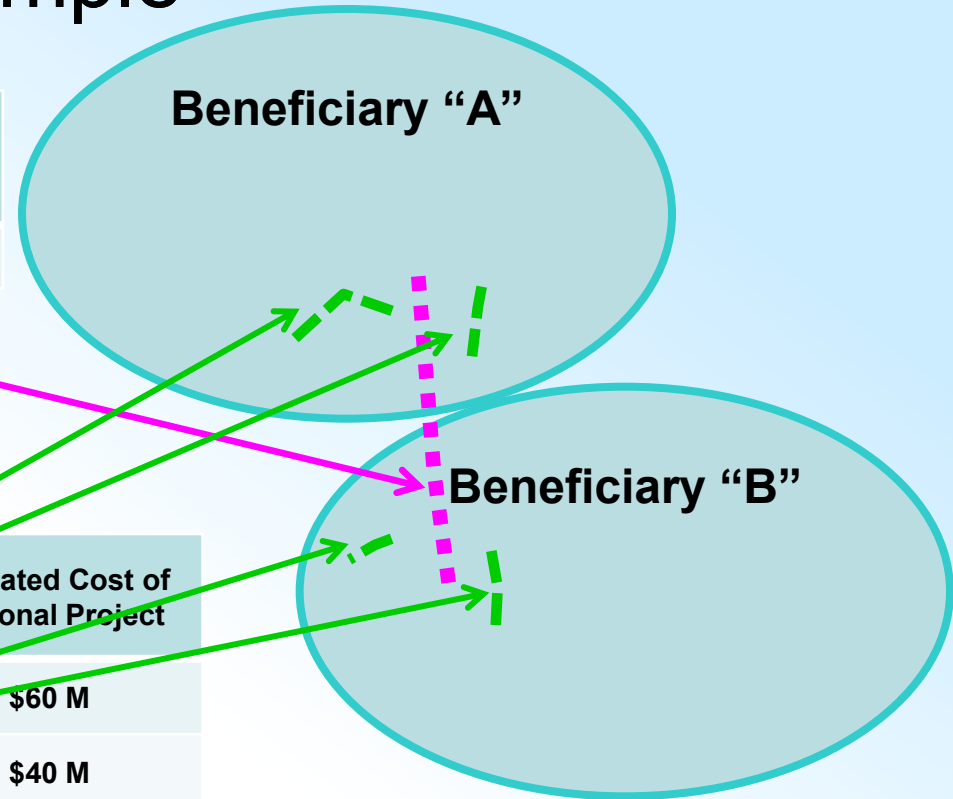
- Evaluation of Proposals for Selection in a Regional Plan for CAP
 - ❖ Regional Benefit to Cost Ratio of at least 1.25:
 - Benefit: Transmission costs avoided by the displaced projects
 - Cost: Transmission cost of the regional project proposed for selection in a regional transmission plan for CAP plus any additional projects required to implement the proposal
 - ❖ Initial evaluation based upon planning level cost estimates. Subsequent evaluation(s) performed based upon detailed financial terms provided by the transmission developer.
 - ❖ To be selected for CAP, the proposal must be approved by the jurisdictional/governance authorities of the beneficiaries.

Order 1000

- Selection in a Regional Plan for CAP
 - ❖ If a regional transmission project is selected in a regional plan for CAP, the beneficiaries will be allocated costs of the regional transmission facility in proportion to their displaced transmission costs.

➤ Cost Allocation Example

Regional Project Cost	ΣDisplaced Project Cost	Regional Benefit to Cost Ratio
\$100 M	\$150 M	1.50



Beneficiary	Displaced Transmission Cost	Regional Cost Allocation %	Allocated Cost of Regional Project
"A"	\$90 M	60%	\$60 M
"B"	\$60 M	40%	\$40 M
Total	\$150 M	100%	\$100 M

Proposed Regional Facility
 Displaced Transmission Facility

➤ Maintaining “Selected for CAP” Status

❖ In order to remain included in a regional plan for CAP:

- The regional proposal will continue to be evaluated in subsequent expansion planning process that reflect ongoing changes in actual and forecast conditions to ensure:
 - The regional proposal is still needed
 - The regional proposal remains more efficient & cost effective
- The transmission developer must meet all established milestones necessary to develop and construct the transmission project, including:
 - Obtaining all necessary ROWs and environmental, state, and other governmental approvals
 - Executing a contract to address the terms and conditions associated with the development of the regional transmission project

➤ Contract Terms & Conditions

- ❖ A contractual agreement(s) will address terms and conditions associated with the development of the regional transmission project in a regional plan for CAP, such as:
 - Specific financial terms associated with the development of the regional transmission project,
 - The allocation of the costs of the aforementioned facility,
 - Creditworthiness/project security requirements,
 - Operational control of the regional transmission facility,
 - Milestone reporting, including schedule of projected expenditures,
 - Engineering, procurement, construction, maintenance, and operation of the regional transmission facility,
 - Emergency restoration and repair responsibilities,
 - Reevaluation of the regional transmission facility, and
 - Non-performance or abandonment

➤ Delay / Abandonment

- ❖ SERTP Sponsors will determine if alternative transmission projects may be required in addition to, or in place of, the proposal due to a delay or abandonment in the development of the regional transmission project selected for CAP.

Circumstances prompting this evaluation include:

- If notification is provided by the transmission developer that the proposed facility will be delayed
- If the Sponsors are otherwise informed or become aware that the transmission developer is not meeting established project milestones.

State Perspectives

Implementation Timeline

Next Steps

Timeline

- October 17 SERTP Stakeholder Meeting
 - ❖ Additional comments by October 31
- December 12 SERTP Stakeholder Meeting
 - ❖ Tariff language available by December 5
 - ❖ Additional comments by January 4
- Order 1000 Regional Compliance Filing submitted to FERC by February 8, 2013
 - ❖ Progress Reports due in November and January

Wrap-up