

## **FERC Order No. 1000**

### **Transmission Planning and Cost Allocation by Transmission Owning and Operating Public Utilities**

#### **South Carolina Regional Transmission Planning (SCRTP) Strawman**

### **Order 1000 Summary**

#### **Transmission Planning Reforms**

- Each public utility transmission provider must participate in a regional transmission planning process that produces a regional plan
- Local and regional transmission planning processes must consider transmission needs driven by public policy requirements established by local, state or federal laws or regulations
- Public utility transmission providers must participate in an interregional planning process to determine if there are more efficient or cost-effective solutions to their mutual transmission needs

#### **Cost Allocation Reforms**

- Each public utility transmission provider must participate in a regional transmission planning process that has a regional cost allocation method for new transmission facilities selected in the regional transmission plan for purposes of cost allocation
- Public utility transmission providers in neighboring transmission planning regions must have a common interregional cost allocation method for certain new interregional facilities that the regions determine to be efficient or cost-effective
- Participant-funding of new transmission facilities is permitted, but is not allowed as the regional or interregional cost allocation methodology

#### **Non-incumbent Developer Reforms**

- Public utility transmission providers must remove from Commission-approved tariffs and agreements a federal right of first refusal for a transmission facility selected in a regional transmission plan for purposes of cost allocation, subject to four limitations:
  - This does not apply to a transmission facility that is not selected in a regional transmission plan for purposes of cost allocation.
  - Public utility transmission providers in a transmission planning region are not required to use competitive bidding to solicit transmission projects or project developers.
  - This does not apply to upgrades to a transmission facility (i.e., tower change outs or reconductoring)
  - Nothing in this requirement affects state or local laws or regulations regarding the construction of transmission facilities, including but not limited to authority over siting or permitting of transmission facilities.
- Order No. 1000 continues to permit an incumbent transmission provider to meet its reliability needs or service obligations by choosing to build new transmission facilities that are located solely within its retail distribution service territory or footprint and that are not submitted for regional cost allocation. (Order 1000 ¶ 262)

- The obligation to participate in a regional transmission planning process that produces a regional transmission plan is not intended to appropriate, supplant, or impede any local planning processes that the public utility transmission providers undertake. (Order 1000 ¶ 161)
- The rule requires each public utility transmission provider to amend its tariff to require reevaluation of the regional transmission plan to determine if delays in the development of a transmission facility require evaluation of alternative solutions, including those proposed by the incumbent, to ensure incumbent transmission providers can meet reliability needs or service obligations.
- Nothing in the rule permits a facility included in the regional plan for purposes of cost allocation to be built.

**\*More Order No. 1000 information can be found at <http://www.ferc.gov/industries/electric/indus-act/trans-plan.asp>**

## SCRTP Order 1000 Compliance Outline

### **DRAFT**

#### **I. Produce a Regional Transmission Plan**

- A. SCRTP will continue to serve as the “region.” SCRTP will maintain its current meeting schedules and website. South Carolina Public Service Authority (“Santee Cooper”) and South Carolina Electric & Gas (“SCE&G”) (collectively “the Transmission Providers”) will continue to share their local plans. Additionally, the Transmission Providers will share a common regional plan which will include any regional solutions. The requirements of Order 1000 build on the following transmission planning principles that are required in Order No. 890: (1) coordination; (2) openness; (3) transparency; (4) information exchange; (5) comparability; (6) dispute resolution; and (7) economic planning.
- B. Enrollment of Non-Public Utility Transmission Providers
1. In order to enroll as a Transmission Provider in the transmission planning region, an entity must have an open access transmission tariff (OATT) on file with FERC and must be registered with NERC as a Planning Authority and a Transmission Service Provider. A list of the public utility and non-public utility Transmission Providers that have enrolled as Transmission Providers in the transmission planning region will be identified in the OATT. As stated above, SCE&G and Santee Cooper are collectively the Transmission Providers in this region.
- C. For the purposes of this Strawman, a “sponsor” and a “developer” (hereinafter “Developer”) of a transmission project proposed for selection in the regional transmission plan for purposes of cost allocation refers to the same entity: one that proposes and commits to developing, constructing, owning, operating and maintaining the proposed transmission facilities. As in the past, the Transmission Providers will continue to accept concepts, alternative transmission and non-transmission solutions from the SCRTP Stakeholder Group to be evaluated in the planning process through the existing SCRTP Stakeholder Process.
- D. A “Regional Transmission Plan” includes projects reflective of the evaluations of whether alternative regional solutions may be more efficient or cost-effective than solutions identified in local transmission planning processes and considers transmission needs at the local and regional level driven by Public Policy Requirements. These applicable Public Policy Requirements are additional to those already addressed through local planning and IRP processes.
- E. “Local” Planning Processes are the transmission planning processes that a public utility transmission provider performs for its individual retail distribution service territory or footprint pursuant to Order 890. The regional transmission planning process is not intended to appropriate, supplant, or impede any local transmission planning that providers undertake. Transmission Providers will continue to provide models and data to stakeholders as required in Order No. 890.

The Transmission Providers' Local Transmission Planning Processes develop a Local Transmission Expansion Plan for each Transmission Provider, which provides for timely modifications and additions to the Transmission Providers transmission systems to ensure reliable and economical transmission of electric power for its customers. One of the Transmission Providers' Local Transmission Planning objectives is to develop a transmission plan that minimizes the long-term cost of expansion while maintaining required levels of service and compliance with applicable standards. To ensure the most reliable and economical Local Transmission Expansion Plan is achieved, the Transmission Providers consider all available and feasible alternatives for expansion in their Local Planning Processes. The most reliable and economical solution for local area needs can sometimes be new interties with neighboring transmission systems. The Transmission Providers intend to continue evaluating new interties with neighboring systems as a viable option for meeting the requirements of their Local Planning Processes. These interties have been and will continue to be the result of the Transmission Providers' Local Planning Processes, and therefore the Transmission Providers maintain the right-of-first-refusal for these projects.

The SCE&G Integrated Resource Plan (IRP) is filed annually with the Public Service Commission of South Carolina and the South Carolina Energy Office. The Santee Cooper IRP is filed every five years with the South Carolina Energy Office. The IRPs include, among other required information, the respective Transmission Provider's plan to meet all applicable Public Policies associated with electric energy resources. This plan includes the respective Transmission Provider's projections for new energy resources, modifications to existing energy resources and retirements of existing energy resources. To fully support their IRPs, the respective Transmission Providers also identify and develop additions and improvements to their transmission systems that will accommodate the goals of their IRPs. In so doing, all available and feasible alternatives for transmission expansion are considered including new interties with neighboring transmission systems, as required. The Transmission Providers intend to continue their traditional practice of identifying and developing transmission requirements to accommodate their IRPs. Solutions for transmission needs driven by Public Policy will be evaluated in the Order 1000 process only if those transmission needs are not otherwise met through the IRP process.

- F. The Commission continues to permit an incumbent transmission provider to meet its reliability needs or service obligations by choosing to build new transmission facilities that are located solely within its retail distribution service territory or footprint and that are not submitted for regional cost allocation. As stated above, this includes establishing new inter-ties with neighboring transmission providers when those inter-tie solutions are determined to be the most efficient or cost-effective manner to provide service to local customers.

## **II. Procedures for Developing a Regional Transmission Plan**

- A. Public utility transmission providers are required to participate in a regional transmission planning process that evaluates transmission alternatives at the regional level that may resolve the transmission planning region's needs more

efficiently and cost-effectively than alternatives identified by individual public utility transmission providers in their local transmission planning processes.

**B. SCRTP Order No. 1000 Process**

1. Regional transmission solutions that are proposed for cost allocation will be considered for evaluation, and if selected, considered for the purposes of regional cost allocation.
2. While any stakeholder may request studies, transmission Developers wishing to submit a proposal for consideration in the regional plan for purposes of cost allocation must meet the requirements of Section III and IV below.

**C. Transmission Needs Driven by Public Policy Considerations**

1. Public Policy Requirements are defined as those public policy requirements established by local, state or federal laws or regulations; i.e., enacted statutes and regulations promulgated by a relevant jurisdiction. Each public utility transmission provider must establish, in consultation with stakeholders, procedures to (a) identify transmission needs driven by Public Policy Requirements for which transmission solutions will be evaluated and (b) evaluate potential solutions to meet those needs.
2. The Commission recognizes that if a utility with native load obligations has addressed compliance with Public Policy Requirements in developing its resource assumptions to be used in the transmission planning process, those procedures used to identify transmission needs driven by Public Policy Requirements should be taken into account.
3. The Commission requires public utility transmission providers to post on their websites an explanation of which transmission needs driven by Public Policy Requirements will be evaluated for potential solutions in the local or regional transmission planning process, as well as an explanation of why other suggestion transmission needs will not be evaluated.
4. To the extent that no transmission needs driven by Public Policy Requirements are identified, public utility transmission providers are under no obligation to evaluate potential transmission solutions.
5. **SCRTP Process:**
  - a. The Transmission Providers' Order No. 890 processes outlined in Attachment K will be amended to allow a forum for identifying transmission needs driven from public policy requirements.
  - b. In order for the Transmission Providers to determine whether solutions should be developed for the needs identified, a proposed transmission need must be described in sufficient detail to allow

the Transmission Provider to study that proposed transmission need.

- i. Examples of sufficient detail may include but is not limited to: a description of the needed transmission capability or transmission functionality associated with the Public Policy; if applicable, a description of electric power source and sink points associated with the Public Policy; if applicable, the amount of electric power associated and timing associated with the Public Policy.
  - ii. The Transmission Providers will not assess transmission needs that are described in generic, overly-vague terms that do not permit the Transmission Providers to adequately determine what is required of the transmission system.
- c. The Transmission Providers will post on their websites explanations of which transmission needs driven by Public Policy Requirements will be evaluated for potential solutions and an explanation of why other suggested transmission needs will not be evaluated.
  - d. No proposed transmission need will be selected to be evaluated for potential solutions if that need is met under existing local or regional plans.
  - e. Stakeholders may propose potential solutions associated with the transmission needs selected to be evaluated for potential solutions. Stakeholders will be provided an opportunity to provide input during the evaluation of these potential solutions.
  - f. Potential Developers submitting regional solutions for transmission needs driven by Public Policy Requirements must follow the procedures in Section III.B. and Section IV.D.

### **III. Qualification Criteria to Establish Eligibility to Submit a Regional Transmission Project Proposal for Selection in a Regional Transmission Plan**

- A. The Commission requires each public utility transmission provider to revise its OATT to demonstrate that the regional transmission planning process in which it participates has established appropriate qualification criteria for determining an entity's eligibility to propose a transmission project for selection in the regional transmission plan for purposes of cost allocation, whether that entity is an incumbent transmission provider or a non-incumbent transmission developer. The Commission left each region to develop qualification criteria that are workable.
- B. SCRTP Process

1. Developers wishing to propose a transmission project for selection in a regional transmission plan for the purposes of regional cost allocation must meet certain qualification criteria.
  - a. Developers are required to demonstrate the following: financial capability, technical expertise, ability to construct, own, operate and maintain transmission facilities.
  - b. Within 30 days of receiving a Developer's application for eligibility to propose a transmission project for selection in the regional transmission plan for purposes of cost allocation, the Transmission Providers will notify the Developer of any deficiencies in the application. The Developer must resubmit its application within 15 days in order for the Transmission Provider to consider the corrected application. .
2. Qualification Criteria for Incumbent and Non-incumbent Transmission Providers that wish to submit transmission projects:
  - a. Each potential Developer must submit adequate financial information to allow the Transmission Providers to assess its financial capability and creditworthiness.
    - i. Required financial information, where such information is available and applicable:
      1. Audited Financial Statements
      2. List of affiliates, parent companies, and subsidiaries
      3. Publicly available information from credit reports by credit and bond rating agencies;
      4. Private credit ratings;
      5. Credit references;
      6. Statement of legal composition; and
      7. Statement of length of time potential Developer's business has been in operation;
    - ii. Creditworthiness criteria. In order to be found creditworthy, the potential Developer must meet one of the following criteria:
      1. The potential Developer has been in business at least one year and has a credit rating of at least "Baa3" (Moody's) or "BBB minus" (Standard &

Poor's or Fitch's) (If rated by multiple agencies, the lowest rating applies); or

2. The potential Developer has been in business at least one year, and provides its most recent financial statement, which demonstrates that it meets standards that are at least equivalent to the standards underlying credit ratings of "Baa3" or "BBB minus"; or
3. The potential Developer's parent company meets the criteria noted above, and provides a satisfactory written guarantee to be unconditionally responsible for all financial obligations.

iii. If the Developer does not meet the creditworthiness criteria, it must provide collateral equal to 25 percent of the project estimated cost in a manner consistent with acceptable forms of collateral defined in Attachment L.

b. Technical expertise

i. Each potential Developer must demonstrate its capability to develop, construct, operate, and maintain U.S. electric transmission projects of similar or larger complexity, size, and scope as the proposed project. At a minimum, the following must be demonstrated:

1. Technical and engineering qualifications and experience
2. Past history of meeting transmission project schedules
3. Capability to adhere to standardized construction practices
4. Past history regarding construction of transmission facilities
  - a. Cost containment capability and other advantages the Developer may have to build the specific project
  - b. A discussion of the Developer's business practices that demonstrate that its business practices are consistent with good utility practices for proper permitting, licensing, designing, ROW acquisition, constructing, operating and maintaining transmission



facilities that will become part of the transmission grid.

5. Past history regarding O&M of transmission facilities;
  6. Capability to adhere to standardized O&M practices;
  7. How it intends to comply with all applicable reliability standards and to obtain the appropriate NERC certifications; and
  8. Past record of compliance with NERC standards.
  9. Historical ability to site, permit, procure equipment, construct, own, operate and maintain transmission facilities
- c. In order for a proposed transmission project to be considered for evaluation and potential selection in the regional plan for purposes of cost allocation, the project must meet the following criteria:
- i. The project must be regional in nature, as defined below:
    1. The operating voltage of the proposed transmission project must be 230 kV or above;
    2. A proposed transmission line must be over 50 miles in length;
    3. The proposed transmission project must be beneficial to more than one; that is, both systems in the region; and
    4. The proposed project shall have an estimated cost of \$10 million or above.
  - ii. The project must be a green-field facility – Developer must secure its own ROW. The project must not be an upgrade to an existing facility.
  - iii. The project must be materially different from projects that are currently in the regional transmission expansion plan (or have been previously considered in the regional transmission expansion planning process) and the local transmission expansion plan. That is, a transmission Developer may not simply “bundle” several local projects into a single project and claim that it is a regional project.

- iv. Must be able to be constructed and integrated into the transmission system(s) by the required in-service date
    - d. Owner of project will turn over operational control to the Transmission Provider, including, but not limited to: real-time reliability actions, coordination and maintenance schedules, and line outages.
3. If a Developer is determined to be qualified to submit a proposed project, this determination will last for three years. The Developer has an obligation to update any change to the submitted application, regardless of materiality. The Transmission Providers reserve the right to ask for additional information from a Developer seeking qualification or a Developer that has been previously qualified.
4. Merchant Transmission Developer
  - a. Order 1000 established that because a merchant transmission developer assumes all financial risk for developing its transmission project and constructing the proposed transmission facilities, it is unnecessary to require such a developer to participate in a regional transmission planning process for the purposes of identifying the beneficiaries of its transmission project that would otherwise be the basis for securing eligibility to use a regional cost allocation method or methods.
  - b. However, merchant transmission developers are required to provide adequate information and data to allow public utility transmission providers in the transmission planning region to assess the potential reliability and operational impacts of the merchant transmission developer's proposed transmission facilities on other systems in the region.
  - c. Merchant transmission developers must meet the following criteria in order to construct, own, operate and maintain transmission facilities.
    - i. Any such transmission facility must not compromise local or regional reliability and the transmission facility owner and operator must meet all applicable FERC, NERC, SERC, South Carolina Public Service Commission regulatory requirements, as well as the interconnected transmission provider Facility Connection Requirements document (as required by NERC Reliability Standard FAC-001). The transmission provider requirements include, but are not limited to:

- System interconnection studies;

- Transmission system performance;
- Transmission facility equipment standards;
- Transmission facility control, instrumentation and communication requirements;
- Reactive power and voltage support;
- Grounding;
- Protection requirements;
- Inspection, maintenance and testing requirements; and
- Emergency operations

ii. The transmission Developer must demonstrate a history of constructing, owning, operating, or maintaining, as applicable, comparable transmission facilities.

d. Merchant developers must be willing to turn over operational control of their facility to the Transmission Provider.

#### **IV. Submission of Proposals**

A. The Commission requires that each public utility transmission provider revise its OATT to identify: (a) the information that must be submitted by a prospective transmission developer in support of a transmission project it proposes in the regional transmission planning process; and (b) the date by which such information must be submitted to be considered in a given transmission planning cycle.

B. The Commission provides each region with discretion to identify the information to be required, so long as such requirements are fair and not so cumbersome as to effectively prohibit transmission developers from proposing projects, yet not so relaxed that they allow for relatively unsupported proposal. The Commission does not require a particular set of analyses that must be performed by the Transmission Providers.

C. Regional transmission planning processes also must respond to requests by stakeholders to perform studies that evaluate potential upgrades or other investments that could reduce congestion or integrate new resources or loads on an aggregated or regional basis.

#### **D. SCRTP Process**

1. Prospective transmission Developers must submit the following information in support of a proposed regional transmission project:
  - a. A description of the proposed transmission project that details the complete scope including, as relevant:
    - i. Description of Owners;
    - ii. Indicate whether project is for reliability, public policy, or economic purposes;
    - iii. Description of the transmission facilities being proposed (e.g., voltage levels, etc.);
    - iv. If a transmission line(s), general path of the line(s);
    - v. Any interconnection points with the transmission system;
    - vi. Various stages of the project, such as siting, licensing, permitting, ROW acquisition, engineering, construction, proposed in-service date, etc. NOTE: more detailed milestones will be developed if project is selected in the regional plan for purposes of cost allocation.
  - b. A capital cost estimate of the proposed transmission project.
    - If the cost estimate differs greatly from generally accepted estimates of projects of comparable scope, the Developer submitting the project will be required to justify such discrepancies.
    - Cost estimates should be sufficiently detailed to demonstrate a good faith effort at estimating the cost and to allow the Transmission Providers to understand how the estimate was calculated
  - c. Project financing approach
  - d. Reliability impact assessment;
    - i. Explanation of how project will abide by any transmission standards of Transmission Providers with which project will interconnect
    - ii. Identify any NERC standards that will be implicated by developing the project
    - iii. Any such transmission facility must not compromise local or regional reliability and the transmission facility owner and operator must meet all applicable FERC, NERC,

SERC, South Carolina Public Service Commission regulatory requirements, as well as the interconnected transmission provider Facility Connection Requirements document (as required by NERC Reliability Standard FAC-001). The transmission provider requirements include, but are not limited to:

- System interconnection studies;
  - Transmission system performance;
  - Transmission facility equipment standards;
  - Transmission facility control, instrumentation and communication requirements;
  - Reactive power and voltage support;
  - Grounding;
  - Protection requirements;
  - Inspection, maintenance and testing requirements; and
  - Emergency operations
- e. System Impact Studies and Reports, including load flow cases that demonstrate the expected performance of the project(s) and demonstrate that no applicable standard is violated at any point on the wide-area grid;
- f. Whether the project would require state transmission siting proceedings, National Environmental Policy Act review, or federal or state permits. Describe the legal authority, if any, that will need to be obtained by the Developer to site/own transmission under relevant state law. Identify the authorized governmental body that will review the application for siting approval for projects within the transmission region.
- i. Describe the process the Developer will use to obtain transmission siting approval including the authority to acquire rights of way by eminent domain, if necessary, that would facilitate approval and construction of the project.
  - ii. Describe the process that the Developer will use for the preparation of any required application for siting approval, including milestones and a description of supporting studies and other evidence.

- iii. Describe the Developer's experience in the areas above.
  - g. Whether the project requires upgrades to any Transmission Provider's existing facilities or would require a Transmission Provider to alter its use and control of an existing right-of-way.
  - h. Supporting documentation of the technical analysis performed to demonstrate that the proposed transmission project is either more efficient and cost-effective project than specific projects in the latest local transmission expansion plans or that the project resolves a transmission need driven by economics or a public policy requirement that is not otherwise addressed. Documentation and information must include the following, as applicable:
    - All planning data and information required by the Transmission Providers to permit the Transmission Providers to evaluate the submitting Developer's analysis of the proposed transmission project; and
    - The identification of transmission projects in the latest expansion plans that may be canceled or postponed as a result of the proposed project, as well as any additional projects, or changes to other planned projects that may be required due to the proposed project; or
    - The economic need or transmission need driven by public policy requirements that is not otherwise addressed
2. Deposit Required
    - a. The actual costs incurred by the SCRTP Transmission Providers to analyze projects submitted will be borne by the transmission Developer
    - b. A deposit of \$25,000 will be required for each project submittal, which will be trued up based on the documented cost of the Transmission Providers' analysis.
  3. Proposals must be submitted without any deficiencies by January 1 of each year in order to be included in that year's planning cycle. The Transmission Provider will notify the Developer if the submitted proposal is deficient. The Developer may mitigate those deficiencies and re-submit its proposal within 15 days of being notified of the deficiency.
  4. Submission of non-transmission alternatives:
    - a. Order 1000 requires comparable consideration of transmission and non-transmission alternatives, but does not establish minimum

requirements governing which non-transmission alternatives should be considered or the appropriate metrics to measure non-transmission alternatives against transmission alternatives.

- b. As stated in Section II.1.d., one of the Transmission Providers' planning objectives is to develop a plan that minimizes the long-term cost of transmission expansion while maintaining expected levels of service and compliance with applicable standards. To accomplish this, the Transmission Providers will treat all resources on a comparable basis and will give consideration that is technologically neutral to every viable alternative solution to identified transmission needs. These alternative solutions may include new transmission facilities, modifications to existing transmission facilities, generation siting or load-management opportunities. The Transmission Providers' planning processes will consider these alternative options in determining if and when transmission expansion is needed on a cost/benefit basis.

**V. Evaluation of Proposals for Selection in the Regional Transmission Plan for Purposes of Cost Allocation**

- A. The Commission requires each public utility transmission provider to amend its OATT to describe a transparent and not unduly discriminatory process for evaluating whether to select a proposed regional transmission facility in the regional transmission plan for purposes of cost allocation.
- B. Public utility transmission providers must amend their OATTs to describe how potential alternative solutions to the identified transmission needs will be evaluated in regional transmission planning processes.
- C. The Commission requires each public utility transmission provider to amend its OATT to describe the circumstances and procedures under which public utility transmission providers in the regional transmission planning process will reevaluate the regional transmission plan to determine if delays in the development of a regional transmission facility selected in a regional transmission plan for purposes of cost allocation require evaluation of alternative solutions, including those the incumbent transmission provider proposes, to ensure the incumbent can meet its reliability needs or service obligations.
- D. SCRTP Process
  - 1. The Transmission Providers, in consultation with stakeholders, will evaluate regional transmission solutions proposed by Developers in conjunction with those identified by the Transmission Providers. Developers and stakeholders may conduct an independent evaluation and submit written comment on any proposed regional transmission solution for the Transmission Providers' consideration.

2. Utilizing coordinated models and assumptions, each Transmission Provider will utilize its respective planning guidelines and criteria to evaluate submittals and determine the following:
  - a. Whether the proposal addresses transmission needs that are currently being addressed with projects in the latest local transmission expansion plans and if so, which projects in the plans could be canceled or postponed by the proposed regional transmission project.
  - b. Whether any additional projects, or changes to other planned projects, are required due to the proposed project.
  - c. An evaluation of proposal against all applicable FERC, NERC, SERC, South Carolina Public Service Commission regulatory reliability requirements, as well as the interconnected transmission provider Facility Connection Requirements document (as required by NERC Reliability Standard FAC-001). The transmission provider requirements include, but are not limited to:
    - System interconnection studies;
    - Transmission system performance;
    - Transmission facility equipment standards;
    - Transmission facility control, instrumentation and communication requirements;
    - Reactive power and voltage support;
    - Grounding;
    - Protection requirements;
    - Inspection, maintenance and testing requirements; and
    - Emergency operations
3. Based upon the evaluation outlined above, the Transmission Providers will assess whether the proposed transmission project is more efficient or cost-effective for the region.
4. The inclusion of the proposed transmission project must yield a regional benefit to cost ratio of at least 1.25 and must not adversely impact reliability. No individual Transmission Provider should incur increased, unmitigated transmission costs as a result of the proposed project.



- The benefit used in this calculation will be quantified by the transmission cost (or savings) of cancelled or postponed projects in the latest local expansion plans and the cost of any additional projects, or changes to other planned projects required due to the proposed project.
5. The proposed regional transmission project would be included in the regional plan for purposes of cost allocation if the proposal:
- a. Is determined to be more efficient or cost effective than projects in the existing local transmission expansion plans,
  - b. Continues to remain more efficient or cost effective as assessed in subsequent expansion planning processes that reflect ongoing changes in forecast conditions, and
  - c. Is approved by the Transmission Providers whose local transmission expansion plans would be altered with the inclusion of the proposal and their relevant jurisdictional and/or governance authorities:
    - Santee Cooper: Senior Management and/or Board of Directors of the South Carolina Public Service Authority
    - SCE&G: South Carolina Public Service Commission and Office of Regulatory Staff who have jurisdiction over retail rates and related facilities.

E. Contractual Agreement

1. When a proposal is selected in the regional plan for purposes of cost allocation, a Contractual Agreement will be developed to address the following:
  - a. Communication responsibilities of the transmission Developer and the Transmission Providers
  - b. Detailed key milestones and anticipated schedules associated with the proposal, including, but not limited to:
    - i. Required regulatory approvals
    - ii. Design, procurement, and construction
    - iii. Reports for completion of each milestone and required testing and certification
    - iv. Timing and frequency of project updates

- c. Circumstances prompting reevaluation in order to assess the appropriate timing of the proposed regional transmission project
  - i. Reevaluation may result in the need for the potential advancement, deferment, or removal of the regional transmission project.
- d. Credit enhancement (guaranties, bonds, letters of credit)
- e. Insurance requirements, including, but not limited to performance bond
- f. Interconnection provisions
- g. Project requirements and specifications, including rights of way, permits, and equipment
- h. Project budget
- i. Project benefits
- j. Responsibility for meeting NERC standards
- k. EPC Contract Requirements, including turn key warranty, warranty period, minimum remedies, creditworthiness of contractor, and assignability
- l. Operations and maintenance responsibilities
- m. Responsibilities for capital repairs during operation period
- n. Provisions indicating that transmission service over facilities will be provided pursuant to SCE&G and/or Santee Cooper OATT and delineation of which facilities are subject to which OATT.
- o. Capacity and transmission rights
- p. Allocation of costs
- q. Representations and warranties
- r. Condemnation
- s. Assignment of agreement
- t. Indemnification
- u. Limitation of liability
- v. Termination rights

w. Dispute resolution

F. Required Project Updates

1. If a project is selected in the regional plan for purposes of cost allocation, the project Developer will be required to submit periodic updates to the Transmission Providers. The timing and frequency of these updates will be addressed in the Contractual Agreement.

G. Reevaluation

1. Only projects selected in the regional plan for purposes of cost allocation are subject to reevaluation. Any project approved in the regional plan for purposes of cost allocation prior to the effective date of revised Attachment K, as determined by FERC, is not subject to reevaluation.
2. The Transmission Providers will review period updates from the project Developer as specified in the Contractual Agreement to determine whether any delays associated with completion of a transmission project have the potential to adversely affect an incumbent transmission provider's ability to fulfill its reliability needs or service obligations.
3. If the Transmission Providers determine that delays may affect reliability or service obligations, the Transmission Providers may propose regional solutions for purposes of cost allocation or may develop local solutions to ensure they can continue to fulfill their reliability needs or service obligations.

**VI. Cost Allocation Requirements for Regional Transmission Planning**

- A. The Commission requires that a public utility transmission provider have in place a method, or set of methods, for allocating the costs of new transmission facilities selected in the regional transmission plan for purposes of cost allocation in advance of particular transmission facilities being proposed. The Commission does not specify in Order No. 1000 how the costs of an individual regional transmission facility should be allocated.
- B. Order 1000 reforms do not affect the right of an incumbent transmission provider to build, own and recover costs for upgrades to its own transmission facilities, such as in the case of tower change outs or reconductoring, regardless of whether or not an upgrade has been selected in the regional transmission plan for purposes of cost allocation. Nor does Order 1000 grant or deny transmission developers the ability to use rights-of-way held by other entities, even if transmission facilities associated with such upgrades or uses of existing rights-of-way are selected in the regional transmission plan for purposes of cost allocation.
- C. Six Cost Allocation Principles

1. The method of allocating cost must adhere to the following six cost allocation principles:
  - a. Costs must be roughly commensurate with benefits: The cost of transmission facilities must be allocated to those within the transmission planning region that benefit from those facilities in a manner that is at least roughly commensurate with estimated benefits. In determining the beneficiaries of transmission facilities, a regional transmission planning process may consider benefits including, but not limited to: the extent to which transmission facilities, individually or in the aggregate, provide for maintaining reliability and sharing reserves, production cost savings and congestion relief, and/or meeting public policy requirements established by state or federal laws or regulations that may drive transmission needs.
  - b. No involuntary allocation of costs to non-beneficiaries: Those that receive no benefit from transmission facilities, either at present or in a likely future scenario, must not be involuntarily allocated the costs of those facilities.
  - c. Benefit to cost threshold ratio: If a benefit to cost threshold is used to determine which facilities have sufficient net benefits to be included in a regional transmission plan for the purpose of cost allocation, it must not be so high that facilities with significant positive net benefits are excluded from cost allocation. A public utility transmission provider in a transmission planning region may choose to use such a threshold to account for uncertainty in the calculation of benefits and costs. If adopted, such a threshold may not include a ratio of benefits to costs that exceeds 1.25 unless the transmission planning region or public utility transmission provider justifies and the Commission approves a higher ratio.
  - d. Allocation to be solely within transmission planning region(s) unless those outside voluntarily assume costs: The allocation method for the cost of a transmission facility must allocate costs solely within that transmission planning region unless another entity outside the region or another transmission planning region voluntarily agrees to assume a portion of those costs. However, the transmission planning process in the original region must identify consequences for other transmission planning regions, such as upgrades that may be required in another region and, if the original region agrees to bear costs associated with such upgrades, then the original region's cost allocation method or methods must include provisions for allocating the costs of the upgrades among the beneficiaries in the original region.
  - e. Transparent method for determining benefits and identifying beneficiaries: The cost allocation method and data requirements for

determining benefits and identifying beneficiaries for a transmission facility must be transparent with adequate documentation to allow a stakeholder to determine how they were applied to a proposed transmission facility.

- f. Different methods for different types of facilities: A transmission planning region may choose to use a different cost allocation method for different types of transmission facilities in the regional plan, such as transmission facilities needed for reliability, congestion relief, or to achieve public policy requirements established by local, state or federal laws or regulations. Each cost allocation method must be set out clearly and explained in detail in the compliance filing for this Final Rule.

#### **D. SCRTP Process**

If a regional transmission project in the Order 1000 Regional Transmission Plan has met all of the criteria listed above and is thus selected for cost allocation, the Transmission Providers will be allocated costs in proportion to their respective benefit.

1. **Beneficiaries:** The beneficiaries of a proposed project will be the Transmission Providers that are benefiting themselves or the Transmission Providers that are benefitting on behalf of their customers..
2. **Cost Allocation for Reliability Projects:**
  - a. Will be based on the benefit of avoided transmission cost.
  - b.  $(\text{Transmission Provider A's Avoided Cost} / \text{Total (A+B) Avoided Cost}) * \text{cost of regional project} = \text{Transmission Provider A's Cost Allocation}$   
  
Example: \$400M project; SCE&G avoids a \$300M project and Santee Cooper avoids a \$150M project. SCE&G pays 2/3 TRR of Regional Project, Santee Cooper pays 1/3 TRR.
3. **Cost Allocation for Public Policy Projects:**
  - a. Will be based on the proportion that the load-serving entities in the Transmission Providers' service areas would benefit from the project. Typically, the cost would be allocated to the Transmission Provider based on the extent to which load-serving entities in the service area will be able to access the resources enabled by the project in order to meet their public policy requirements.
4. **Cost Allocation for Economic Projects:**

- a. Will be based on the proportion that the load-serving entities in the Transmission Providers' service areas would benefit from the project.
5. Only costs that are prudently incurred are permitted to be allocated.
    - a. If actual costs exceed estimated costs, the Transmission Providers will evaluate, in consultation with stakeholders, whether the excess cost was prudently incurred.

## **VII. Compliance Deadlines**

### **A. Regional Compliance Deadline**

- Transmission Providers are required to make a compliance filing with the Commission within 12 months of the effective date of the Final Rule or October 11, 2012.

### **B. Interregional Compliance deadline**

- Compliance filings are due within 18 months of the effective date of the Final Rule or April 11, 2013.

### **C. SCRTP Order No. 1000 milestones**

- Initial comments on this strawman and the April 23, 2012 Stakeholder Group meeting presentation are due May 14, 2012
- Follow up meeting scheduled for July 31, 2012
- Distribute draft changes to the SCE&G and Santee Cooper OATTs following the summer meeting
- Additional conference call or meeting, if needed
- File with the Commission on or before October 11, 2012