

WELCOME

SERTP 2012

May 17th Interim Meeting

PURPOSES & GOALS OF THE MEETING

- ❖ FERC Order 1000 – Regional Requirements
- ❖ Next Meeting's Activities

FERC Order 1000 Regional Requirements

ORDER 1000

- ❖ On July 21, 2011, FERC issued Order 1000 on “Transmission Planning and Cost Allocation by Transmission Owning and Operating Public Utilities”
- ❖ The effective date of the Order is October 11, 2011
- ❖ Each public utility transmission provider must submit a compliance filing by October 11, 2012
 - ❑ A compliance filing for the requirements set forth with respect to interregional transmission coordination procedures and an interregional cost allocation method or methods must be submitted by April 11, 2013

IMPLEMENTATION PROCESS & TIMELINE

- ❖ The “Interim Meetings” shown are tentative. The actual meeting frequency will be dependent on need and stakeholder feedback.

SERTP 1st Qtr Mtg:

- Discuss Order 1000 requirements
- Share “strawman” for discussion purposes

SERTP 2nd Qtr Mtg:

- Continue to discuss Order 1000 requirements
- Discuss and revise latest proposal

SERTP 3rd Qtr Mtg:

- Review Order 1000 Final Proposal
- Share interregional “strawman” for discussion purposes



2012

Interim Meeting:

- Web Conference
- Discuss latest “strawman”

Interim Meeting:

- Conference Call and/or Face-to-Face
- Discuss latest proposal

October 11th, 2012:

- Compliance Filing on Regional Requirements

IMPLEMENTATION PROCESS & TIMELINE

- ❖ The “Interim Meetings” shown are tentative. The actual meeting frequency will be dependent on need and stakeholder feedback.

SERTP 4th Qtr Mtg:

- Discuss latest proposal

SERTP 1st Qtr Mtg:

- Review Order 1000 Final Proposal with respect to interregional requirements

April 11th, 2013:

- Compliance Filing on Interregional Requirements



2013

Interim Meeting:

- Conference Call and/or Face-to-Face
- Discuss requirements and resulting additions to “strawman”
- Discuss “strawman” revisions

Interim Meeting:

- Conference Call and/or Face-to-Face
- Discuss latest proposal

- ❖ Order 1000 – Implementation Process & Timeline
 - “Strawmen”/Proposals associated with the Order 1000 requirements will be made available to stakeholders prior to all SERTP meetings (including ad hoc meetings)
 - Stakeholders can submit questions or comments at anytime throughout the process
 - www.southeasternrtp.com/contactus.asp
 - In-person / Conference-call meetings

FERC Order 1000 Regional Requirements “Strawman Discussion”

May 17, 2012

Regional Requirements – Order 1000

- ❑ Produce a regional plan
- ❑ Develop procedures by which transmission providers identify and evaluate solutions that may meet the region's needs more efficiently and cost-effectively
- ❑ Develop a method for allocating costs of those facilities that have been selected in the regional plan for purposes of cost allocation
- ❑ Develop procedures to identify those transmission needs driven by public policy requirements, for which potential transmission solutions will be evaluated
- ❑ 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

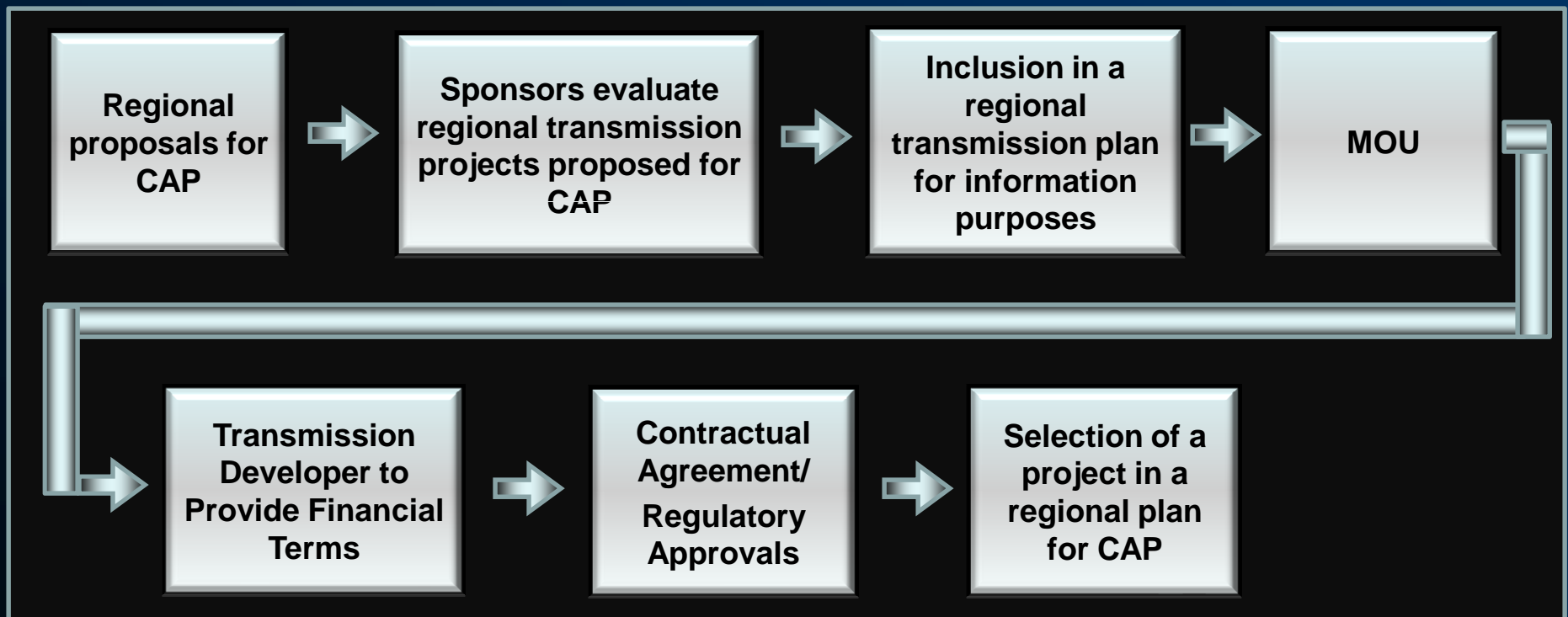
Regional Requirements – Order 1000

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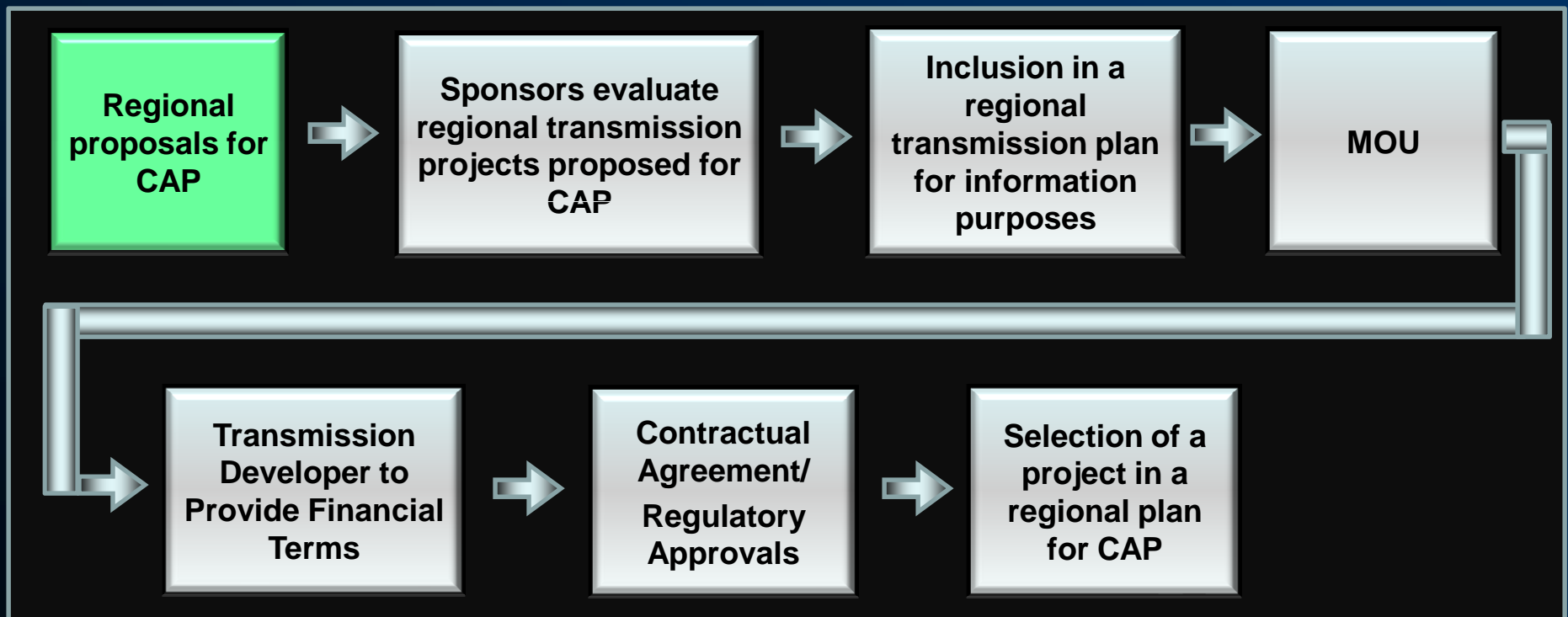
Develop a method for allocating costs of those facilities that have been selected in the regional plan for purposes of cost allocation

- Must meet six regional cost allocation principles of Order 1000
 - 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.

- Potential process for inclusion in a regional transmission plan for Cost Allocation Purposes (“CAP”)



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ORDER 1000

- Transmission Developer (“TD”) Qualification Criteria
- Proposed Regional Transmission Project Qualification Criteria
- Submittal Enclosures / Supporting Documentation

ORDER 1000

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- Qualification Criteria to Submit a Transmission Project Proposal for Selection in a Regional Transmission Plan for CAP
 - 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)
 - » -OR- demonstrated capability to finance U.S. energy projects equal to or greater than the cost of the proposed regional transmission project

- Qualification Criteria to Submit a Transmission Project Proposal for Selection in a Regional Transmission Plan for CAP
 - 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 and under construction including locations, operating voltages, mileages, development schedules, approximate installed costs, and how these facilities are operated and maintained
 - List of NERC and/or other industry registrations

- Qualification Criteria to Submit a Transmission Project Proposal for Selection in a Regional Transmission Plan for CAP
 - Provide an explanation of the planned approach to satisfy applicable regulatory requirements and obtain requisite authorizations necessary to acquire Rights of Way and to construct, operate, and maintain the proposed facility in the relevant jurisdictions

ORDER 1000

- Transmission Developer (“TD”) Qualification Criteria
- Proposed Regional Transmission Project Qualification Criteria
- Submittal Enclosures / Supporting Documentation

- Qualification Criteria to Submit a Transmission Project Proposal for Selection in a Regional Transmission Plan for CAP
 - The project must meet the following criteria to be considered for selection in a regional expansion plan for CAP:
 - » Regional in nature
 - Operating voltage of 300 kV or above
 - Spans 100 miles or more
 - » Green-field project
 - » Materially different than 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

- Transmission Developer (“TD”) Qualification Criteria
- Proposed Regional Transmission Project Qualification Criteria
- Submittal Enclosures / Supporting Documentation

- Submission of Proposals for Potential Selection in a Regional Transmission Plan for CAP
 - Demonstration of Qualification Criteria
 - Project Description
 - Capital Cost Estimate
 - Technical Analysis
 - Data/Files to Evaluate the Proposal
 - Administrative Fee May Be Required

- Submission of Proposals for Potential Selection in a Regional Transmission Plan for CAP
 - Demonstration of Qualification Criteria
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 - Capital Cost Estimate
 - Technical Analysis
 - Data/Files to Evaluate the Proposal
 - Administrative Fee May Be Required

- Submission of Proposals for Potential Selection in a Regional Transmission Plan for CAP
 - Demonstration of Qualification Criteria
 - » Documentation to support ability to satisfy the qualification criteria required to propose a regional transmission project for selection in a regional transmission plan for CAP

- Submission of Proposals for Potential Selection in a Regional Transmission Plan for CAP
 - Demonstration of Qualification Criteria
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- Submission of Proposals for Potential Selection in a Regional Transmission Plan for CAP
 - Project Description
 - » Should detail the intended scope of the proposed transmission project including various stages such as:
 - Right of Way Acquisition
 - Engineering
 - Construction
 - Recommended In-Service Date

- Submission of Proposals for Potential Selection in a Regional Transmission Plan for CAP
 - Demonstration of Qualification Criteria
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- Submission of Proposals for Potential Selection in a Regional Transmission Plan for CAP
 - Capital Cost Estimate
 - » Provide 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 transmission developer will be required to support such differences

- Submission of Proposals for Potential Selection in a Regional Transmission Plan for CAP
 - Demonstration of Qualification Criteria
 - Project Description
 - Capital Cost Estimate
 - **Technical Analysis**
 - Data/Files to Evaluate the Proposal
 - Administrative Fee May Be Required

- Submission of Proposals for Potential Selection in a Regional Transmission Plan for CAP
 - Technical Analysis
 - » Documentation of the technical analysis performed to support that the proposed transmission project may be more efficient and cost-effective than specific projects in the latest transmission expansion plans:
 - Identify transmission projects in the latest transmission expansion plans that may be displaced by the proposed project
 - Additional transmission projects that may be required to implement the proposed project

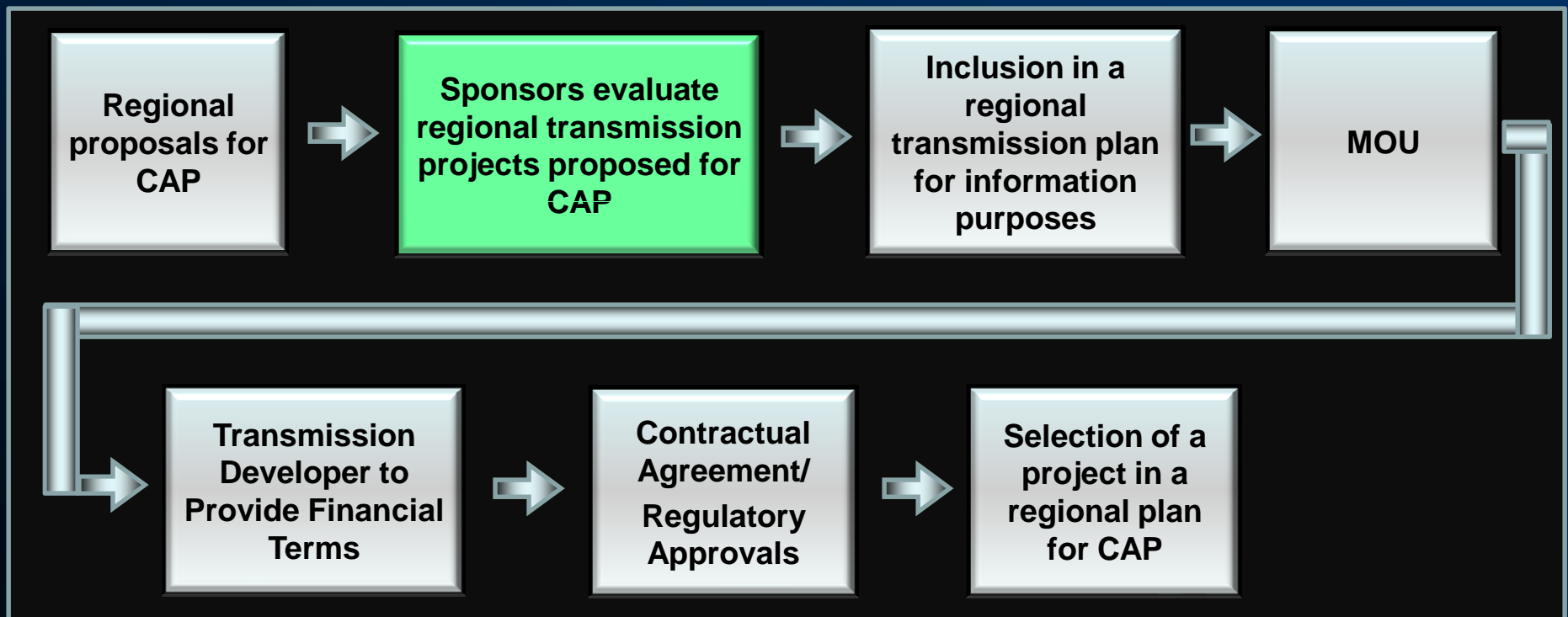
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 - Demonstration of Qualification Criteria
 - Project Description
 - Capital Cost Estimate
 - Technical Analysis
 - Data/Files to Evaluate the Proposal
 - Administrative Fee May Be Required

- Submission of Proposals for Potential Selection in a Regional Transmission Plan for CAP
 - Data/Files to Evaluate the Proposal
 - » Provide any data/files necessary to allow SERTP Sponsors to evaluate the regional proposal

- Submission of Proposals for Potential Selection in a Regional Transmission Plan for CAP
 - Demonstration of Qualification Criteria
 - Project Description
 - Capital Cost Estimate
 - Technical Analysis
 - Data/Files to Evaluate the Proposal
 - Administrative Fee May Be Required

- Submission of Proposals for Potential Selection in a Regional Transmission Plan for CAP
 - Administrative Fee May Be Required
 - » An administrative fee may be required for proposals submitted for potential selection in a regional plan for CAP, depending on the volume of submittals

- Potential process for inclusion in a regional transmission plan for Cost Allocation Purposes (“CAP”)



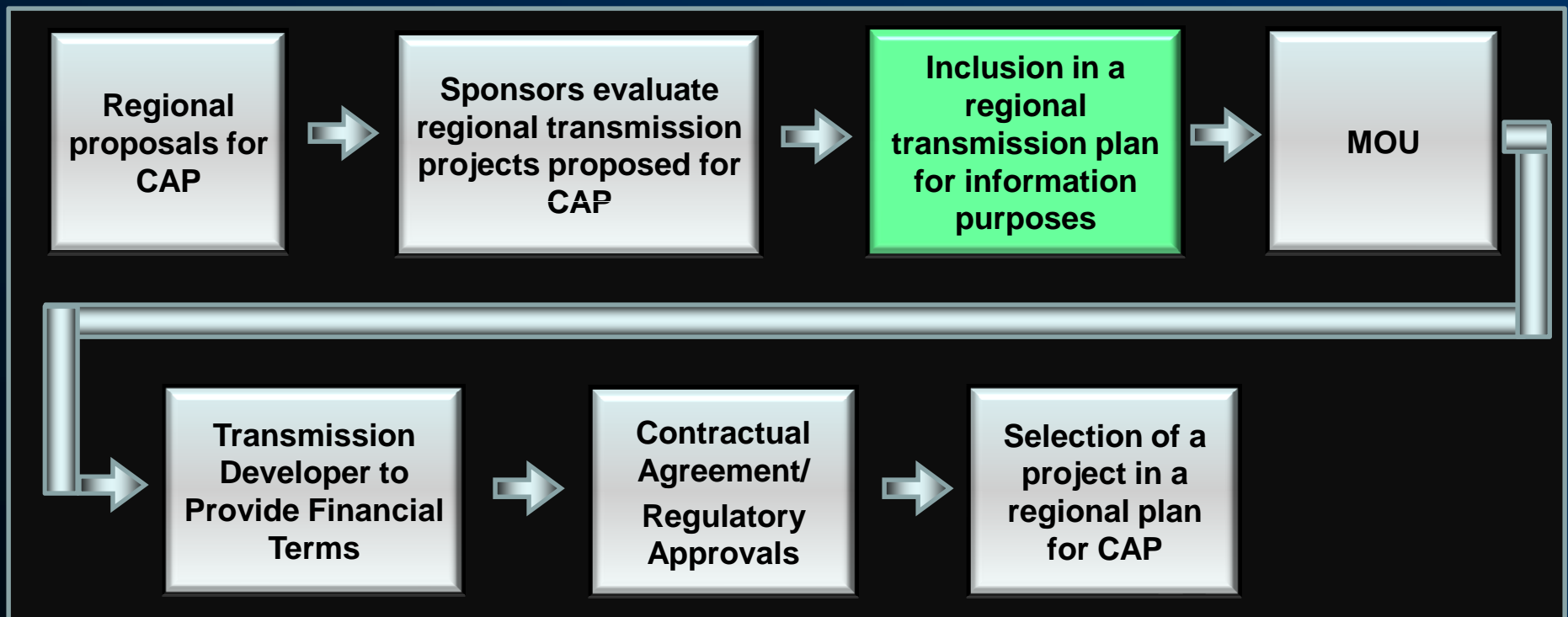
- Evaluation of Proposals for Selection in a Regional Transmission Plan for CAP
 - SERTP Sponsors will evaluate current transmission needs and assess alternatives to address current needs, including the proposed regional transmission projects, during the expansion planning process:
 - » Utilizing coordinated models and assumptions
 - » Applying respective planning guidelines and criteria

- Evaluation of Proposals for Selection in a Regional Transmission Plan for CAP
 - The SERTP Sponsors will evaluate proposed regional transmission projects to determine:
 - i. Does the underlying transmission need(s) still exist?
 - ii. Does the proposal address transmission needs that are currently being addressed with projects in the latest transmission expansion plans?
 - Which transmission projects could be displaced due to the proposal?
 - iii. Would any additional projects be required to implement the proposed regional transmission project?

- Evaluation of Proposals for Selection in a Regional Transmission Plan for CAP
 - Based on the previous evaluation, SERTP Sponsors will determine whether the proposed project is more efficient and cost-effective for the region.
 - » The inclusion of the proposed project should yield a regional benefit to cost ratio of at least 1.25 and not adversely impact an individual Sponsor.

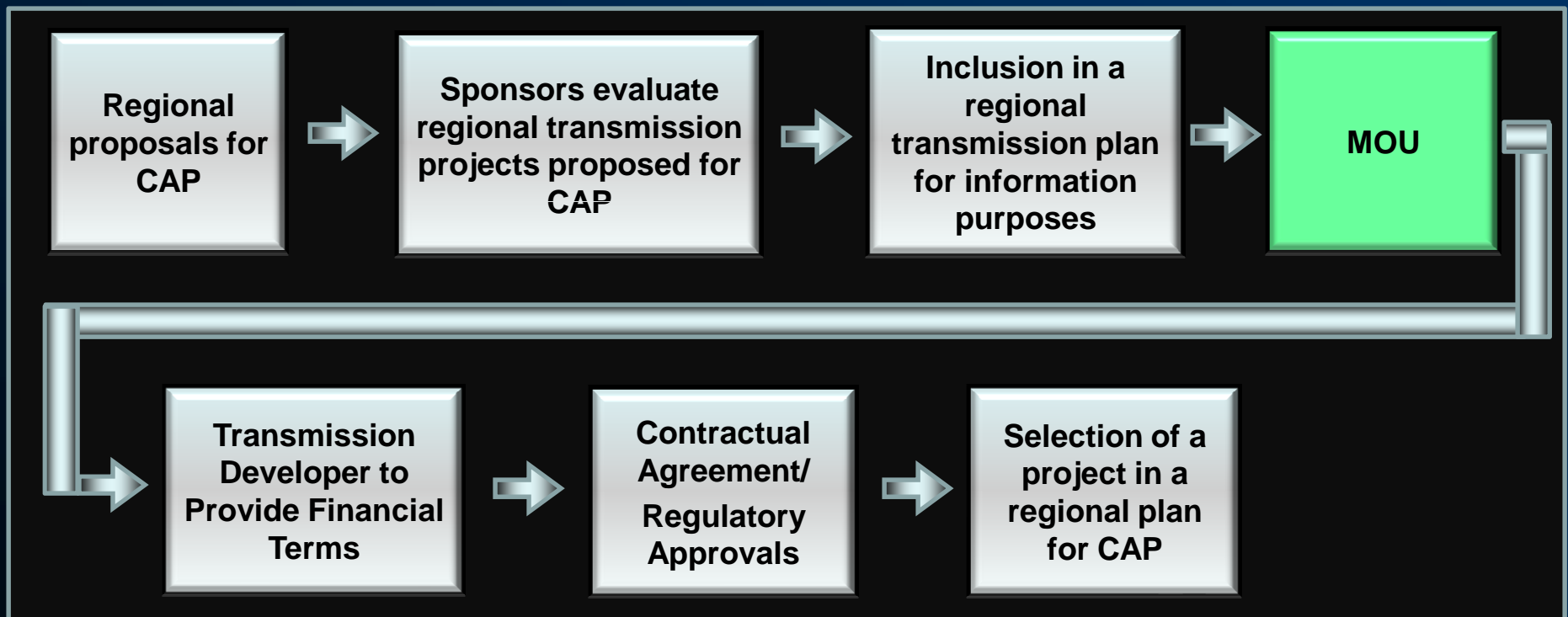
- Evaluation of Proposals for Selection in a Regional Transmission Plan for CAP
 - Regional Benefit to Cost Ratio of at least 1.25:
 - » Benefit: Transmission costs avoided by the displaced projects
 - » Cost: Transmission cost of the regional project proposed for selection in a regional transmission plan for CAP plus any additional projects required to implement the proposal
 - » **SERTP Sponsors will develop planning level estimates** for use in the regional benefit to cost ratio
 - Detailed engineering estimates may be used if available

- Potential process for inclusion in a regional transmission plan for Cost Allocation Purposes (“CAP”)



- Evaluation of Proposals for Selection in a Regional Transmission Plan for CAP
 - The proposed regional transmission project would be included in a regional transmission plan and be eligible, but not yet selected, for CAP, if the proposal:
 - i. Is evaluated to be more efficient and cost effective than other alternatives,
 - ii. The transmission needs continue and the project remains more efficient and cost effective than other alternatives as assessed in subsequent expansion planning processes that reflect ongoing changes in actual and forecast conditions, and
 - iii. Is approved by the Sponsors whose transmission expansion plans would be altered with the inclusion of the proposal

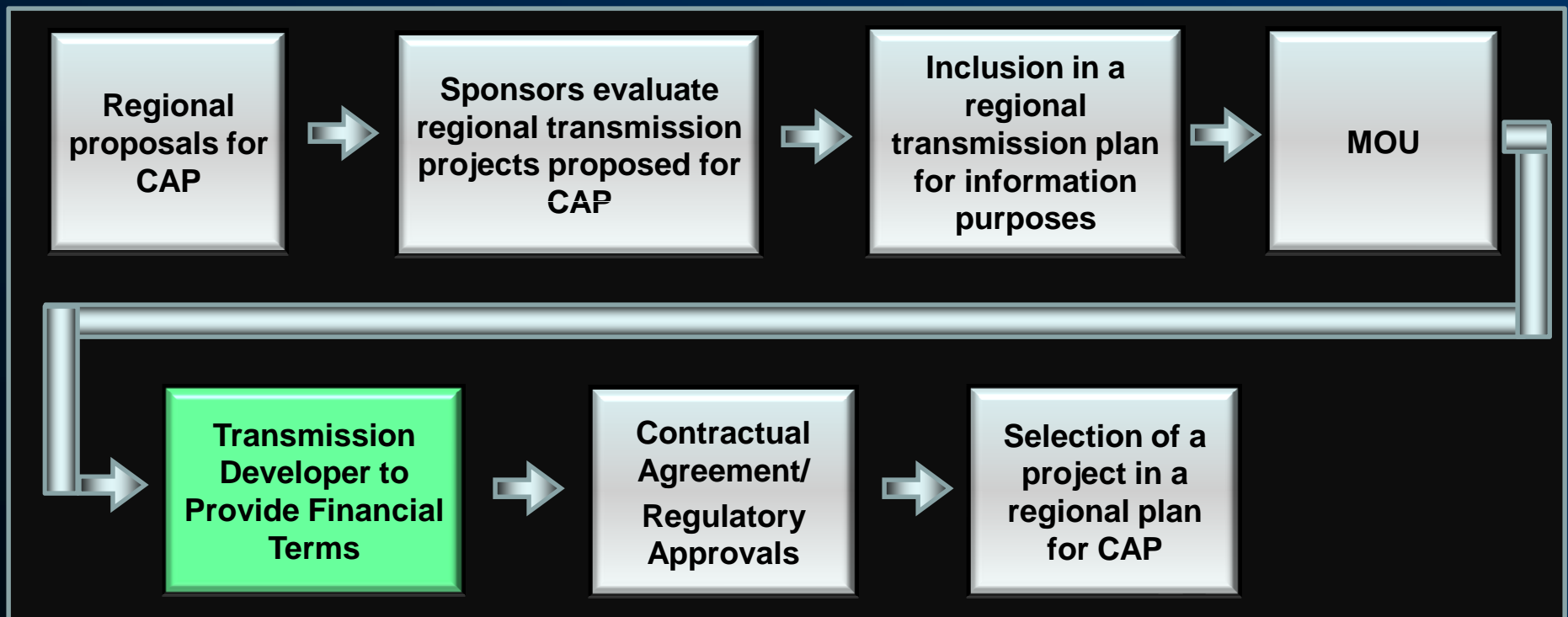
- Potential process for inclusion in a regional transmission plan for Cost Allocation Purposes (“CAP”)



- Evaluation of Proposals for Selection in a Regional Transmission Plan for CAP
 - When a proposal is included in a regional plan, a Memorandum of Understanding (“MOU”) will be developed regarding the regional transmission project to address the following:
 - » **Communication responsibilities of the TD and the Sponsors**
 - » Key milestones and anticipated schedules associated with the proposal
 - » **Circumstances prompting reevaluation in order to** assess the appropriate timing of the proposed regional transmission project
 - Reevaluation may result in the need for potential advancement, deferment, or removal of the proposed project

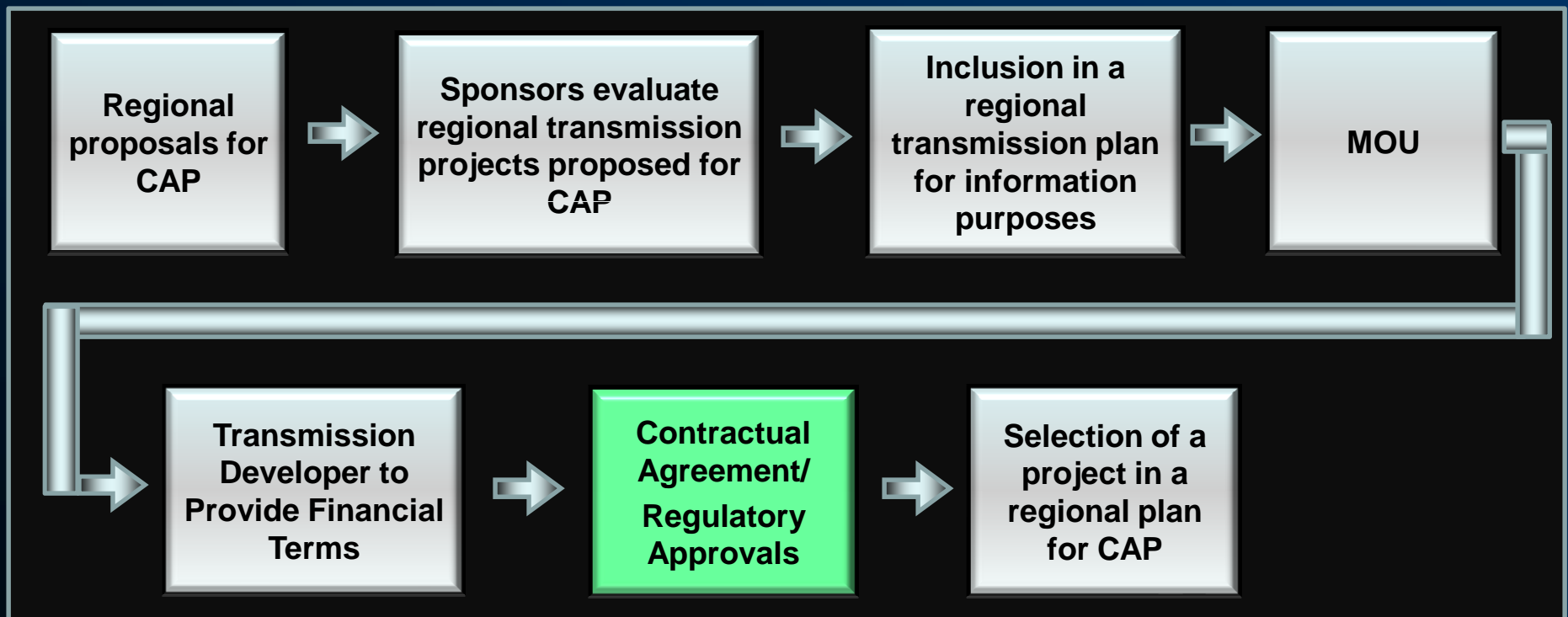
REGIONAL COST ALLOCATION PROCESS

- Potential process for inclusion in a regional transmission plan for Cost Allocation Purposes (“CAP”)



- Selection in the Regional Transmission Plan for CAP
 - Per the milestones initially established in the MOU, and reassessed throughout the expansion planning processes, the TD will provide the SERTP Sponsors with financial terms associated with the proposed transmission project
 - Terms should identify the following:
 - i. The total cost to be allocated to the Sponsors if the proposal were to be selected for CAP
 - ii. The components that comprise that cost, such as the costs of:
 - Engineering, procurement, and construction consistent with good utility practice and standards and specifications provided in advance by the Sponsors,
 - Financing costs and required rates of return,
 - Ongoing operations and maintenance of the proposed facility
 - Provisions for restoration, spare equipment and materials, and emergency repairs

- Potential process for inclusion in a regional transmission plan for Cost Allocation Purposes (“CAP”)

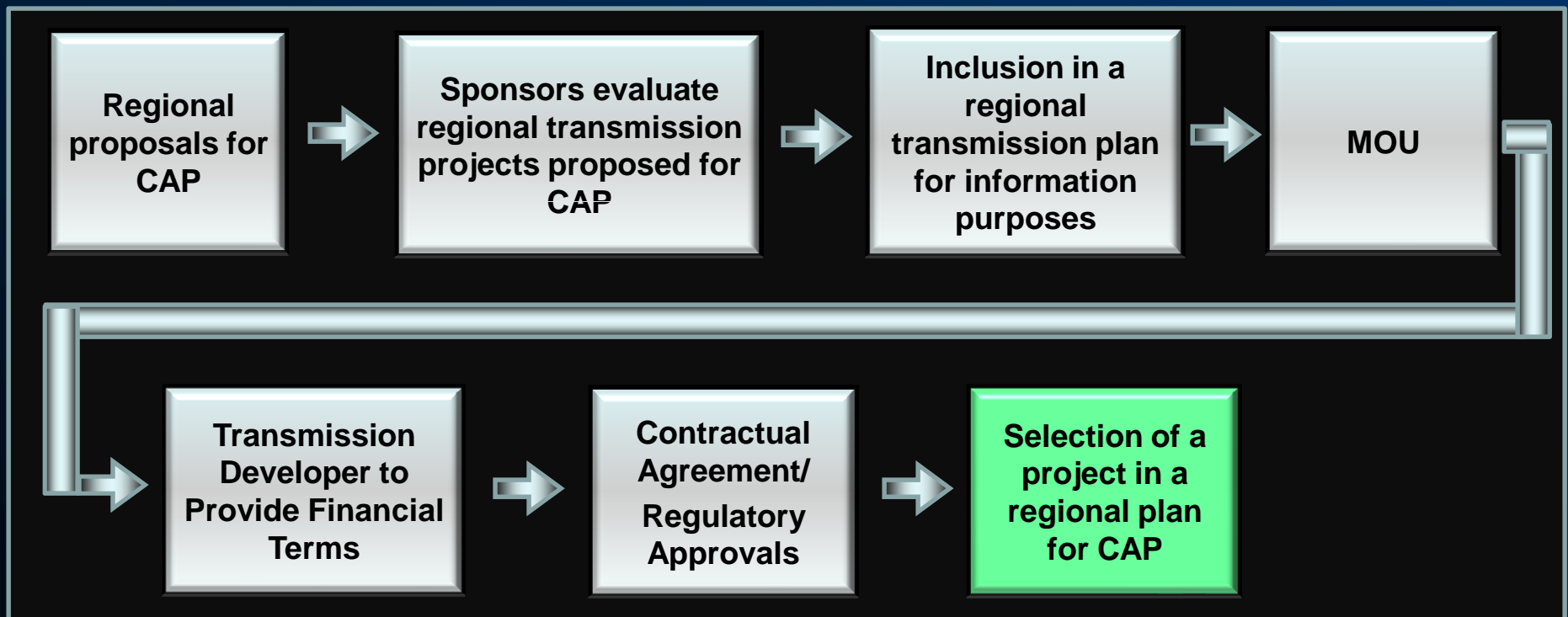


- Selection in the Regional Transmission Plan for CAP
 - An eligible regional transmission project will be selected for CAP, if:
 - i. The proposal is, and remains, more efficient and cost effective based upon the financial terms provided by the TD,
 - ii. An appropriate contractual agreement(s) is reached by the transmission developer and the Sponsors, and
 - iii. Approval is obtained from the relevant jurisdictional and/or governance authorities of the Sponsors who would be allocated costs of the proposal

- Selection in the Regional Transmission Plan for CAP
 - Necessary jurisdictional and/or governance authorities:
 - » Dalton: Board of Commissioners
 - » GTC: Rural Utility Services (as applicable) and Board of Directors
 - » MEAG: Board of Directors
 - » PowerSouth: Rural Utility Services (as applicable) and Board of Directors
 - » SMEPA: Rural Utility Services (as applicable) and Board of Directors
 - » Southern: State public service commissions with purview over the impacted facilities and affected retail rates

- Selection in the Regional Transmission Plan for CAP
 - The 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 contracting Sponsor's(s') 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

- Potential process for inclusion in a regional transmission plan for Cost Allocation Purposes (“CAP”)



ORDER 1000

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

- Selection in the Regional Transmission Plan for CAP
 - In order to ensure that the SERTP Sponsors can efficiently and cost effectively meet their respective reliability, duty to serve, and cost of service obligations, Sponsors will continue to reevaluate the regional transmission plans to:
 - » Assess current transmission needs and determine whether the proposal continues to remain more efficient and cost effective as assessed in subsequent expansion planning process that reflect ongoing changes in actual and forecast conditions, and
 - » Determine if alternative transmission projects may be required in addition to, or in place of, the proposal due to the delay in the development of the regional transmission project. 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 advancing the project according to established project milestones.

ORDER 1000

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

- Consideration of Transmission Needs Driven by Public Policy Requirements (PPRs)
 - i. SERTP Sponsors address transmission needs driven by PPRs in the routine planning, design, construction, operation, and maintenance of the transmission system.
 - Sponsors address transmission needs driven by PPRs of Load Serving Entities and wholesale transmission customers through the planning for and provision of firm transmission services to meet native load and wholesale transmission customer obligations.
 - ii. Sponsors solicit and address the input of SERTP Stakeholders regarding transmission needs driven by PPRs

- Consideration of Transmission Needs Driven by Public Policy Requirements (PPRs)
 - SERTP Stakeholder input regarding transmission needs driven by PPRs must include:
 - i. The PPR
 - » The PPR identified must be required by state or federal laws and/or regulations.
 - ii. An explanation of the possible transmission need driven by the PPR identified above
 - » Ex: the situation or system condition for which possible solutions will be determined, as opposed to a specific transmission project.

- 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.

- Consideration of Transmission Needs Driven by Public Policy Requirements (PPRs)
 - The Sponsors will provide and post a response to SERTP Stakeholder input regarding transmission needs driven by PPRs

Questions / Comments?

❖ Next Meeting Activities

- 2012 SERTP 2nd Quarter Meeting
 - Location: MEAG HQ, Atlanta GA
 - Date: June 27th, 2012
 - Purpose:
 - Discuss preliminary 10 year expansion plan
 - Obtain stakeholder input and feedback regarding the plan
 - Continue Order 1000 Discussions
 - Written Comments by June 1st, 2012

Questions?