

NCTPC ORDER NO. 1000 STRAWMAN¹

I. Region & Regional Plan

A. NCTPC will continue to provide a forum for local and regional planning for the Duke/Progress footprints and will produce a Final Collaborative Transmission Plan Report (Final Plan) with Local and Regional Projects (as defined below). The NCTPC committee structures will not be changed and consist of the Oversight Steering Committee (OSC), Planning Working Group (PWG), and Transmission Advisory Group (TAG).

B. Enrollment of Non-Public Utility Transmission Providers

Costs of Regional Projects will be allocated to enrolled Transmission Providers. In order to enroll as a Transmission Provider, 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 all 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.

C. An entity need not be enrolled to be a Developer of a Regional Project or an interregional project in the NCTPC. (“Developers” are sponsors of Regional Projects that are the entities proposing to build/own such projects.)

D. The enrolled Transmission Providers perform transmission planning for load in accordance with their obligations under state law, the OATT, and NERC Reliability Standards. Enrollment has no impact on how or whether transmission planning is performed for a particular load in the NCTPC footprint.

II. Regional Projects

A. Regional Projects are transmission facilities included in the Final Plan, which have been selected for regional cost allocation, pursuant to the NCTPC planning process because they are more efficient or cost-effective solutions to regional transmission needs.

¹ Note that this document does not reflect the complete Attachment K planning process. While some existing processes will be eliminated and others revised, many processes, such as the performance of up to five “free” economic studies will continue. The focus of this Strawman is additions and changes to Attachment K necessitated by Order No. 1000.

1. In the NCTPC, Regional Projects:
 - a. Typically encompass multiple Transmission Providers' service territories; however if it can be demonstrated that a transmission project within a single Transmission Provider's service territory provides regional benefits, it can qualify;
 - b. Are of a voltage level of 230 kV or above;
 - c. Have a project cost of at least \$10 million;
 - d. Will be subject to the OATT of the incumbent Transmission Provider(s);
 - e. Will be categorized as Reliability, Economic, or Public Policy (based on primary nature of benefits)
 - f. Must be materially different than projects currently in the Final Plan. (That is, a Developer may not simply "bundle" several Local Projects into a single project and claim that it is a Regional Project.)
2. Regional Projects do not include Local Projects (which are transmission facilities located solely within a Transmission Provider's retail distribution service territory or footprint that are not selected in the Final Plan for purposes of cost allocation).
3. If all or a portion of a Regional Project is an upgrade to existing facilities of one or more Transmission Providers, the Transmission Provider(s) will have a Right of First Refusal (ROFR) as to that Regional Project or the relevant portions thereof.

III. NCTPC Planning Timeline

The NCTPC will continue to have an annual, calendar-year planning cycle whereunder it will develop the Final plan by approximately the end of each calendar year. That Final Plan would include Local and Regional Projects. The process for evaluating and selecting Regional Projects, however, will take place over the course of two (one-year) planning cycles. If either the OSC or the Developer identifies a compelling reason for the compression of a Regional Project evaluation period where time is of the essence, a compressed schedule could be negotiated with the NCTPC. A Timeline is included as Attachment 4.

A. Quarter 1:

1. Q1 TAG meeting focuses on the scope of the cycle's planning activities, assumptions, criteria, etc.

2. TAG participants continue to select up to five economic studies of selected power transfers to be performed annually at no cost.
3. Models constructed and made available as per current Att. K § 5.1-5.4.
4. Determination is made regarding whether Local or Regional Projects driven by public policy may be proposed in current planning cycle, as described *infra*.

B. Quarter 2:

1. OSC/PWG performs analysis to identify reliability issues that may require solutions and discusses results with TAG, as per current Att. K § 5.5 & 5.6.
2. All entities that have transmission projects in the current Final Plan must provide updates on the progress of those projects (e.g., what portion is completed, delayed, etc.). (Developers of Regional Projects may have additional reporting requirements throughout the year.)
3. Merchant transmission developers, i.e., non-incumbents planning to construct transmission facilities whose costs will not be allocated pursuant to the Duke/Progress OATT, must provide information related to their proposed projects within the NCTPC region. Merchant transmission projects will not be included in long-term planning models prior to such time that:
 - 1) interconnection service has been requested of Transmission Provider(s);
 - 2) all necessary interconnection studies have been completed; 3) any necessary certificates of public convenience have been obtained from the relevant state(s); and 4) the developer has submitted an attestation or other evidence that a minimum of 50% of the capacity of the facility has been subscribed.

C. Quarter 3:

1. Stakeholders may suggest solutions of any sort (transmission (including Regional Projects), generation, demand response) to the NCTPC or to potential Developers.
2. PWG develops solutions to solve reliability issues.
3. Developers may propose new Regional Projects by submitting a Regional Project Proposal including all of the information outlined in Attachment 1 and Attachment 2 during a submission window. (This window likely will close mid-August.) The actual costs incurred by the NCTPC to analyze Regional Projects will be borne by the Developer and a deposit of \$25,000, which will be trued up based on the documented cost of the analysis, will be required for Regional Projects submittals. Developers must identify the type of Regional Project being proposed (e.g., Reliability, Economic, and/or Public Policy, as

defined *infra*). The Developer must also identify the project benefits and beneficiaries as well as the proposed cost allocation to the beneficiaries based on cost allocation principles identified below. Developers must provide the supporting information related to this benefit analysis.

4. Independent Third Party Consultant (ITPC) reviews the Regional Project Proposals and ensures that they are complete. If incomplete, the Developer(s) is given an opportunity to resubmit its proposal within 14 days.
5. End of Quarter 3: All Regional Project Proposals will be posted; NCTPC releases information on all other proposed solutions as well.

D. Quarter 4:

1. OSC/PWG develops a draft NCTPC transmission plan (Draft Plan) that includes all of the Local Projects and NCTPC-approved Regional Projects proposed during the previous NCTPC planning cycle(s) (if any) and releases the Draft Plan to the Stakeholders.
2. Stakeholders provide comments on the Draft Plan.
3. During the NCTPC study process, if non-transmission alternatives have eliminated or altered the need for transmission projects, this fact will be identified in the NCTPC reports. However, the Draft (and Final) Plan will only reflect transmission projects.
4. After considering comments, OSC issues Final Plan.
5. Screening Process for Regional Projects

To be selected as a Regional Project, a Regional Project first must pass three high-level “screening analyses” the purpose of which is to screen out plainly non-viable Regional Projects and/or unqualified Developers.

a. Developer Screen

- (i) OSC determines if Developer is sufficiently qualified to finance, license, and construct the facility and operate and maintain it for the life of the project.

b. Technical Analysis Screen

- (i) PWG reviews power flow and other technical documentation regarding all proposed Regional Projects and recommends to OSC whether the Regional Project passes or fails the Technical Analysis, i.e., whether it

is feasible from a reliability standpoint. PWG may examine factors such as:

- (a) Impacts on other transmission projects in the plan (schedule or project modification impacts);
- (b) Reliability impacts;
- (c) Operational impacts;
- (d) Congestion/constraint impacts;
- (e) Risk factors;
- (f) Losses impacts;
- (g) Cost estimates.

(ii) OSC reviews PWG recommendation and determines whether passes or fails.

c. Benefit Analysis Screen

(i) Reliability Projects – OSC determines if Regional Project solves same issues as alternative Local Project(s).

(ii) Economic Projects & Public Policy Projects

OSC reviews Developer's analysis to ensure project meets a 1.25 Benefit/Cost ratio.

d. Failure of Screening Analyses

(i) If a Developer fails any of the three screening analyses, any other analysis will be stopped.

(ii) If Regional Project fails any analysis, Developer may seek resolution through the Dispute Resolution process as set forth in Attachment K.

e. OSC issues a report on screening analyses results.

E. Quarter 5 and 6 (Year 2, Quarters 1 & 2):

Final Regional Project Determination: As detailed in the steps below, PWG and OSC, assisted by stakeholders, will undertake a thorough review of all Regional Projects that passed screening analyses to determine which Regional Projects will

be included in the Final Plan issued in Quarter 8 (Year 2, Quarter 4) and how costs for such projects will be allocated.

1. Project Meetings: OSC will direct the ITPC to work with the Developers to schedule meetings, as needed, to more fully vet the Regional Project proposals. These meetings will be the venue to fully discuss the proposed project including the transmission technical aspects, transmission project cost, computation of the benefits, the allocation of costs to the proposed beneficiaries, and qualification of Developers. Meetings will be open to all interested stakeholders (including beneficiaries, Developers, and Transmission Providers).
2. PWG determines which Regional Projects are mutually exclusive as to 1) Local Projects and 2) other Regional Projects to assist in analysis. NCTPC posts results of this analysis.
3. OSC seeks stakeholder written comments on Regional Projects, including the qualifications of Developers and the proposed cost allocation. Stakeholder written comments will be made public.
4. OSC determines which Regional Projects should result in a more efficient and cost-effective transmission system. Attachment 3 identifies factors that may be considered in such determination.
5. OSC issues draft report indicating which Regional Projects are approved and which are not and provides written basis for decision.
6. Stakeholders comment on OSC draft report.
7. After considering comments, OSC issues final report and approved Regional Projects are included in Draft Plan.
8. Dispute Resolution: Disputes over Regional Projects not approved will be addressed through Dispute Resolution provisions of Attachment K.

F. Quarter 7 & 8 (Year 2, Quarters 3 & 4)

1. Transmission Providers and non-incumbent Developer(s) with approved Regional Projects negotiate MOU addressing the issues listed below. If a Regional Project of a non-incumbent Developer is approved for inclusion in the Final Plan, the MOU will be the basis for a Non-incumbent Developer Interconnection Agreement:
 - a. Interconnection provisions;

- b. Provisions indicating allocation of responsibility for meeting NERC standards;
 - c. Provision indicating that transmission service over facilities will be provided pursuant to Duke and/or Progress OATT and delineation of which facilities are subject to which OATT;
 - d. Provisions relating to operational control of the facilities (e.g., requirements to abide by instructions of BAA/RC/TSP);
 - e. Provisions regarding allocation of costs (not the actual Transmission Revenue Requirement (TRR));
 - f. Provisions regarding O&M responsibility;
 - g. Provisions regarding the assignment of the agreement to a new owner;
 - h. Provisions regarding liability/indemnification.
2. Developer seeks state approvals to build the Regional Project.

IV. Cost Allocation for Regional Projects

A. Reliability Projects

1. Definition – “Reliability Projects” are projects where it is determined that implementing alternative reliability-driven transmission projects on more than one transmission system is more cost effective than the individual Transmission Providers solving their reliability requirements solely within their own system(s) with Local Projects for which regional cost allocation would not be available.
2. Beneficiaries – The project beneficiaries would be the Transmission Providers who are benefiting from changes being made to more cost-effectively satisfy their reliability requirements, and, in turn, all transmission customers that they serve. For the NCTPC, these beneficiaries would be the enrolled Transmission Providers (Duke and Progress).
3. Cost Allocation – based on the benefit of avoided transmission cost.

$(\text{Transmission Provider}_x\text{'s Avoided Cost} / \text{Total Avoided Cost}) * \text{cost of Regional Reliability Project} = \text{Transmission Provider}_x\text{'s Cost Allocation}$

$(\text{Transmission Provider}_y\text{'s Avoided Cost} / \text{Total Avoided Cost}) * \text{cost of Regional Reliability Project} = \text{Transmission Provider}_y\text{'s Cost Allocation}$

Example: \$400M project; Duke avoids a \$300M project and Progress avoids a \$150M project. Duke pays 2/3 TRR of Regional Project; Progress pays 1/3 TRR.

4. Allocation of Transmission Rights – None (If excess capacity is created that is not yet subscribed (project could be sized only to meet existing TSRs/reliability needs, so no assurance additional capacity would be created), five-minute window will open to request long-term service during which all requests are simultaneous. If oversubscription, can allocate *pro rata* (based on pre-confirmed MW requested).
5. Non-incumbent Developer Cost Recovery – Duke/Progress enter into agreement with Developer to pay FERC-determined TRR of Developer.

B. Economic Projects

1. Definition – “Economic Projects” are those projects where it is determined that a transmission project would bring economic benefits to the NCTPC region.
2. Beneficiaries – The project beneficiaries would be the Transmission Providers on behalf of their transmission customers who are economically benefiting from the changes that are being made to the transmission system. These economic benefits could be in the form of facilitating additional economic power transfers, alleviating transmission congestion, reducing transmission system losses, etc. For the NCTPC, these beneficiaries would be the enrolled Transmission Providers (Duke and Progress).
3. Cost Allocation - based on proportion that load-serving entities in the Transmission Providers’ service areas would benefit from the project and that more granular cost allocation is not practical. Although the NCTPC itself will not perform production cost modeling, Developers and stakeholders may provide such analysis. The OSC report on project selection will provide transparency and a written record supporting its cost allocation decisions. This cost allocation standard is intended to be flexible to deal with wide variety of proposals and reflects a collaborative approach that allows for stakeholder input.
4. Allocation of Transmission Rights – None; facilities in each TPs’ control area will be subject to OATT procedures (as with Reliability Projects, window will open to request long-term service if new capacity created).
5. Non-incumbent Developer Cost Recovery – Duke/Progress enter into agreement with Developer to pay FERC-determined TRR of Developer.

C. Public Policy Projects

1. Definition of Public Policy Projects – “Public Policy Projects” are those projects that are driven by state or federal laws or regulations. Note that Local Projects also can be driven by public policy; the discussion below relates to those Public Policy Projects that are also Regional Projects.
2. Beneficiaries – the enrolled Transmission Providers (Duke and Progress).
3. Cost Allocation – based on proportion that 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. Other criteria could be adopted by the OSC based on the nature of the public policy requirement after it is identified in this process as possibly driving a need for transmission. As mentioned above, the OSC report on project selection will provide transparency and a written record supporting its cost allocation decisions.
4. Allocation of Transmission Rights – None; facilities in each TPs’ control area will be subject to OATT procedures (as with Reliability Projects, window will open to request long-term service if new capacity created).
5. Non-incumbent Developer Cost Recovery – Duke/Progress enter into agreement with Developer to pay FERC-determined TRR of Developer.

D. Cost Allocation for Regional Projects with Multiple Types of Benefits

1. It is recognized that there could be a Regional Project that may have benefits in more than one type of project. For example, a Regional Project could have benefits in both the reliability and economic areas. In those cases, the project benefits would be evaluated in each of the areas and an overall project benefit determined.

V. Determination of Whether Public Policies Exist that Drive Transmission Needs

- A. Annual stakeholder process to identify if any public policies exist that drive transmission.
 1. OSC identifies any public policies that they believe are driving the need for transmission, addressing the criteria below.
 2. OSC seeks input *prior* to Q1 TAG meeting. Stakeholders provide written comments identifying any public policies that they believe are driving the need for transmission, addressing the criteria below.

3. OSC leads stakeholder discussion at Q1 TAG.

B. Criteria for determining if public policy drives transmission need.

1. Public policy must be reflected in state or federal law or regulation (including order of a state or federal agency).
2. Public policy will drive a transmission need that is not readily met via requests for new generator interconnection and/or transmission service (e.g., if a state enacted a public policy requirement to build transmission to bring in off-shore wind energy into the region).

C. OSC will issue decision as to whether public policy is driving a transmission need that is not otherwise readily met within two weeks of Q1 TAG Meeting and post determination. If public policy(ies) identified, Local Projects and Regional Projects may be proposed by stakeholders (including Developers) as solutions to those needs. If no policies are identified for the planning year, projects cannot be proposed as solutions.

VI. Revision/Cancellation/Abandonment/Delays

A. The NCTPC may change/revise/cancel a Regional Project included in the Final Plan if subsequent events result in a finding that the expected benefits of the Regional Project will be significantly different due to a change in circumstances. Example: A recession eliminates expected load growth thus delaying need for project for five years. Should this occur, the NCTPC will issue a report with justification for cancellation. A Developer may challenge a decision of the NCTPC through the dispute resolution procedures of Attachment K.

B. Process if Developer abandons Regional Project

1. If Regional Project needed for reliability is abandoned by a Developer, the impacted Transmission Providers will have a ROFR under the OATT to complete the Regional Project (in accordance with all applicable laws and regulations) or to propose alternative projects (including non-transmission alternatives) that will ensure that the reliability need is satisfied in an adequate manner. If a Registered Entity believes that abandonment will cause a specific NERC reliability standard to be violated, and the Transmission Providers have not chosen to complete the project in order to prevent the violation, or cannot complete such a project in a timely fashion, the Registered Entity should submit a mitigation plan to address the violation.
2. If Economic or Public Policy Project is abandoned, the NCTPC will provide notice to stakeholders and Developers may offer to step in and try and complete the project, subject to obtaining necessary regulatory approvals.

Developers willing to offer to complete will submit qualification criteria. If multiple Developers seek to complete project, a decision would be made by the OSC as to which Developer will be selected. The OSC would use a similar process as used in selecting Regional Projects in evaluating multiple Developer proposals.

3. The Non-incumbent Developer Interconnection Agreement will address the issue of cost recovery in the event of a cancellation of a Regional Project after such agreement is executed.

C. Delays in completion of Regional Project

If a delay in the completion of a Regional Reliability Project potentially would cause a Registered Entity to violate a Reliability Standard, the Registered Entity should inform the NCTPC as soon as it is aware of the possibility.

1. Developers of Regional Projects will have an obligation to report delays in project development and construction to the NCTPC.
2. The NCTPC will reevaluate the regional transmission plan to determine if delays in the Regional Project require the evaluation of alternative solutions, to ensure the relevant Registered Entity can meet its reliability needs or service obligations. The Registered Entity may propose solutions within its retail distribution service territory or footprint that will enable it to meet its reliability needs or service obligations.

VII. Effectiveness

This new planning process will become effective the next planning cycle (i.e., First Quarter 2013). In 2013, Developers may propose Regional Projects to replace projects in most recent plan.

Regional Project Proposal Information Submission Requirements

- A. Description of Owner(s);
- B. Transmission project technical information:
 - 1. Description of the transmission facilities being proposed (e.g., voltage levels, etc.);
 - 2. If a transmission line(s), general path of the line(s);
 - 3. Any interconnection points with the transmission system;
 - 4. In-service date for the project(s);
- C. Estimated cost of the project(s);
- D. Project financing approach;
- E. Explanation of how project will abide by any transmission standards of Transmission Provider with which project will interconnect;
- F. Potential impacts to other transmission projects in the prior year's plan;
 - 1. Schedule or project modification impacts;
 - 2. Cost impacts (both positive and negative);
- G. Reliability impact assessment;
- H. Load flow cases that demonstrate the expected performance of the project(s);
- I. Whether the project would require state transmission siting proceedings, National Environmental Policy Act review, federal 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 Developer's applications for siting approval for projects within the transmission region.
 - 1. 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.
 - 2. 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.

3. Describe the Developer's experience in the areas above.

- J. The proposed beneficiaries of the project(s) and the proposed cost allocation to the beneficiaries with supporting analysis. Type of analysis required may vary based on nature of project.
- K. Whether 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. (If answer to question is yes, project may be subject to ROFR of Transmission Provider.)
- L. Developer qualifications (list of information to be provided appears in Attachment 2).

Developer Qualification Information Submission for Regional Projects

A. Financial

1. Credit rating from Moody's Investor Services and Standard & Poors;
2. Ability to assume liability for major losses resulting from failure of facilities;
3. To the extent a project developer is an electric utility and relies on an affiliated transmission and distribution utility for credit, investment, or other financing arrangements, it shall demonstrate that any such arrangement complies with applicable legal and regulatory requirements and restrictions;
4. Provide a summary of any history of bankruptcy, dissolution, merger, or acquisition of the project developer or any predecessors in interest for the current calendar year and the five calendar years immediately preceding its submission of information related to affiliated entities.

B. Construction

1. Technical and engineering qualifications and experience;
2. Past history of meeting transmission project schedules;
3. Capability to adhere to standardized construction practices;
 - a. If the Developer intends to build the transmission project and then turn it over to another Transmission Provider for operations and maintenance, the Developer must demonstrate that it will meet any additional engineering standards of the Transmission Provider who will be performing the O&M.
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 licensing, designing, ROW acquisition, constructing, operating and maintaining transmission facilities that will become part of the transmission grid.

C. O&M/Reliability

1. Past history regarding O&M of transmission facilities;
2. Capability to adhere to standardized O&M practices;
3. Plan on how it intends to comply with all applicable reliability standards and obtaining the appropriate NERC certifications;
4. Past record of compliance with NERC standards

D. Legal/Regulatory

1. For the current calendar year and the previous five calendar years, provide a list and descriptive summary of violations of law and/or regulation by the Developer as determined by federal or state courts, federal regulatory agencies, state public utility commissions, other regulatory agencies, or attorneys general, that resulted in a monetary payment (including settlements) and arose related to the Developer's transmission business.
2. A summary of any instances in which the Developer is currently under investigation or is a defendant in a proceeding involving an attorney general or any state or federal regulatory agency, for violation of any laws, including regulatory requirements that relate to its transmission business.

E. Developer shall include an affidavit by an officer of the project developer stating that the information that is being submitted is true and that the project developer will comply with the provisions identified in the qualification data submittal.

F. If a Developer "passes" the Developer Analysis, the Developer remains qualified for later submissions for other projects of comparable price and scope as the project for which it was originally evaluated, even if prior projects are never included in a Final Plan, subject to three-year updates to the previously submitted data and attestations that the other data initially submitted is correct.

NCTPC Regional Project Selection

The NCTPC may consider the following factors in selecting Regional Projects:

Engineering Design (Reliability/Quality/General Design): Measures the quality of the design, material, technology, and life expectancy of a transmission project.

- Type of construction (wood, steel, design loading, etc.)
- Losses (design efficiency)
- Estimated life of construction
- Reliability/Quality Metrics

Construction (Project Management): Measures expertise in constructing projects similar in scope.

- Engineering
- Environmental
- ROW Acquisition
- Procurement
- Project Management (including scope, schedule management)
- Construction
- Commissioning
- Timeframe to construct
- Experience/Track Record

Operations (Operations/Maintenance/Safety): Measures how well and safely a Developer will be able to operate, maintain, and restore the transmission project once it is placed in service.

- NERC compliance – process/history
- Storm/Outage response plan
- Reliability metrics

- Restoration Experience/Performance
- Maintenance Staffing/Training
- Maintenance plans
- Equipment
- Maintenance performance/expertise
- NERC compliance-process/history
- Internal safety program
- Contractor safety program
- Safety performance record (program execution)

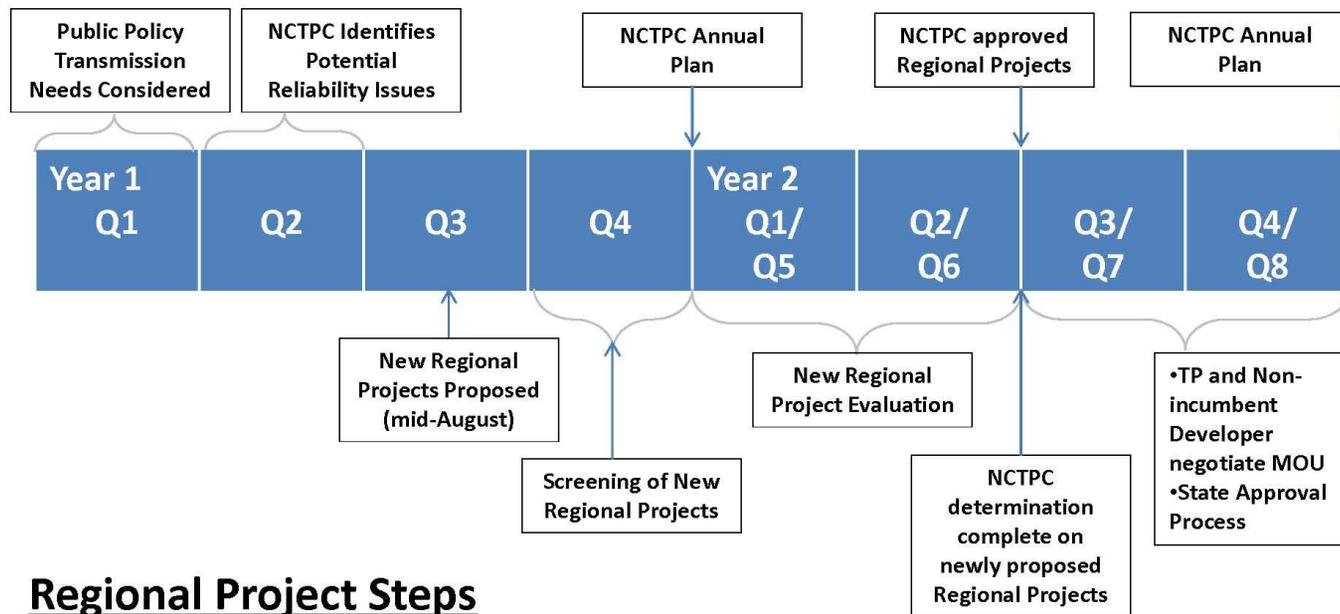
Rate Analysis (Cost to Customer): Measures Developer's cost to construct, own, and operate the transmission project.

- Estimated total cost of project
- Financing costs
- FERC Incentives
- Revenue Requirements
- Lifetime cost of the project to customers
- ROE
- Material on Hand, ROW approval, Assets on hand
- Cost certainty guarantee (if any)

NCTPC Planning Timeline

Attachment 4

NCTPC Annual Planning Cycle



Regional Project Steps