

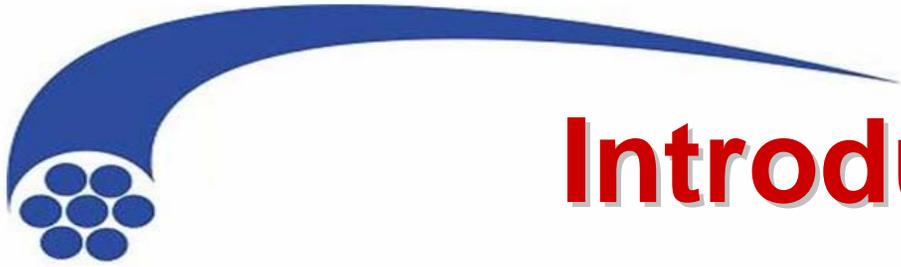


FERC Technical Conference

Northern Tier Transmission Group Planning Straw Proposal

**Park City, Utah
June 13, 2007**

“To ensure efficient, effective, coordinated use & expansion of the member’s transmission systems in the Western Interconnection to best meet the needs of customers & stakeholders. “



Introductions

Overview of Northern Tier – Marsha Smith

Review of Strawman and process – Kip Sikes

Cost Allocation – Steve Oxley



Northern Tier structure and overview

**Commissioner Marsha Smith
Co-Chair – NTTG Steering Committee
State of Idaho
Public Utility Commission**

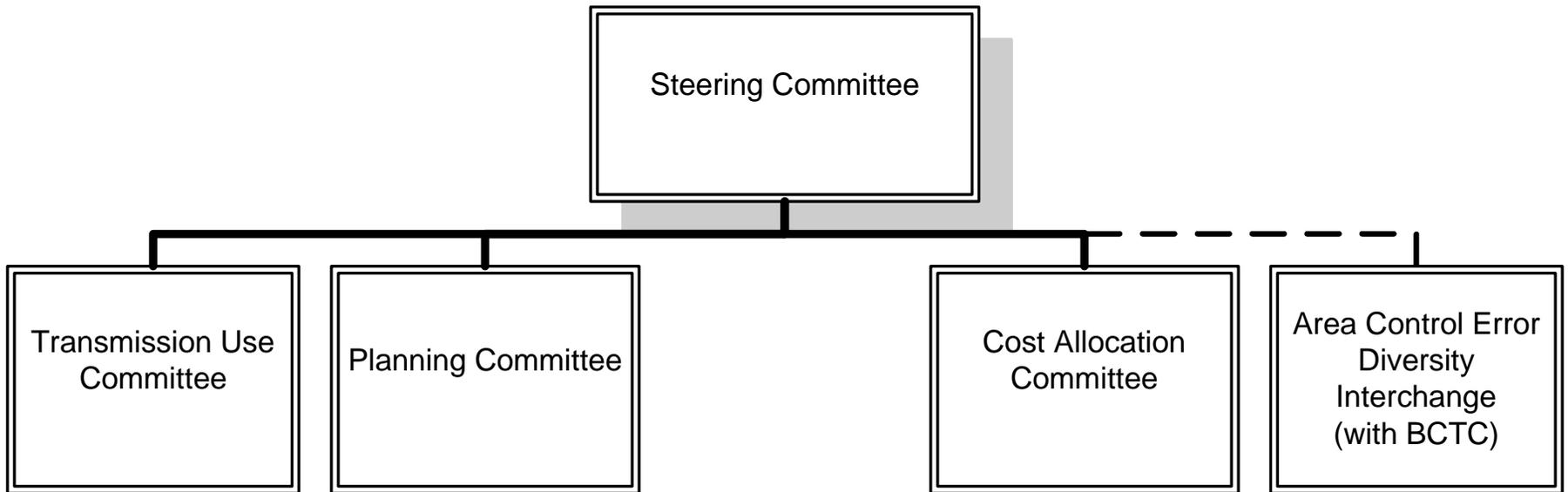
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Overview of Northern Tier



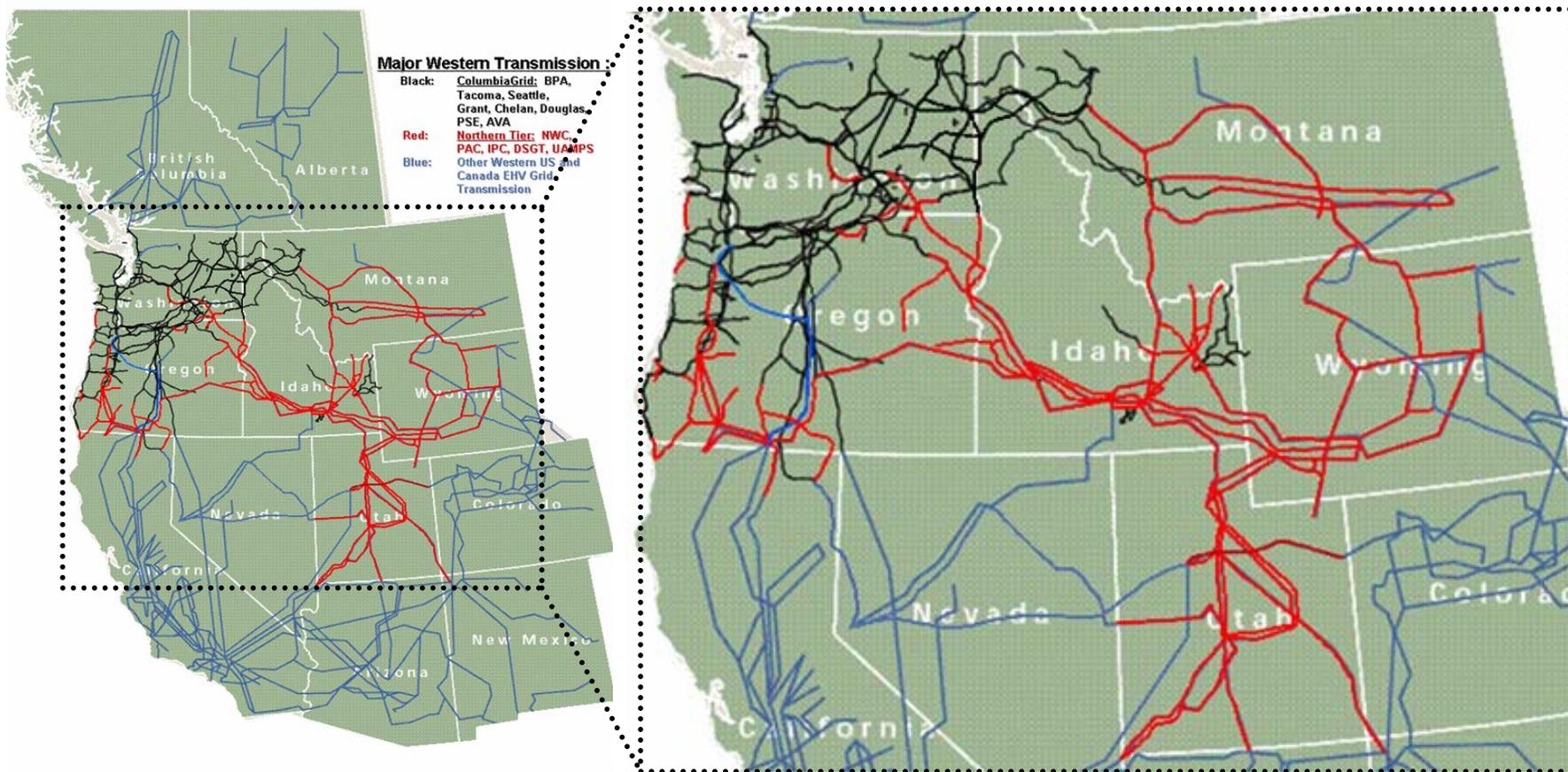


Overview of Northern Tier

- Steering Committee representatives
 - State commissioners and government representatives
 - **Commissioner Marsha Smith** - Co-Chair, Idaho Public Utilities Commission
 - **Vice-Chairman Doug Mood** - Montana Public Service Commission
 - **Chairman Lee Beyer** - Oregon Public Utility Commission
 - **Larry Nordell** - Montana Consumer Counsel
 - **Commissioner Ric Campbell** - Utah Public Service Commission
 - **Deputy Chair Steve Oxley** - Wyoming Public Service Commission
 - Utility executives
 - **John Cupparo** - Co-Chair, PacifiCorp
 - **Jim Tucker** - Deseret Power Electric Cooperative
 - **Lisa Grow** - Idaho Power Company
 - **Ray Brush** - NorthWestern Energy
 - **Doug Hunter** – Utah Associated Municipal Power Systems (UAMPS)



Northern Tier and ColumbiaGrid member-owned major transmission lines



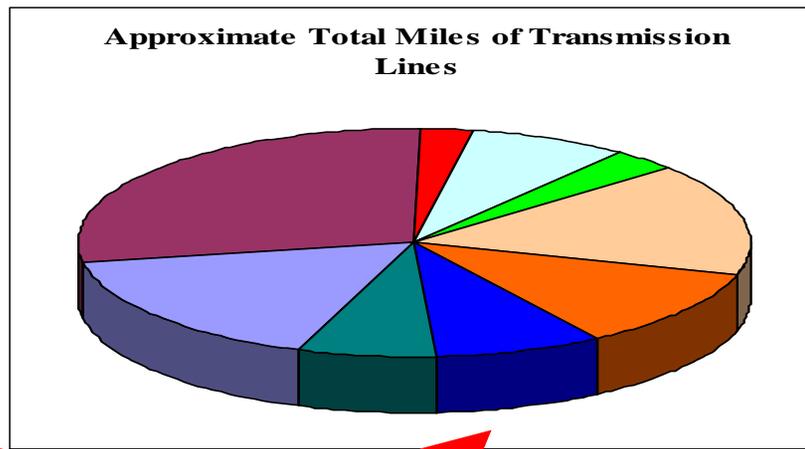
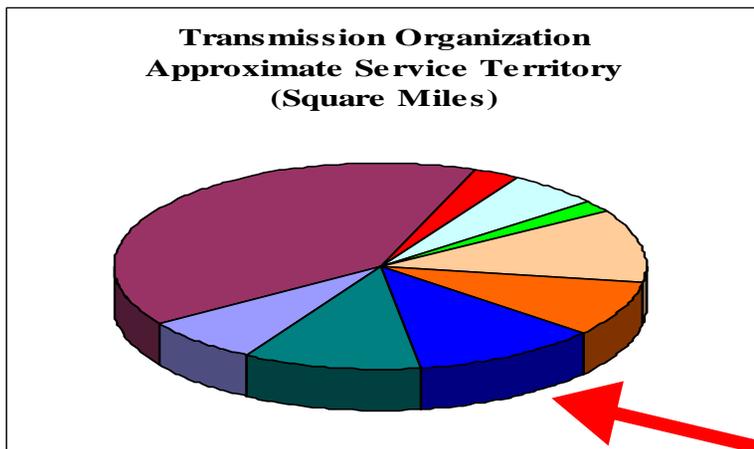


Northern Tier

Approximate line miles and area

- Approximate square miles service territory
 - 257,540 square miles
- Approximate line miles of transmission
 - 27,558 miles
- 100+ interconnections

Approximate relative size to other transmission organizations



■ PJM ■ MISO ■ ISO NE ■ CA ISO ■ NY ISO ■ SPP ■ ERCOT ■ NTTG ■ ColumbiaGrid



Accomplishments to date

- Area Control Error Diversity Interchange (ADI)
 - June, 2007
- Transmission Use – Available Transmission Capacity
 - “English” definitions of OASIS paths
 - Route map of OASIS paths
- Planning
 - Fast track planning process
 - Idaho Power Company – Memorandum of Understanding on joint transmission from Wyoming
 - Northwestern Energy – Mountain States Transmission Intertie, 350 – 390 miles of new 500 kV
 - PacifiCorp – Over \$4 billion and 1200 miles of new transmission, up to double circuit 500 kV



Northern Tier planning process

**David “Kip” Sikes
Chair – NTTG Planning Committee
Idaho Power Company**

June 13, 2007

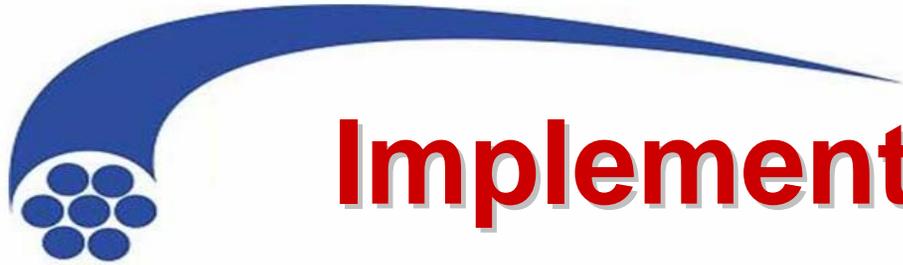
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FERC Order 890 Planning Principles

1. Coordination
2. Openness
3. Transparency
4. Information Exchange
5. Comparability
6. Dispute Resolution
7. Regional Participation
8. Economic Studies
9. Cost Allocation



Implementation Plan

- FERC input from Technical Conference
- Charters, protocols, and agreements for NTTG Committees
- Agreement with TEPPC and TEPPC/WECC
 - Data and Product flow agreements
 - Stakeholder triage process and meeting schedules
 - Seams and coordination with adjacent sub-regional planning groups
- Integration of member local planning process and OATT procedures with NTTG Sub-Regional planning process
 - Development of Open Season and Aggregation Process
 - Alignment of States on IRP processes
- Agreements with NWPP TPC - NTAC on joint study selection process for NWPP footprint projects that overlap or effect other outside of NTTG within NWPP.
- Development of member system's Attachment Ks for filing



NTTG Stakeholder Process

<i>Date</i>	<i>Milestone</i>	<i>Forum</i>
March 14, 2007	Order 890 Final Rule posted in Federal Registry	
March 14, 2007	Process for Straw Proposal development initiated at public stakeholder meeting	NTTG Stakeholder Meeting Portland, OR
March 23, 2007	Kick Off meeting for sub-regional planning coordination to discuss Order 890 compliance requirements; subsequent calls have been conducted on an ongoing basis.	Conference calls with NTAC, NTTG and ColumbiaGrid
April 4, 2007	Marsha Smith, NTTG Co-Chair discussed NTTG efforts to comply with planning requirements of Order 890.	CREPC Meeting Denver, CO
April 6, 2007	Public meeting with NTAC, NTTG and ColumbiaGrid to discuss Order 890 compliance requirements and integration approaches	Order 890 Compliance Workshop Portland, OR
April 10, 2007	NTTG participated in WECC's public meeting to discuss planning process roles and relationships in Western Interconnection for: <ul style="list-style-type: none"> o WECC/TEPPC o Sub-regional planning groups o Individual transmission providers o Development of components of a Western Planning Process Strawman 	WECC Public Meeting Order 890 Compliance Workshop Salt Lake City, Utah
April 16 - May 7, 2007	Open comment period for NTTG Straw Proposal	
May 23-24, 2007	Final walk-thru and review of NTTG strawman and cost allocation process. Final comments due May 24 th	NTTG Public Stakeholder Meeting Portland, OR
May 29, 2007	NTTG Strawman posted on NTTG Website and TP OASIS	
June 13, 2007	FERC Technical Conference	Park City, Utah



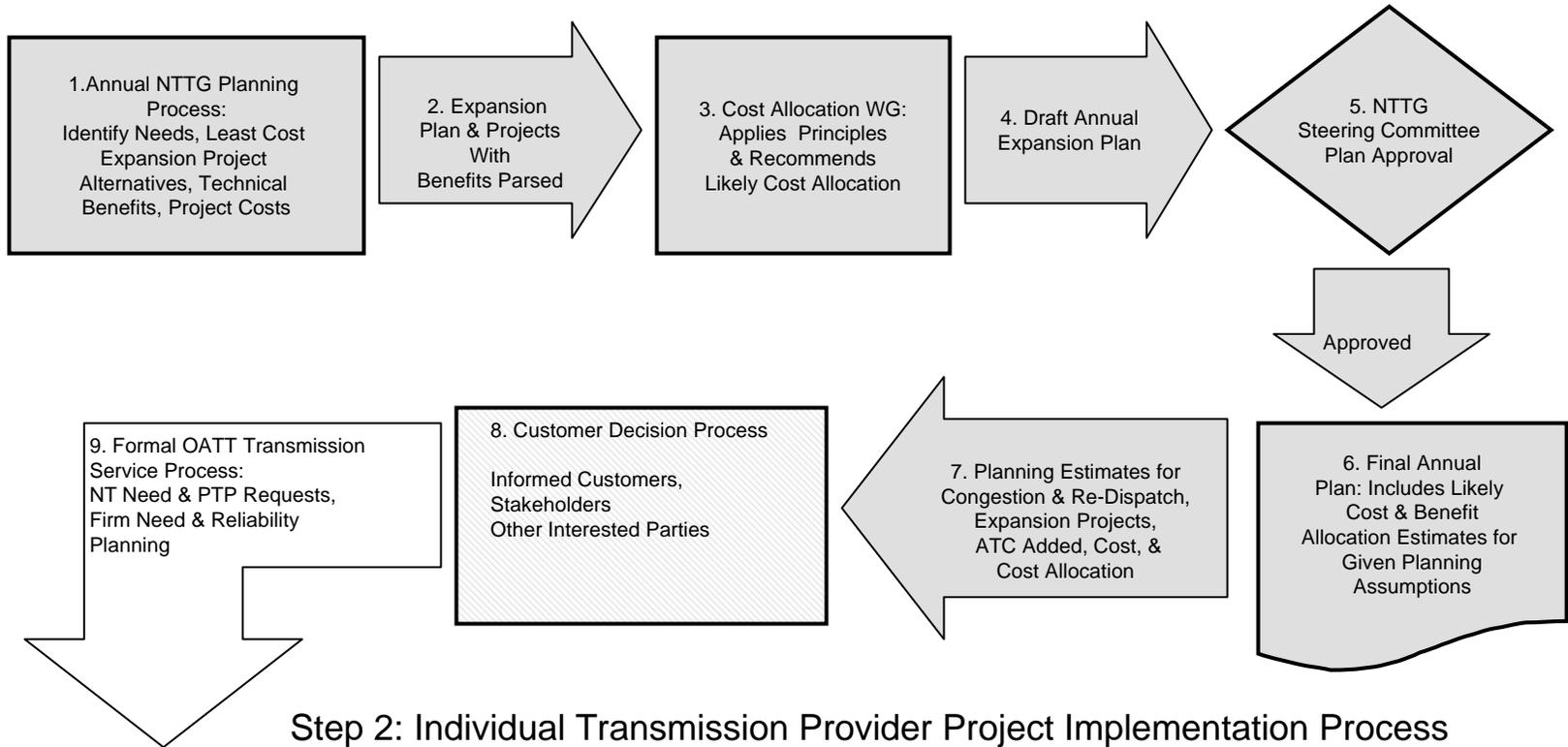
NTTG Planning Process – Key Features

- Two step planning & implementation process to inform stakeholders and facilitate implementation of individual or joint projects
 - Inform on benefits, costs, and cost allocation
 - Within present OATT responsibilities & framework, give practical level of up front cost certainty

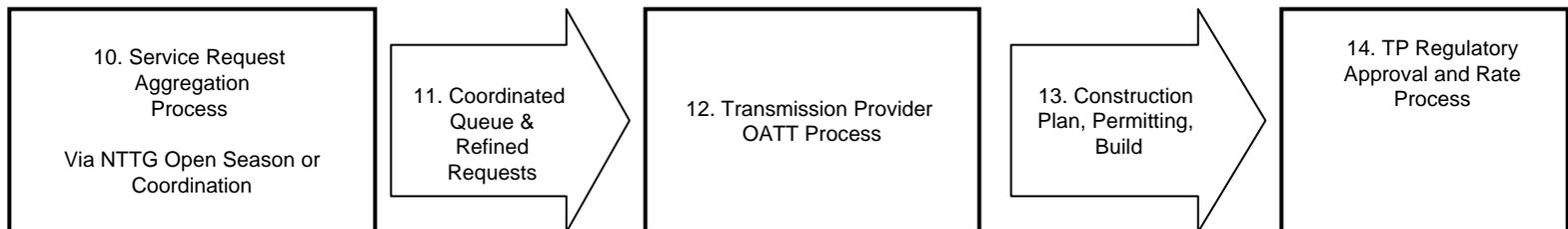


Figure 2: Two Step Planning and Implementation Process

Step 1: Northern Tier Transmission Group Planning Process



Step 2: Individual Transmission Provider Project Implementation Process



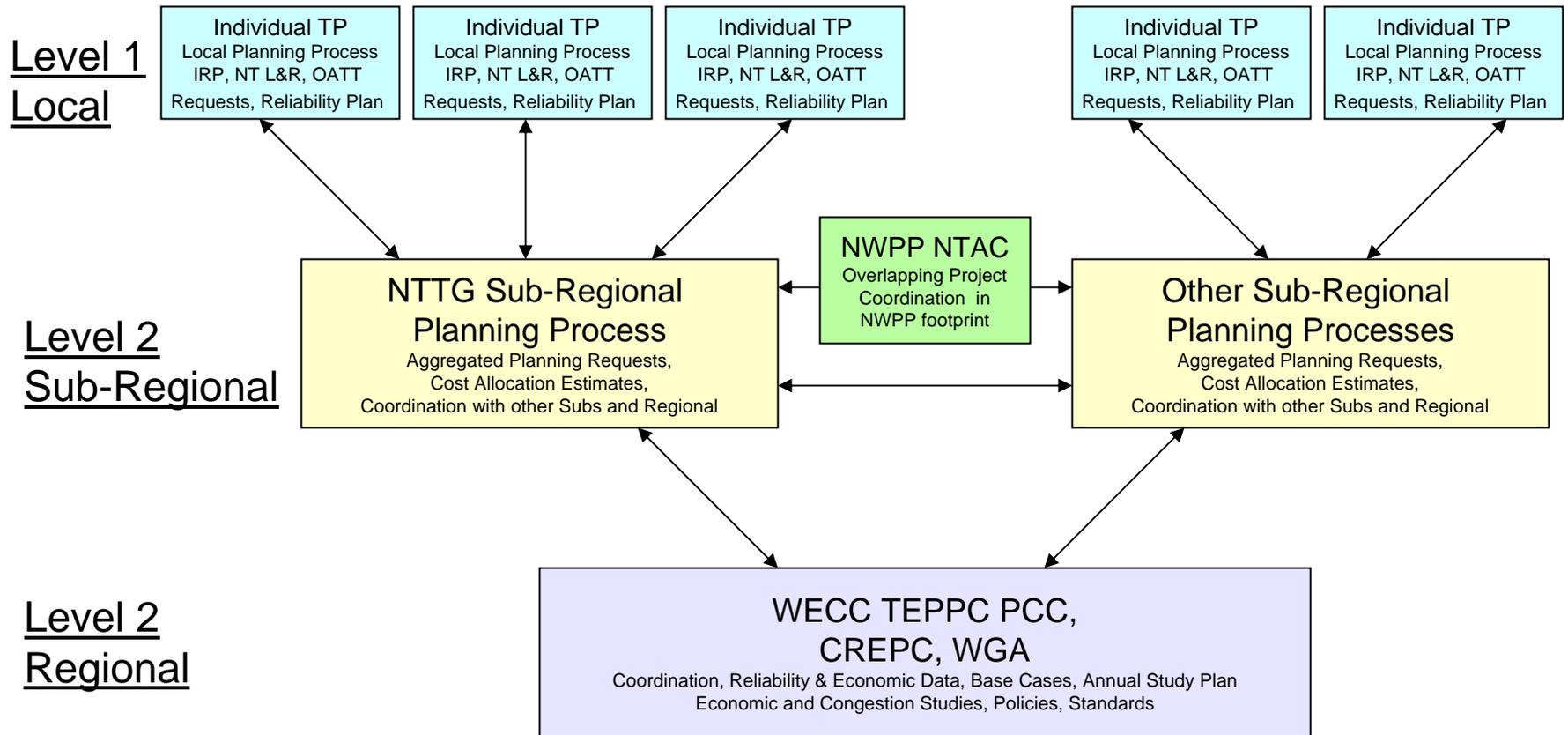


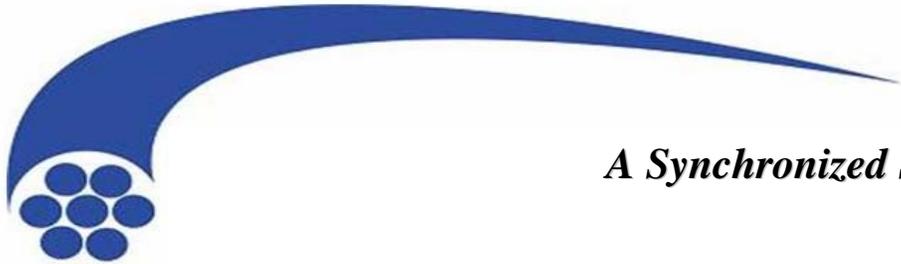
Key Features, Continued

- Three level integrated process produces synchronized, coordinated single system plan with local, sub-regional, and regional stakeholders and neighboring systems.
 - Utilizes WECC & WECC TEPPC for congestion and economic studies, base cases, other
 - Coordinates with neighboring planning groups via direct coordination, joint study teams, and through WECC
 - Stakeholder and member process to determine study priority.
 - Utilizes NWPP TPC - NTAC to identify overlapping projects effecting parties outside NTTG but within NWPP footprint, establishment of joint study teams; and to help triage NWPP footprint study requests to WECC TEPPC.



Figure 3: Three Level Planning Process in the West





A Synchronized Study Cycle

Note: All activities are open with stakeholder participation

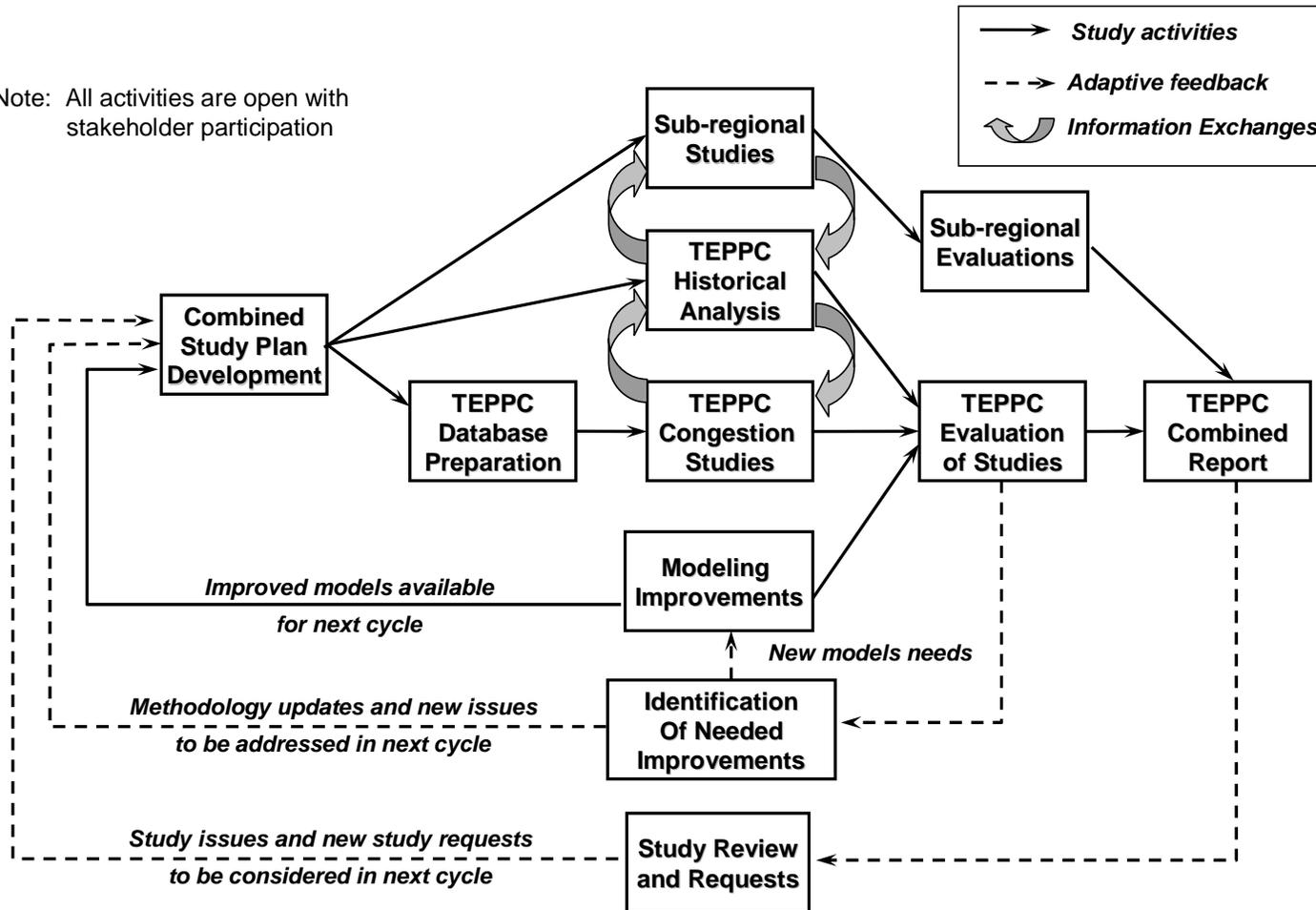


Figure 6: Western TEPPC Study Cycle



Key Features, Continued

- Cost Allocation Committee in Planning Step
 - Comprised of State regulatory & consumer staff, member representatives
 - Develops and applies cost allocation principles, determines cost allocation for projects included in the Plan subsequently approved by the Steering Committee



Northern Tier cost allocation

Steve Oxley

Chair - NTTG Cost Allocation Committee

State of Wyoming

Public Service Commission

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Cost Allocation Straw Proposal

- Agenda
 - Proposal Development
 - Cost Types & Principles
 - Proposed Process



Proposal Development

- Cost Allocation Principles Work Group
 - Created by Steering Committee
 - To Develop Principles
 - To Develop Process in Synch with Planning
 - To Respond to Order 890
 - To Solicit Input
 - From state agencies, other NTTG members, & public process
 - Work Group Products
 - Draft Proposals Posted on Website 4/13 & 5/15
 - Straw Proposal Posted on Website 5/29



Proposal Development

- Starting Point: Cost Types & Principles
 - Committee on Regional Electric Power Cooperation (CREPC) White Paper – 2005
 - CREPC formed the Transmission Regulatory Principles Work Group (TREG) to respond to recommendations in the Rocky Mountain Area Transmission Study (RMATS) Phase I report
 - To examine transmission regulatory issues and
 - To make recommendations on potential common regional regulatory principles and procedures



Proposal Development

- Starting Point: Process
 - Original...Filing Cost Allocation Proposal with Steering Committee for Formal Determination
 - Problem: Prejudgment for state members
 - Problem: Focus on individual projects,
not on comprehensive planning results
 - Revised...Cost Allocation Committee In Lockstep with Planning Process
 - Benefit: Part of Annual & Biennial Plan Report
 - Benefit: Steering Committee Makes Final Decisions on Plan Reports, including Cost Allocation



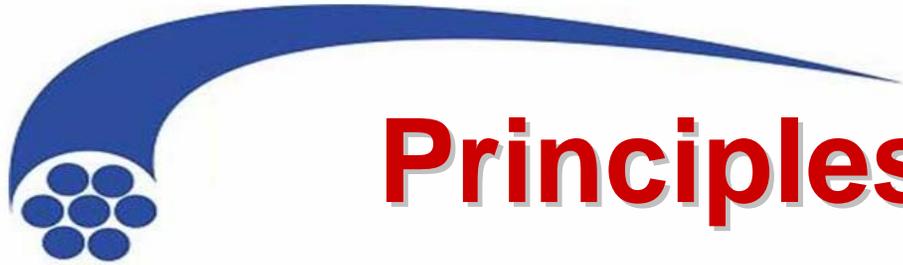
Straw Proposal: Cost Types

- Type 1: Provision of Retail Service to Transmission Owner's Native Load
- Type 2: Provision of Wholesale Services
- Type 3: Alternatives to/Deferrals of Transmission Line Costs
- Types 1 & 2: Mixed Purposes
 - Any given project may have multiple cost types!



Straw Proposal: Principles

- Principle 1: Equity
 - Cost causers = cost bearers
 - Beneficiaries pay
- Principle 2: Efficiency
 - Supports federal and/or state resource choice policies
 - Efficient & stable resource planning processes



Principles (continued)

- Principle 3: Fair & Full Cost Allocation
 - Reasonable opportunity for full cost recovery, **but no more**
 - Multi-jurisdictional allocations
 - Not automatic reallocation in the event of less than full cost recovery
- Principle 4: Wholesale & Merchant Project
 - Type 2 Costs
 - Outside Scope of NTTG Cost Allocation



Straw Proposal: Process

- Cost Allocation Committee
 - Appointed by state agency and publicly and consumer-owned NTTG members
- Responsibility for Providing Sufficient Information
 - Project developers, requestors, other interested stakeholders
 - **NOT THE COMMITTEE!**
 - Encouraging negotiated cost allocation solutions



Straw Proposal: Process

- Step 1: Application
- Step 2: Review & Response
- Step 3: Analysis during Planning Process
- Step 4: Recommendations for Plan Report
- Steps 5 - 7: Steering Committee
 - Determination Letter – Plan & Cost Allocation
 - Project Updates/Additional Review
 - Dispute Resolution



Summary

- Next Steps:
 - Formation of Cost Allocation Committee
 - Get to Work! (Planning Process)