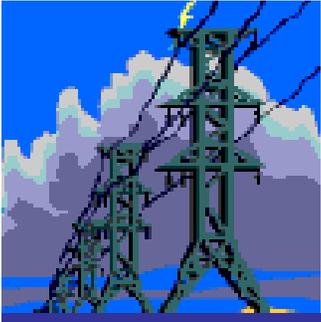


# ***Duke/Progress Attachment K***

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**FERC Technical Conference  
Atlanta, GA  
October 1, 2007**



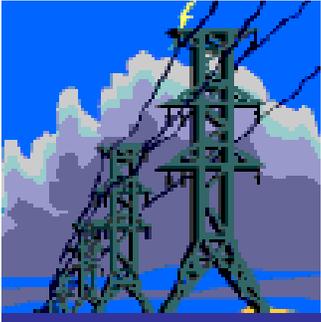
# ***Duke/Progress Attachment K***

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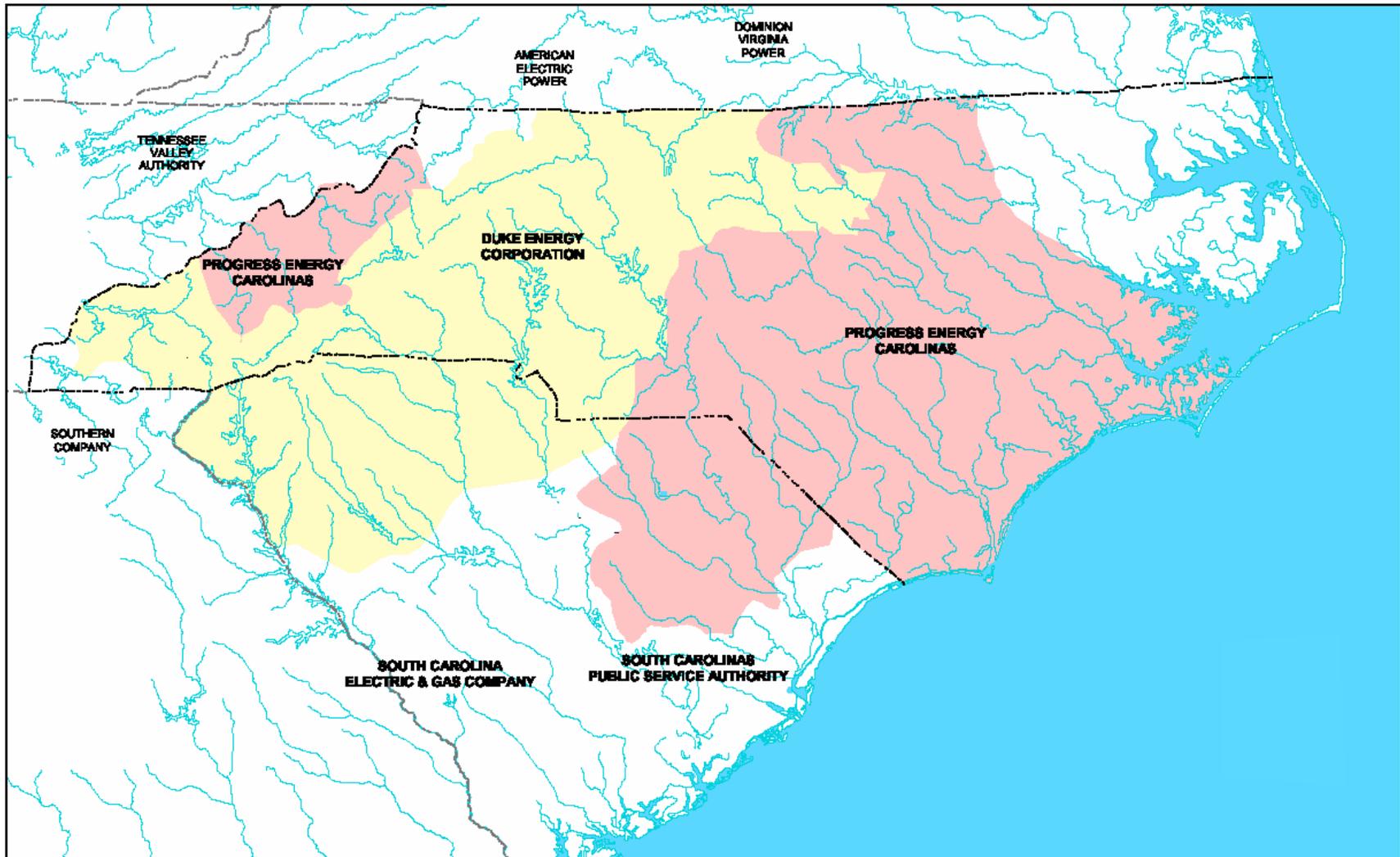
## **Duke and Progress meet Order 890 Regional Planning Requirements via:**

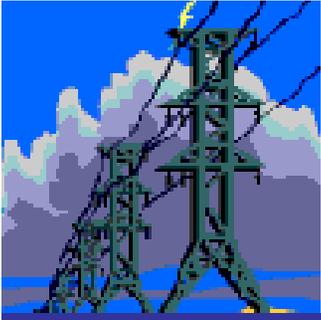
1. North Carolina Transmission Planning Collaborative (NCTPC) Process
2. SERC, ERAG, SERC - RFC East, VACAR, and Bi-lateral study agreements
3. Newly proposed Inter-Regional Participation Process
4. State Integrated Resource Planning

***DRAFT Attachment K continues as a work in progress***



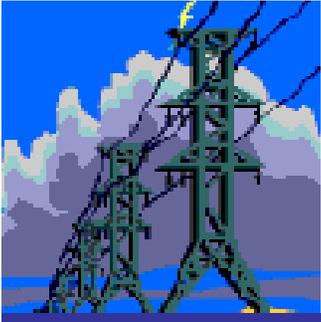
# *Duke/Progress Attachment K*





# *Duke/Progress Attachment K*

<b>Order 890 Principles &amp; White Paper Recommendations</b>	<b>Duke/Progress Attachment K</b>
<b>1. Coordination</b>	<b><i>Compliant</i></b>
<b>2. Openness</b>	
<b>3. Transparency</b>	
<b>4. Information Exchange</b>	
<b>5. Comparability</b>	
<b>6. Dispute Resolution</b>	
<b>7. Regional Participation</b>	<b><i>Compliant / Adding IRPP</i></b>
<b>8. Economic Planning Studies</b>	<b><i>Compliant / Adding IRPP</i></b>
<b>9. Cost Allocation</b>	<b><i>Compliant / Under refinement</i></b>



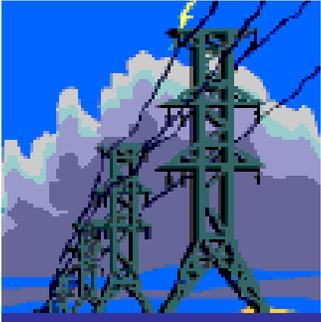
# ***Duke/Progress Attachment K***

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## **Proposed Cost Allocation Summary**

***"NCTPC Transmission Cost Allocation White Paper"***

- ***"Avoided Cost"*** Methodology applies to ***Regional Reliability Projects***
- ***"Requestor Pays"*** Methodology applies to ***Regional Economic Transmission Paths (RETP)***

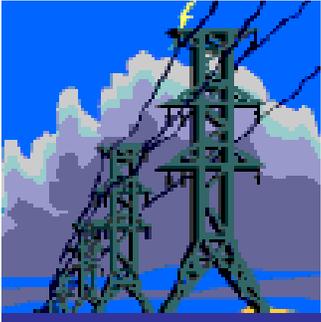


# *Duke/Progress Attachment K*

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## **OATT Cost Allocation**

- ***Costs of Reliability Projects*** included in the NCTPC Collaborative Transmission Plan are allocated in accordance with the existing respective ***Duke and Progress OATT provisions.***
- ***Regional Reliability Projects*** are an ***exception*** to this rule.

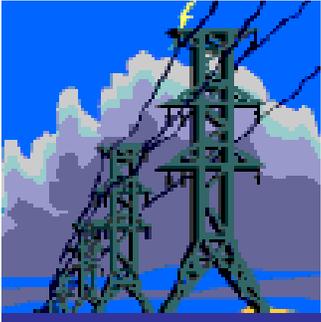


# *Duke/Progress Attachment K*

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## **OATT Cost Allocation**

- ***Economic upgrades*** are studied through NCTPC ***Enhanced Transmission Access Planning Process***.
- ***No obligation to build or fund*** such projects therefore they are ***not included*** in the Collaborative Transmission Plan, ***unless and until either***:
  1. a ***Transmission Service Request is submitted*** to the appropriate Transmission Provider(s); ***or***
  2. an ***RETP is fully subscribed***.
- If a ***transmission service request*** is submitted for an economic project, its costs will be ***allocated in accordance with existing OATT provisions***.

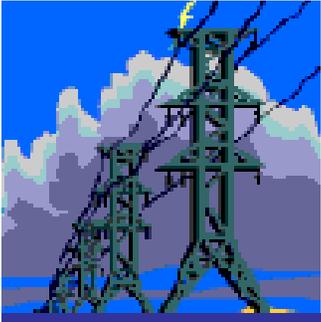


# *Duke/Progress Attachment K*

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## **Regional Reliability Project**

- ***Regional Reliability Project*** defined as any reliability project that requires an ***upgrade to one or more Transmission Provider's systems that would not have otherwise been made*** at the time based upon the reliability needs of the individual Transmission Providers.
- ***"Avoided cost"*** allocation methodology applies when there is a regional transmission solution that provides cost savings.



# *Duke/Progress Attachment K*

## **Regional Reliability Project**

***Formula for the avoided cost*** can be expressed as:

(TPx's Avoided Cost/Total Avoided Cost) x cost of Regional Reliability Project = TPx's Cost Allocation

(TPy's Avoided Cost/Total Avoided Cost) x cost of Regional Reliability Project = TPy's Cost Allocation

- Cost responsibility determinations will then be ***reflected in transmission rates***.
- The avoided cost approach also will take into account the ***acceleration and delay*** of Reliability Projects.



# Duke/Progress Attachment K

## Example

A Regional Reliability Project on systems of two TPs solves reliability issue on system of one TP.

(1) Transmission Provider	(2) Cost to Meet Reliability Needs on a Stand Alone Basis (MM)	(3) Cost of Regional Reliability Project (MM)	(4) Avoided Transmission Project Cost (MM)	(5) Costs to Meet Reliability Needs on a Regional Basis (MM) (2) + (3) - (4) = (5)	(6) Total Cost Responsibility (MM)
Duke	\$500	\$20	\$50	\$470	\$480
Progress	\$400	\$10	0	\$410	\$400
<b>Total</b>	<b>\$900</b>	<b>\$30</b>	<b>\$50</b>	<b>\$880</b>	<b>\$880</b>

*(Duke's Avoided Cost/Total Avoided Cost) \* cost of RRP = Duke Cost Allocation*

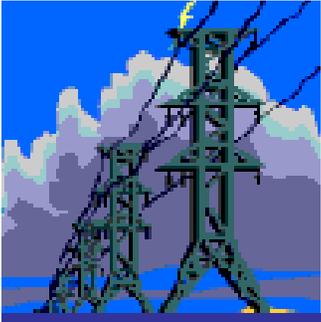
**$(\$50 \text{ MM} / \$50 \text{ MM}) * \$30 \text{ MM} = \$30 \text{ MM}$**

*(Progress Avoided Cost/Total Avoided Cost) \* cost of RRP = Progress Cost Allocation*

**$(\$0 \text{ MM} / \$50 \text{ MM}) * \$30 \text{ MM} = \$0 \text{ MM}$**

**Cost Incurrence - Duke spends \$470 MM and Progress spends \$410 MM.**

**Cost Responsibility - Duke is allocated \$10 MM of Progress' costs.**

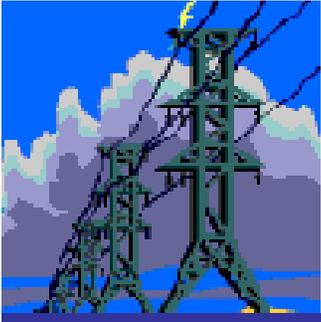


# *Duke/Progress Attachment K*

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## **Regional Economic Transmission Paths (RETP) Cost Allocation**

- An ***RETP*** is a transmission study scenario that would facilitate potential ***regional point-to-point economic transactions***.
- The costs of upgrades or facilities that result from RETPs are ***allocated on a “requestor pays” basis***.
- ***“NCTPC Transmission Cost Allocation White Paper”*** describes the ***stakeholder process*** for identifying RETPs, the Study Process, and an Open Season Process.



# *Duke/Progress Attachment K*

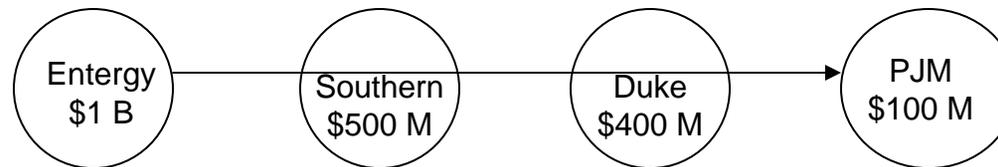
## **RETP Cost Allocation - Continued**

- **“Requestor (s)”** are the Transmission Customers that were **awarded the firm pt-to-pt transmission service** as a result of the Open Season process. These requestors provide the **up-front funding** of any transmission construction.
- **Transmission Customers** would receive a **levelized repayment** of this funding in the form of monthly transmission credits over a max **20-year period**.
- As **credits are paid**, Transmission Providers have the opportunity to **include the upgrade costs in transmission rates**.
- The total project cost will be **adjusted** to provide compensation for the **positive transmission impacts**.



# Duke/Progress Attachment K

**RETP Cost Allocation & Open Season Example:  
Entergy to PJM 1,000 MW RETP requested for 20 year period.**



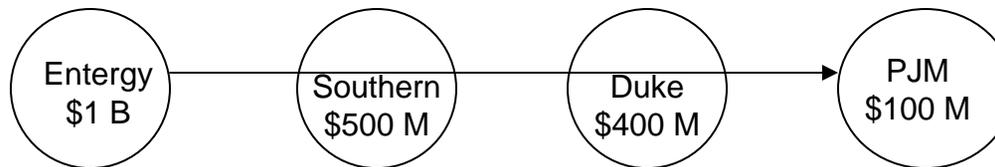
*Note: Above dollars represent transmission investment needed by each Transmission Provider.*

- 1. RETP would be identified and studied through the Inter-Regional Participation Process and coordinated with PJM.**
- 2. If Transmission Customers determine that there is sufficient interest to move the RETP from “study” to “Open Season”, then the impacted Transmission Providers would hold a coordinated Open Season for the project (subject to impacted TPs’ adoption of this Open Season concept).**
- 3. If there is sufficient subscriptions on the project, it would move forward.**
- 4. Duke would use the NCTPC RETP cost allocation methodology.**



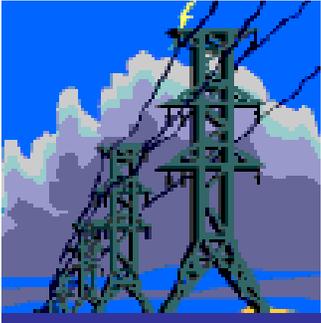
# Duke/Progress Attachment K

**RETP Cost Allocation & Open Season Example (cont):**  
Entergy to PJM 1,000 MW RETP requested for 20 year period.



*Note: Above dollars represent transmission investment needed by each transmission provider.*

- **Assume Transmission Customers subscribe at the following levels:**
  - **TC #1 = 200 MW; TC #2 = 300 MW; TC #3 = 500 MW**
- **Duke would use NCTPC RETP cost allocation – TCs would provide up-front funding of Duke’s needed transmission investment (\$400 M) as follows:**
  - **TC #1 = \$80 M; TC # 2 = \$120 M; TC # 3 = \$200 M**
- **TC #1, TC #2, and TC #3 would pay Duke for PTP service across the Duke system.**
- **Duke would provide levelized repayment of the initial funding to each TC over a maximum 20 year period netted against the TCs’ PTP service charges.**



# *Duke/Progress Attachment K*

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Questions ?

