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| <b>Description of Meeting:</b>    | <b>NTTG Cost Allocation Committee</b> |
| <b>Meeting Date:</b>              | <b>September 9, 2015</b>              |
| <b>Meeting Notes Prepared By:</b> | <b>Amy Wachsnicht</b>                 |
| <b>Approved for Posting:</b>      | <b>October 13, 2015</b>               |

**1. Agenda:**

- a. Agenda Review and establish quorum
- b. Approval of July 29, 2015 Meeting Notes
- c. Review Draft Final Regional Transmission Plan
- d. Review Cost Allocation Potential Attachment K or Process Revisions Matrix
- e. Round Table/Other Business
  - i. Next Steps:
    - 1. September 21<sup>st</sup>: CAC meeting materials due for September 29<sup>th</sup> Stakeholder Meeting
    - 2. September 29<sup>th</sup>: NTTG Stakeholder Meeting in Bozeman, MT

**2. Discussions & Decisions:**

**Decision: Approval of July 29, 2015 Meeting Notes**

- It was noted that quorum requirements had not been met and suggested that the approval of the July 29<sup>th</sup> meeting notes be moved to the end of the agenda.

**Discussion: Review Draft Final Regional Transmission Plan**

- John Leland gave a high level overview of the draft document. The goal of the report is to publish a book on the Regional Transmission Plan (RTP) with attachments providing more detailed information.
- The report starts out with the plan development process which describes the Initial Plan in Quarter 1 of the biennial cycle. It then moves onto what data submissions were received from the stakeholders in terms of Quarter 1 data submittals. This all builds the foundation from which the report describes all of the work that goes into the development of the RTP.
- The last section of the report discusses the cost allocation process. It describes the fact that there were two projects submitted into the plan that could potentially receive cost allocation if they met the requirements and were accepted into the plan. The two projects referenced were the SWIP Project and the Alternative Project.
  - The cost allocation section also discusses at a higher level the input data resulting from the Cost Allocation Study plan scenarios. Power-flow study was done to ensure that each scenario remained reliable. The Cost Allocation Study Plan used the results from the power flow analysis to calculate three metrics, (capital cost benefit, line loss benefit and reserve margin benefit) for each cost allocation scenario.
  - The Alternative Project that was selected into the Draft Final Regional Transmission Plan satisfied the criteria to be eligible for cost allocation. The cost allocation analysis for the unsponsored Alternative Project resulted in no cost allocation.
    - Since the Alternative Project was identified by the Planning Committee during the development of the RTP, there was no Applicant to accept the remaining costs of the project. As a result, since all project costs could not be allocated to beneficiaries, the Alternative Project was ineligible for cost allocation.
- John Leland indicated anyone wanting more in-depth details could review the attachments located on the NTTG website.
- Marshall Empey inquired whether the appendices to the previous draft version of the report (one appendix was supposed to address the proposed UAMPS generation project) , would be

- with the final version of report since they were not listed in the Table of Contents or attached to this version or had they been deleted?
- John Leland believed that they had been deleted.
  - Sharon Helms further inquired if there had been a decision on which appendices would be attached.
    - John Leland responded he had not yet received a list of attachments to date. If there are no attachments to the draft report, the information will be available on the website.
  - Gil Coulam inquired if like in previous cycles, there was going to be a summary report and then a full final report.
    - John Leland responded that the draft report should be considered the summary report and is the publication up for proposal.
  - Shay LaBray noted the draft report will be posted on September 10<sup>th</sup> for Stakeholder review and comments by September 24<sup>th</sup>. She asked if the committee had reviewed the draft document. A majority of the committee had not.
  - Shay LaBray asked Sharon Helms to send an email out to the committee with a summary of attachments that will be included in the draft report after following the Planning Committee meeting.

**Discussion: NTTG 2016-2017 Cost allocation Milestones**

- Sharon Helms briefly reviewed the milestones
  - Quarter 8 of 2015 –
    - Project Sponsor Pre-Qualification
      - The Cost Allocation Committee evaluates submittals.
    - Attachment K Revisions
      - Cost allocation process revisions identified and reviewed with stakeholders.
  - Quarter 2 of 2016
    - The Cost Allocation Committee develops cost allocation scenarios
  - Quarter 4 of 2016
    - Planning Committee identifies projects selected into the plan for cost allocation and initial interregional transmission project (ITP) determination of benefits in dollars for cost assignment among relevant planning regions.
  - Quarter 6 of 2017
    - Draft Final Regional Transmission Plan including regional and interregional transmission projects cost allocation.
  - Quarter 8 of 2017
    - The next biennial cycle starts.
- There is some additional work if an ITP comes in during Quarter 1. An annual Interregional Coordination Meeting is held for regional transmission plan gathering.
- In Quarter 2 if an ITP has been submitted into one or more relevant planning regions for cost allocation, the Cost Allocation Committee confers with other relevant planning regions on the ITP cost, study assumptions, and inputs.
- Attachment K Process Revisions
  - June 2016
    - Cost allocation process revisions identified and reviewed with stakeholders.
  - July 2016
    - Stakeholder comments
    - Cost Allocation Committee responds to comments and incorporates changes, as appropriate.
  - Aug-Sept 2016
    - Legal/TP's draft Attachment K Revisions
    - Planning and Cost Allocation Committee review

- Seek Steering Committee vote of support.
- October 31, 2016
  - TP's file Attachment K revisions requesting 2017 approval date.

**Discussion: Review Cost Allocation Potential Attachment K or Process Revisions Matrix**

- Shay LaBray gave a brief description of the matrix being presented. Areas of the matrix highlighted gray represent Attachment K language for review by the transmission providers and the legal workgroup. The green areas are cost allocation process related issues which may not necessarily require changes to Attachment K language, but through process and procedures. Lastly the areas highlighted yellow are planning process related issues.
- Shay LaBray indicated the reason for walking through the matrix was to get feedback from the Cost Allocation Committee on areas that needed to be addressed further to help the committee narrow their focus.
- Before walking through the different sections of the matrix, John Leland indicated one of the comments in the matrix mentioned a business practice. This is maybe an important element in the discussion that will require legal review. He went on to explain that the regional portion of the Attachment K was written with a different premise than the local, where the local section set the hooks in Attachment K obligations and leaned on the business practices for the implementation.
  - When FERC had issued Order 1000, they did not want a business practice and required the applications and implementation to be in Attachment K. There has been talk that FERC may have reversed that decision and is considering transmission providers to use a business practice.
- John Leland walked through each section of the matrix and indicated that his suggestions are based on what was done during the 2014-2015 cycle.
- **Attach. K Section 3.7.3.2 – Identifying Beneficiaries**
  - John Leland raised the question of how detailed does the Cost Allocation Committee want to get in terms of identifying beneficiaries.
  - Larry Nordell agreed this is an issue that needed further discussion based on the discussions by the Cost Allocation Committee during the current cycle.
- **Attach. K Section 3.7.4.1 – Comparison of the Draft Final Regional Transmission Plan (DFRTP) to the Initial Regional Transmission Plan (IRTP)**
  - There may be discussion that NTTG is identifying savings, but not necessarily a way to identify beneficiaries.
  - If the Cost Allocation Committee decides the comparison to the IRTP is not the correct comparison, language will need to be adjusted.
- **Attach. K Section 3.7.4.1 – Proposed text to define the roles and responsibilities of the Planning and Cost Allocation Committees.**
- **Attach. K Section 3.7.3.2 – Proposed language suggested striking “and the Cost Allocation Committee” from the following language:**
  - *“When developing the draft Biennial Study Plan, the Planning Committee **and the Cost Allocation Committee** will, under certain circumstances described in Section 3.9 below, identify projects selected in the prior Regional Transmission Plan that will be reevaluated and potentially replaced or deferred.”*
  - The way the Attachment K language is currently written suggests only one set of metrics are used by both the Cost Allocation Committee for cost allocation and the Planning Committee will use the same metrics for selecting the project into the plan.
- **Attach. K Section 3.7.4.2 – What is the best mechanism for cost allocation?**
  - Does the Cost Allocation Committee want to rely on the capital related costs or have an additional metric for cost allocation to get the benefits and beneficiary distribution?
  - Larry Nordell indicated the committee originally discussed a range of metrics and the criteria some pushed hard on was that the benefits being seen from the metrics had to be clearly seen by the beneficiaries as well as having to find a reasonable certainty

- to be able to estimate them. The committee put a lot of effort into production cost modeling, but in the end did not use it.
  - It was suggested there may be different criteria's for planning versus cost allocation purposes.
- **Attach. K Section 3.7.4.2** – Additional text was suggested adding a tie between the regional and interregional processes.
  - Support would be needed from the other regions before any proposed inserted language in the interregional section is approved.
- **Attach. K Section 3.8.2** – Clarification is needed on the intermediate stages of the process.
- **Attach. K Section 3.8.2.2** – Allocation of project cost using the no less than 50% and no more than 150% of the average.
  - The question posed to the committee was what if the project cost was calculated at 40%, would it be capped at 50%. If so how might the cost allocation amongst beneficiaries at the 50% cap be done? Via pro rata share?
- **Attach. K Section 3.8.2.2** – Alternative concept to the no less than 50% and no more than 150% of the average.
  - The cost allocation scenario metric results in this cycle did not end up with major differences from the average of the scenario's metric results in comparison, which could have been related to the fact that the capital costs really didn't change.
  - Also, the Planning Committee was left with the decision on how to apply the defined scenarios within the planning analysis – were the scenarios to be considered a robustness test of the draft regional transmission plan or were the scenarios independent from the regional transmission plan (i.e., a different representation of the future). The Planning Committee didn't believe that the Cost Allocation Committee was suggesting for the Planning Committee to look at totally different futures by rebuilding the proposed transmission solutions for the scenario cases from scratch for each cost allocation scenario. However, as a robustness test the scenario metric analysis results would not change unless there is a change to the need for the proposed line, it will be hard to see the change anticipated by the cost allocation scenarios.
- **Attach. K Section 3.8.2.2** – Applicant Understanding
  - The way the Attachment K is written currently, if there is no Applicant then there is no cost allocation awarded.
  - It could be possible to have an unsponsored project in future cycles and further discussion needs to occur.
- **Attach. K Section 3.8.2.2** – Ownership-Like Rights
  - There appears to be confusion on what Ownership-Like Rights mean. There are also questions around if there needed to be something different.
- **Attach. K Section 3.8.2.3** – Cost Allocation Scenarios for Robustness Testing
  - Does the Technical Workgroup use the cost allocation scenarios for robustness testing?
  - John Leland indicated that he did not think so, but believed they did use the cost allocation scenarios on the DFRTP for the current cycle. If NTTG is going to be doing robustness testing then it should be done for all the intermediate plans, and not just the DFRTP.
  - John Leland believed the question of robustness testing was more of a planning question than cost allocation.
- Sharon Helms indicated that Shay LaBray was seeking input on those items tagged as process related items that possibly require a change. She identified five related topics:
  - Is there a required change for the definition of a beneficiary?
  - For cost allocation does the committee want to continue to use the IRTP for the basis of comparing change cases and identifying benefits?
  - Does the committee want to continue using the capital related costs as a metric for cost allocation?



- The issue relating to capping the benefits at 50% and less than 150%, is that appropriate?
- The question of if cost allocation should follow with the project or does it require a sponsor or Applicant and if it does not have one does it stop?
- Sharon Helm's requested the committee to give their input on the identified five items as well as any additional area's the committee feels should be considered as interest as well by Friday, September 18th.
  - An email will be sent to the committee requesting feedback following the meeting.

**Discussion: Round Table/Other Business**

- It was noted that quorum requirements had not been met in Class 1 and the approval of the July 29<sup>th</sup> Cost Allocation meeting notes was deferred until the next meeting.
- With regards to the DFRTP, the committee had no objection to posting for stakeholder review. The goal is to have the report posted by Thursday, September 10<sup>th</sup> for stakeholder comment through September 24<sup>th</sup>.
- The next NTTG Stakeholder Meeting is on September 29<sup>th</sup> in Bozeman, MT. Presentation materials are due by September 21<sup>st</sup>.
- Action Items:
  - Sharon Helms will send an email out with the five identified items to the committee for response by Friday, September 18<sup>th</sup>.
  - Sharon Helms will provide the committee with a list of appendices for the cost allocation portion of the DFRTP.
  - A doodle poll will be sent out with proposed dates in early October for the next Cost Allocation Committee meeting.
    - Agenda topics will include, responses to stakeholder comments and a discussion on the Attachment K process changes and timeline to resolve the process issues.

**3. Assignments:**

| Item # | Assignment | Owner | Target Date | Status |
|--------|------------|-------|-------------|--------|
| 1.     |            |       |             |        |
| 2.     |            |       |             |        |
| 3.     |            |       |             |        |
| 4.     |            |       |             |        |

**Next Meeting:** The next Northern Tier Cost Allocation Committee Meeting is scheduled for **TBD**.

- Dial: **(630) 869-1013**
- Access Code: **579-186-509**



**Attendees:**

| <b><u>NTTG Cost Allocation Committee Member Representatives</u></b> |                               |                         |
|---|-------------------------------|-------------------------|
| <b>Membership Class 1</b>   |                               |                         |
| Marshall Empey, UAMPS   | Kim McClafferty, NorthWestern | Clay MacArthur, Deseret |
| Shay LaBray, PacifiCorp   |                               |                         |
| <b>Membership Class 2</b>   |                               |                         |
| Bob Decker, MT PSC  | Marci Norby, WY PSC           | Joni Zenger, UT Div. PU |
| Larry Nordell, MT CC  | Bela Vastag, UT OF CS         |                         |
| <b><u>Other NTTG Members &amp; Guests</u></b>                       |                               |                         |
| Gil Coulam, NTTG  | John Leland, NTTG             | Amy Wachsnicht, NTTG    |
| Sharon Helms, NTTG  | Jamie Stamatson, MT CC        |                         |