

Description of Meeting:	NTTG Cost Allocation Committee
Meeting Date:	May 20, 2015
Meeting Notes Prepared By:	Amy Wachsnicht
Approved for Posting:	June 3, 2015

1. Agenda:

- a. Agenda Review
- b. Approval of May 13, 2015 Cost Allocation Committee Meeting Notes
- c. NTTG Regional Transmission Plan Development – Key Milestones and Timeline
- d. Review draft template for allocating project costs to beneficiaries
- e. Round Table/Other business

2. Discussions & Decisions:

Decision: Approval of May 13, 2015 Cost Allocation Committee Meeting Notes

- The committee reviewed the May 13th meeting notes which included redlined edits sent by Bela Vastag.
- Shay LaBray noted that she had additional typographical edits and non-substantive edits starting on Page 3. Taking into consideration the meeting time, she suggested to continue to review the notes and if approved, her edits could be done afterwards.
- The additional edits on Page 3 from Bela Vastag included a note regarding John Leland's answer to his questions around why NTTG is using the capital cost benefit metric. He indicated that part of his confusion could be from not being a part of the Cost Allocation Committee when these metrics were agreed upon. John Leland gave some clarification which Bela felt should be captured.
- John Leland informed the committee that the Planning Committee will define the metrics and beneficiaries that will then be passed on to the Cost Allocation Committee. Since this is a startup year and there is not a prior Regional Transmission Plan to draw information from nor is there an original case the Cost Allocation Study Plan proposes an alternate comparison. John also noted the following:
 - Regardless of the method being used, it is being driven by who are the beneficiaries or what is driving the need for the project. In this case the need is being driven by potential wind resources in Wyoming or increased loads in Utah.
 - The Planning Committee needs to determine who the beneficiaries are of the Alternative Project.
 - The Technical Workgroup (TWG) struggled with the fact that this is a startup year where they did not have a prior approved Regional Transmission Plan and so they now have to come up with an alternative comparison because of the methodology the Cost Allocation Committee had defined in the Attachment K.
- Bela Vastag pointed out that the explanation given by John Leland, was captured in the May 13th meeting notes, however suggested the explanation be reorganized so that it follows his original questions.
- Ray Brush commented that he did not have any additional comments on the notes but asked to have a longer discussion around the Capital Cost issue and the Planning Committee's roll in Cost Allocation.
- The Committee made a few additional clarifying edits to the bottom of Page 4.
- With no additional edits, Shay LaBray requested a motion to approve the May 13th meeting notes as revised noting that typographical non-substantive edits will be done following the meeting.
 - With a motion by Ray Brush, and a second by Joni Zenger, the May 13th Cost Allocation Committee meeting notes were unanimously approved.

- Amy Wachsicht took the assignment to make the non-substantive edits to the May 13th meeting notes and redistribute them to the committee prior to posting.

Discussion: NTTG Regional Transmission Plan Development – Key Milestones and Timeline

- Sharon Helms reviewed the Key Milestones and Timeline with the committee indicating that dates in red are mandatory deadlines as defined in the Attachment K including the following:
 - June 30th - Produce and Post the Draft Final Regional Transmission Plan (DFRTP).
 - September 30th – Post the DFRTP incorporating stakeholder comments.
 - December 31st – Post the Final Regional Transmission Plan.
- The cost allocation scenarios were approved by the committee on April 29th. Following that the TWG finalized the analysis to select projects into the DFRTP and identified an unsponsored project. The DFRTP includes Boardman to Hemmingway and an Alternative Project from Windstar to Aeolus to Populus and Aeolus to Clover.
- The TWG is working on building the change cases for the cost allocation scenarios and are about 80% complete. Three of the four scenario cases are built and have results. The fourth case is more difficult with trying to add generation to make up the difference of the 1,000 MW of coal and caused a lot of re-dispatching concerns and generation imbalance in the system.
 - The TWG is hopeful to have the cases finished on Friday, 5/22 with results done the following week.
 - At this time the TWG can still meet the 5/29 deadline for producing results for cost allocation.
- Once the Cost Allocation Committee receives the results from the TWG, the committee will try to get the costs allocated to the beneficiaries between 6/1 and 6/12, then take one week to document the calculations and submit them to the Planning Committee by 6/25 to post for the 6/30 NTTG stakeholder meeting.
- Quarter 7 is focused on getting input from stakeholders on the DFRTP during an open comment period and incorporating any changes to the DFRTP as a result from stakeholder comments.
- On 9/29 there is a stakeholder meeting in Bozeman, MT and the DFRTP will be posted following that meeting on 9/30 for approval from the Steering Committee.
- Shay LaBray informed the committee she had asked for the timeline to be prepared so that the committee is aware of the deadlines and work ahead. With the first Attachment K firm deadline being 6/30 Shay suggested that the committee spend the rest of the meeting reviewing the work book John Leland developed and discussing any changes.
 - John Leland will be unavailable the first week of June, about the time the Cost Allocation Committee will be receiving the information from the TWG. Given that, it is important that the committee understands the workbook.
- Clay MacArthur asked if there was a response to Craig Quist's email and concern regarding the 1,000 MW coal scenario. This was an email distributed to the TWG.
 - John Leland indicated he had talked to Craig and the TWG will be moving forward with the scenario as specified in the Cost Allocation Study Plan as the TWG is looking at are different futures..

Discussion: Review draft template for allocating project costs to beneficiaries

- John Leland informed the committee that he had sent out a revision to the workbook, version 1.1 which is following what the Cost Allocation Committee would be doing in terms of the process.
- When walking through the workbook, John Leland's focus was on the Cost Allocation Template tab and pointed out that for each step, the requirements from the Attachment K were labeled in boxes. He also informed the committee that the numbers in the workbook are theoretical numbers for purposes of the example and not actual.

Step 1: *To be eligible for cost allocation, and therefore selected into the Draft Transmission Plan for purposes of cost allocation, the Planning Committee Cost shall verify that the project:*

- a) *Was proposed for such purpose by a pre-qualified sponsoring entity, was an unsponsored project identified in the regional planning process, or was an unsponsored project proposed by a stakeholder (or Transmission Provider or non-incumbent transmission developer not desiring to sponsor the project);*
 - b) *Was selected in the Draft Regional Transmission Plan; and*
 - c) *Has an estimated cost exceeding \$20 million.*
- The Cost Allocation Committee will be receiving the capital related costs and not the capital costs directly.
 - Looking at the verification of the Alternative Project, for this example it meets all three of the criteria listed above.

Step 2: *The Cost Allocation Committee initially identifies Beneficiaries as all those entities that may be affected by the project based upon the application of the analysis criteria set forth in Section 3.7.4.2 and using the allocation scenarios developed pursuant to Section 3.8.2.3. For projects eligible to receive a cost allocation, the Cost Allocation Committee shall start with the calculations provided by the Planning Committee pursuant to Section 3.7.4.1, and remove those entities that do not receive a benefit from the project being evaluated.*

- The table in Step 2 is an exact replica of the table on the Planning Benefit Tab. These are the benefits that are being derived from the losses and reserve calculations.
- For the Alternative Project, the Planning Committee would need to provide who or what triggered the transmission line. The project sponsor of the Alternative Project would then, in theory, have a transmission service request with the project.
- **Question:** Bela Vastag – Why does the cost of the Alternative Project change with each scenario?
 - **Answer:** John Leland - In Scenario 1 you are adding 1,000 MW over what is already in the DFRTP. The assumption is that there will have to be additional facilities to accommodate that from a Planning side. The Alternative Project could change because you are talking about a different future and therefore people will adjust their planning accordingly. The others are changing because the Alternative Project could change. The Alternative Project could be reduced in scope and size because it may not be needed and trying to account for what you are going to see out of the planning, the project necessary to accommodate whatever your scenario was.
- **Question:** Bela Vastag – Would we be able to see that configuration?
 - **Answer:** John Leland - We can provide information on the Alternative Project.

Step 3: *Before allocating a transmission project's cost, the Cost Allocation Committee will adjust, as appropriate, the calculated initial net benefits for each Beneficiary based upon the following criteria:*

- a) *The net benefits attributed in any scenario are capped at no less than 50% and no more than 150% of the average of the unadjusted, net benefits (whether positive or negative).*
- Looking at the different scenarios, John Leland found that one did not meet this first criteria. He indicated that the Attachment K does not address what to do if a scenario's net benefit was outside the cap.
 - For the scenario (Scenario 1) John Leland prorated the capped number outside of the cap. He asked for input from the committee if this was the way they wanted to do it.
 - **Question:** Ray Brush – The loss numbers, are those an annual savings?
 - **Answer:** John Leland – Yes.
 - **Question:** Ray Brush – Are you adding that to the net present value (NPV) of the project?

- **Answer:** John Leland – That is why I am using the levelized capital related costs so it is an annual number compared to an annual number.
- **Question:** Ray Brush – You are assuming the only beneficiaries are the BA in their footprint?
 - **Answer:** John Leland – Yes because this is a regional cost allocation and we cannot allocate costs to another region. You can only do that if it is an interregional project, even then we wouldn't do that, the other regional would have to if they accepted the project into their regional plan.
- **Question:** Ray Brush – We don't have anyone else that takes transmission service in our regional footprint to allocate to?
 - **Answer:** John Leland – That is a good point. The way I see it working is the wind project in Wyoming would not be selling within the footprint. Because the project would be necessary to move their power, the Alternative Project would have to go to FERC and get a tariff, and then the Alternative Project would have to make an application through a TSR to this sponsor of the Alternative Project so they could use their tariff and transmission.
- **Comment:** Ray Brush – One of the problems we have is that you have to allocate the total cost of the project to the beneficiaries and that is not what we are using here. If we don't identify the beneficiaries that are using the facilities and you allocate solely on that basis then all the cost of the project goes to, and some of us may not have a way to get that revenue back because of the TSR.
 - **Answer:** John Leland – Attachment K says we will allocate to the beneficiaries, and that is why I said when I started this process we need to go through from a planning side and describe to the Cost Allocation Committee that whoever uses the Alternative Project will be the beneficiaries. You will be allocating to the project sponsor, but then he will be going to those beneficiaries to recover the cost allocation.
 - If we have a Sponsored Project the costs would be allocated pursuant to the benefits of the project. It could be load, or the wind. In this instance it is not really different because we have an unsponsored project, you would go through the process to try to define.
 - The way I read it, and if it just goes on losses, then it would be pretty dramatic, you need to look who is causing the need that is driving the project.
- **Comment:** Ray Brush – Then you would need to look at the benefit for them and put them in the table.
 - **Answer:** John Leland - That would be different. Not knowing that until we get there, when we give you that information of who the beneficiaries are we would go down to the generators.

Step 3: *Before allocating a transmission project's cost, the Cost Allocation Committee will adjust, as appropriate, the calculated initial net benefits for each Beneficiary based upon the following criteria:*

- b) *If the average of the net benefits, as adjusted by (a) above, across the allocation scenarios is negative, the average net benefit to that Beneficiary is set to zero.*
- Looking at the tables, since PGE's net benefits are negative, they are set to zero.

Step 4: *Each of these adjustments is applied to each Beneficiary independent of other Beneficiaries. The initial (and adjusted) net benefits for the selected Change Case are the sum of the benefits (which numerically may be positive or negative) across each of the analysis criteria. A Beneficiary will be included in the steps above even if only one of the analysis criteria is applicable to that Beneficiary and the estimated benefits for the other analysis criteria are, by definition, zero.*

The adjusted net benefits, as determined by applying the limits in the two conditions above, are used for allocating project costs proportionally to Beneficiaries.

- John Leland made a few assumptions:
 - “Change Case” = Cost Allocation Scenario in the above table
 - “sum of the benefits... across each of the analysis criteria” = referring to the three criteria used by the TWG (i.e., capital cost, losses and reserves)
- Examples of the calculations out of the Attachment K to help provide understanding of the process.
- Under the 1st Round of Allocation, the numbers in the tables are a result of the criteria’s a & b in Step 3 with the allocated costs being the lesser of A (Portional Allocation) or B (Average of Adjusted Net Benefit/1.10).
 - John Leland indicated that this was confusing and took a while to understand the process.
- In looking at the lesser of A & B the total sum is \$791 million and is approximately \$207K less than the original project cost.
- Since the 1st Round of Allocated costs meets the threshold there is an allocation and the allocation can be terminated. Had the threshold not been met, the committee would take the allocation through additional rounds until the threshold was met.
 - John Leland added additional information indicating that if the project sponsor is unwilling to accept the \$207K then the project would no longer be accepted for cost allocation.
- The Planning Committee would need to provide the beneficiaries of the Alternative project. This would inform the project sponsor of who they can recover the costs from.
- Shay LaBray asked if once the project is picked up by a sponsor would it go through cost allocation again or if the unsponsored project becomes sponsored would it rely on the cost allocation of the Alternative Project.
 - Once a cost allocation is done on a project and that project does not change it will not go back through cost allocation, even if it is picked up by a sponsor.
 - Until a project has been deemed committed, it can be replaced or eliminated from the next cycles plan if a more efficient or cost effective solution has been identified and at that time the project would lose its cost allocation.
- Ray Brush had concerns with regards to the annual capital costs of the Alternative Project being the benefit and felt the revenue received from the line would be the benefit since the line is adding generation in Wyoming.
 - John Leland indicated that pursuant to the Attachment K there are three metrics, capital costs, losses and reserves. The benefit value of the Alternative Project would be the annualized revenue requirement associated with the project and not the project cost. The revenue that is generated would be equal to the revenue requirement unless the project sponsor is recovering the costs. By going through and converting away from the capital costs to the revenue requirements a tariff would be built off that.
 - In the example, the \$791 million would be the annualized cost and the revenue or the benefit of the project is going to be accruing to the project sponsor would be created through transmission service requests.
- Ray Brush was not sure if that is what Order 1000 or their tariff says and that he would need to go back and review it.
 - John Leland pointed back to the statement *“The Cost Allocation Committee initially identifies Beneficiaries as all those entities that may be affected by the project based upon the application of the analysis criteria set forth in Section 3.7.4.2”*.
 - The Attachment K says the Planning Committee will use the capital costs as annualized through the capital related costs, and losses associated with monetizing the losses and reserve margins that are monetized and it will be the sum of all three.

- The issue of the project cost being a benefit was also a concern of Bela Vastag which he commented on in prior Cost Allocation Committee meetings.
- John Leland explained that in the next planning cycle NTTG will have an Initial Regional Transmission Plan which is based off of the prior cycles Final Regional Transmission Plan that will include the projects selected.
 - Since this is a startup year, NTTG did not have a prior cycle Final Regional Transmission plan to start with.
 - NTTG started with the PacifiCorp Gateway project in their Draft Transmission Plan and through analysis found an Alternative Project which was not a replacement for, but was sufficient enough to cover the load and resource needs of the DFRTP.
 - NTTG would normally take the difference between the benefits or costs of the Initial Regional Transmission Plan and the DFRTP, however that are no benefits or cost as there is nothing to compare the DFRTP to.
 - The decision in the Cost Allocation Study Plan was to take a look at the DFRTP with and without the Alternative Project.
- Ray Brush asked if the Alternative Project was displacing the PacifiCorp \$2 billion project which would end up with a net reduced capital cost plan relative to the Initial Regional Transmission Plan and that difference would be the benefit.
 - John Leland commented that the Alternative Project is not a replacement for the PacifiCorp project but was adequate to solve the 2024 load and resources studied.
 - If NTTG looks at what is driving the need for the Alternative Project it would be the same need that is driving the Initial Regional Transmission Plan.
- Ray Brush commented when looking at the tariff, what it says for capital costs, talks about the displacement of projects and to him it indicate the beneficiaries are those whose project was displaced.
 - However PacifiCorp no longer has a project in the plan therefore it could not be displaced.
- Ray Brush argued that PacifiCorp's project was in the Initial Regional Transmission Plan and that is what NTTG is comparing the DFRTP against.
 - Shay LaBray commented that per the approved Cost Allocation Study Plan the Cost Allocation Committee is not comparing the DFRTP against the Initial Regional Transmission Plan.
- This raised another concern with Ray Brush as this is not what is described in the member's tariff. The benefit in the DFRTP does not have the PacifiCorp project in it and has an entirely different project at a much lower rate so the capital related costs are that NTTG displaced the project in the Initial Regional Transmission Plan with something that costs much less.
 - John Leland agreed and noted that was the difference between the versions 1.0 and 1.1 of the workbook.
 - Version 1.0 included the PacifiCorp project, where version 1.1 followed the Cost Allocation Study Plan.
- In developing the Cost Allocation John Leland commented that there was not a lot of time and recognized NTTG did not have the full complement of a prior regional plan, but did have the draft plan. NTTG did have the Initial Regional Transmission Plan, but it would have to be augmented with the prior plan, which NTTG did not have and he struggled with how to make the comparison.
- John Leland indicated that Ray Brush's concern is a Planning Committee question and if the methodology needs to be changed there would also need to be a change to the study plan and that is a decision that needs to be made at the Planning Committee.
 - Ray Brush indicated that NTTG needs to follow the tariff.
- It was noted that with the Holiday weekend coming up and John Leland going on vacation the first week of June, this issue would become a critical path and Sharon Helms would work on getting the Planning Committee leadership team together with Ray Brush and Bela Vastag to discuss making revisions to the study plan.



- Summary of the concerns to take to the Planning Committee:
 - Comparing the DF RTP to the Initial Regional Transmission Plan as per the Attachment K instead of a change case compared to the DF RTP as outlined in the Cost Allocation Study Plan.
 - Who is the beneficiary of the Alternative Project?
 - The sponsor of the Sponsored Project that has been displaced due to the selection of the Alternative Project, or the
 - Entity that would benefit from the transmission rights that are assumed to be available in order to realize the benefits.
- Bela Vastag asked if there were past meeting minutes from the Planning Committee to help get insight on their thoughts on the topic.
 - John Leland commented that the answer will most likely be in the Attachment K under the Capital Cost Metric in section 3.7.4.2 of NorthWestern's Attachment K.

Discussion: Round Table/Other Business

- Amy will send out the May 13th approved meeting notes with the typographical non-substantive edits.

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 May 27th at 11 am Pacific.

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



Attendees:

NTTG Cost Allocation Committee Member Representatives

Membership Class 1		
Ray Brush, NorthWestern	Clay MacArthur, Deseret	Courtney Waites, Idaho Power
Shay LaBray, PacifiCorp		

Membership Class 2		
Johanna Bell, Idaho PUC	Marci Norby, WY PSC	Bela Vastag, UT OF CS
Bob Decker, MT PSC	Jamie Stamatson, MT CC	Joni Zenger, UT Div. PU
Belinda Kolb, WY OFC CA		

Other NTTG Members & Guests

Gil Coulam, NTTG	John Leland, NTTG	Amy Wachsnicht, NTTG
Sharon Helms, NTTG		