

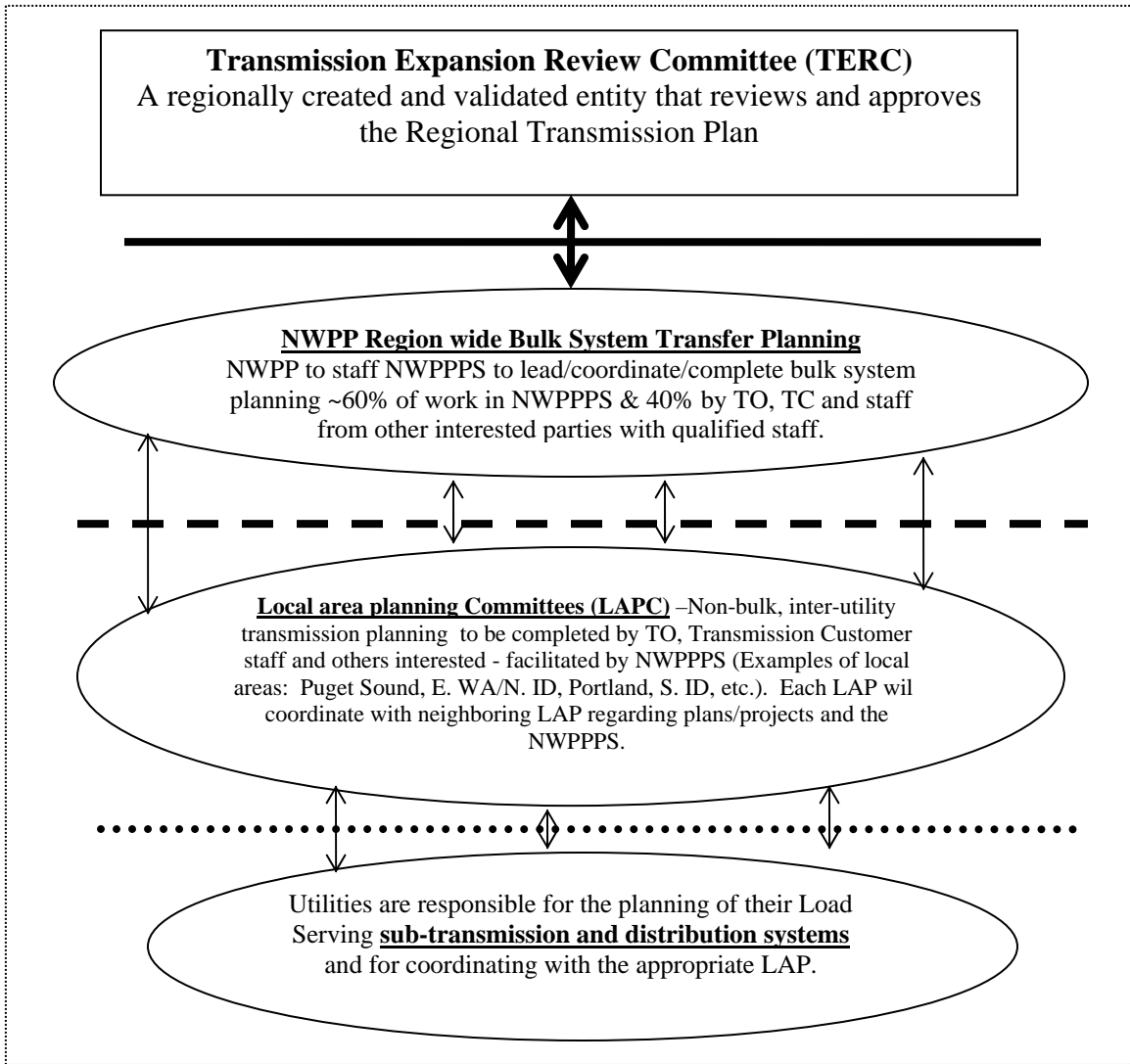
NW Planning and Expansion Charter

Vision:

The Region will create a Transmission Expansion Review Committee (TERC) that reviews and approves the transmission plans for the bulk system in a process that is consistent with each affected transmission owner's determination of its legal authorities. The governance and decision-making process for this committee needs to be developed. The Northwest Power Pool (NWPP) will staff up to coordinate and implement an open planning process for the bulk transmission system within the footprint of the NWPP. This group will be called NW Power Pool Planning Staff – NWPPPS).

Working cooperatively with each affected utility and other interested parties the NWPPPS has an obligation to publish a plan for the region's bulk transmission system every two years for the approval of the TERC. The plan will include cost estimates of each proposed plan.

In addition to the bulk level planning are local area planning committees (LAPC) facilitated by NWPPPS if necessary with work completed by utility staff. These groups will be responsible for the reliability based planning of the local area transmission systems. In addition each utility shall maintain its responsibility to plan for its own load serving sub-transmission and distribution systems.



Structure for the new Planning and Expansion Organization:

Planning and Expansion will be performed with a combination of several entities. The NWPP will be reconstituted as needed to provide the structure and financial ability to facilitate and complete transmission planning for the region's bulk transmission system (the NWPPPS). The NWPPPS will have the staff and equipment necessary to be the primary transmission planning organization in the region. The NWPPPS will complete 60% of the work itself and will rely on other organizations (Transmission owners, Transmission Customers, other interest groups, etc.) to complete approximately 40% of the work. This will require NWPP to staff up.

The NWPPPS will coordinate with LAPC to complete transmission planning for non-bulk transmission within a specified geographic area. The NWPPPS will not perform any of this work but will provide coordination of the work by the area utilities. The NWPPPS will only participate in the work if participants cannot resolve issues within a timely manner and in these cases make recommendations to the TECAC for resolution. The planning areas will include (as examples) the Puget Sound/Olympic Peninsula, SW Washington, Portland, Eastern Washington/Northern Idaho, Southern Idaho, etc. (this will take some work laying these areas out so that they make sense, aren't too big or too small).

When developing this planning process, it must be recognized that, due to parallel flows, the bulk system and the local planning areas are interconnected. Planning for the bulk system will create some requirements on the local areas (PSANI is an example) and local planning may require bulk grid fixes. Having TO staff perform 40% of the bulk system work will bring expertise from these other systems into the bulk grid planning which will help. However, the LAPC process will be structured so that the NWPPPS can intervene to make recommendations to the TERC if there is not agreement among the local transmission participants. As with the bulk system planning process, the LAPC process will be consistent with each affect utility's determination of its legal authorities. Another way to structure this might be to have the bulk grid planning function plan for bulk grid TRANSFERS rather than just plan the bulk grid SYSTEM. Likewise, the LAPC will plan for local load service.

Each utility will continue to provide planning and decision-making for its own load serving sub-transmission and distribution systems but keep NWPPPS informed of their planned projects.

A new Transmission Expansion Review Committee (TERC) will be created to review and approve the transmission plan as developed by the NWPPPS. Membership, decision-making process and voting structure needs to be determined, although it is expected to include state, PUC and other stakeholder input in process. This committee will be non-FERC jurisdictional. (The TERC or the NWPPPS themselves might not be FERC jurisdictional entities but the contracts establishing them would be filed at FERC as long as any FERC jurisdictional entity is a party to the contract. FERC could then review the contract under the Federal Power Act and FERC policies.) The governance structure for TERC must be developed. The Northwest Power Planning and Conservation Council structure has been proposed as a possible alternative but other structures should be investigated to determine the best fit for its responsibilities. This committee needs sufficient independence plus regulatory input and technical oversight for the decisions it is expected to make. The development of the governance will present the most difficult challenges within this charter and will also require interaction with the legal team.

The transmission owners (TO's) will agree that the TERC will review and approve which projects are needed to meet the reliability and firm obligation requirements of the region for the bulk system and for load areas if local utilities cannot decide among themselves). The TERC will

review the allocation of costs and benefits associated with specific projects. The TO's will agree to make good faith efforts to participate in the planning process and implement the projects. TO's will retain the right to not implement a project they determine is inconsistent with their statutory obligations. The approval process for projects via this new structure must be developed so as to be consistent with BPA's and other utilities decision-making responsibilities. The TERC will have a dispute resolution process similar to that of the Northwest Regional Transmission Association (NRTA).

The planning workgroup will propose the attributes needed for TERC. The planning workgroup will work with the legal workgroup to determine the governance, contracts, interaction with NWPPPS and whether state legislation would be required for the formation of the TERC.

TERC Regional Transmission Planning Review and Approval Process:

1. The TERC will provide review and policy guidance to the planning process. The TERC will review, request modifications to and endorse the biennial transmission plan. The TERC will resolve issues within the planning process. For projects in the biennial plan, using a regional, one-utility view, TERC will:
 - a. Determine which identified bulk system projects require implementation, and approve the NWPPPS cost allocation of these projects. Hopefully a TO will step up to sponsor each project.
 - b. If not all the projects approved in item (a) are sponsored, the TERC may compel the project to be built and the beneficiaries to pay for such construction subject to the legal rights of affected utilities.
 - c. If LAPC participants cannot resolve plan of service, schedule or cost allocation issues on specific projects within a timely manner, the TERC will provide resolution using LAPC and NWPPPS analysis if needed.
 - d. Determine which identified bulk system congestion relief projects are beneficial, recommend a cost/benefit allocation of these projects, and direct the NWPPPS to hold an open season for the construction of such projects. (Who should pay for the administrative costs of the open season?) The project will be built if the open season results in individual(s) willing to pay for the cost of the project the project. The entity paying for any expansion or upgrade will get life-of-facility PTP or capacity ownership rights.
 - e. Provide a dispute resolution process similar to NRTA.
2. Within 90 days of receiving the published plan from the NWPPPS, the TERC will approve the plan in whole, or approve parts of the plan and send parts back to the NWPPPS for reconsideration, or send the entire plan back for reconsideration. TERC will include significant questions and concerns that the TERC wants the NWPPPS to consider in its review and rework of the plan.
3. Within 30 days of receiving off-year plan updates the TERC shall approve the update or determine if there is further work that NWPPPS needs to do.

NWPPPS Regional Transmission Planning Process:

1. The NWPPPS Regional Planning Process will be an open, proactive, least cost, public planning process.

2. The results of the BPA/TPC Transmission Adequacy work will serve as the criteria for Transmission adequacy to supplement existing WECC and NERC planning standards. This Transmission Adequacy process is currently starting with the expectation that the first level of results will be available in early 2006. The charter group will investigate whether these Adequacy Guidelines might be the basis for the backstop.
3. It will develop common transmission planning criteria, assumption guidelines, etc.
4. The Regional Bulk Transmission Planning Process will include:
 - a. A collection of data and model details and prepare basecase models for studies.
 - b. A coordinated process to evaluate system reliability and firm obligation requirements of the region and develop alternative solutions that address the deficiencies. I will examine the cost/benefit for each alternative and make a determination of the best solution based on costs, reliability improvement and fit with the Transmission Adequacy Standard. Each affected transmission owner is free to develop and provide its own plans for its bulk facilities into this process.
 - c. A review of adequacy of the existing system plus known improvement/upgrade plans to serve existing and expected load growth and other firm contracts.
 - d. Identification and resolution of other problems that exist or project modifications that are needed as a result of the review in item (b).
 - e. Monitoring and identifying existing paths that experience regular and significant congestion.
 - f. Development of alternative solutions for congestion relief and more economical power deliveries - economic studies of project benefits/costs, high level technical studies and conceptual plan development.
 - g. Based on input from the TERC, facilitate an open season for the most beneficial congestion relief projects to determine parties willing to pay for portions of the project.
 - h. Ultimately include non-transmission alternatives in the analysis (by the publication of the third plan?)
 - i. Determination of TTC for NW paths.
 - j. Coordination with neighboring planning/operating entities (WECC, Cal-ISO, etc.).
5. Every two years the NWPPPS will publish an expansion plan for the region's bulk transmission system. Within the plan the NWPPPS will:
 - a. Provide an overall assessment of the bulk transmission system including reliability concerns and emerging congestion problems for the subsequent ten years.
 - b. List committed plans and potential projects for the subsequent 10-year period along with the parties responsible for implementing those projects. This will cover both bulk grid and LAPC projects. Ten years seems to be an appropriate timeframe for major high voltage lines. This lead time is needed to allow enough time to analyze the feasibility of non-wires alternatives. LAP projects may not need to be forecast that far out. A balance will need to be struck.
 - c. Provide cost/benefit studies for the reliability/firm obligation projects and a review of the best solution's fit to the regional transmission adequacy standard.
 - d. Identify the paths that are regularly congested and the estimated cost of the most promising three alternatives for clearing the congestion along with the estimated regional benefits.

- e. In the off years between the biennial plans, the NWPPPS will, as needed, publish updates to the plan that addresses major issues that can not wait for the following year's full plan publication.
 - f. The planning charter group will investigate whether the existing Transmission Planning Committee (TPC) of the NWPP could be used to provide oversight of the technical aspects of developing the Biennial Plan.
6. The NWPPPS will need computer based system-modeling tools to be able to complete power flows, dynamic stability studies and multi-area production simulations (and probably others).
 7. The local area planning process and expectations will be developed. This work will be facilitated by the NWPPPS but the work will be done by the participant utilities. NWPPPS will only participate in the work if participants cannot resolve issues within a timely manner.
 8. Consistent with transmission owner tariffs, the NWPPPS will oversee a Regional Generation Interconnection and Transmission Service Queue to facilitate Interconnection and Transmission Service requests. The NWPPPS will get all needed parties involved in the studies and provide oversight both for schedule and technical recommendations. This may involve planning for bulk and/or local area facilities.
 9. The present NWPP Coordinated Outage Process needs to continue with this new structure. This workgroup should investigate whether NWPP could take over more coordination of this process (this item might be more appropriate for the Reliability charter).
 10. The NWPPPS will facilitate an open season for beneficial congestion clearing projects.
 11. The planning workgroup will investigate ways to improve the free-rider problem and encourage those wanting additional capacity to step up early in the process rather than waiting for others to build facilities. It might be difficult to complete this part by summer but the planning workgroup should be aware of this need while developing the rest of the proposal.
 12. To implement needed projects, the NWPPPS will work with the TO from which the new infrastructure will be interconnected. They will cooperatively solicit bids for the design and construction of the facilities. If the TO is willing to match the bid(s) for design and construction and commits to meet the schedule requirements, the TO(s) will have a first right of refusal opportunity to build transmission projects that are within its system. If the TO is not willing to meet the cost and schedule requirements, the lowest qualified bidder will be awarded the project. [It will be necessary to detail out what the TO's obligation is to ensure that the project gets built.]

System Expansion Process Summary

Transmission system expansion may result from any of the following situations:

- As a result of a reliability/firm obligation project proposed by NWPPPS that TERC finds to be beneficial and where there are participants willing to pay for the project.

- As a result of a reliability/firm obligation project proposed by NWPPPS that TERC finds to be beneficial but that the TERC mandates to be built since there were no participants willing to pay for the project. In such a case, completion of the project will depend on obtaining necessary rights-of-way and cost recovery mechanisms consistent with applicable law.
- For non-reliability projects that come through the NWPPPS/TERC planning process where the beneficiaries are willing to pay for the project.
- Specific requests for transmission service where the party(ies) making the request are willing to pay for the project in accordance with the tariff of the transmission provider.

Near Term Efforts:

The NWPPPS and TERC efforts may have to be split into two separate work efforts due to the different issues that need to be resolved to develop each.

1. A task team will be established by the end of March 2005 to produce a final charter to develop the planning expectations for a bulk system and LAPC planning processes to be staffed and facilitated under NWPP. The final charter is to be completed by April 15, 2005.
2. A task team will be established by the end of March 2005 to produce a final charter to develop the planning responsibilities for a TERC. The final charter is to be completed by April 15, 2005
3. Provide conceptual details of how planning function for bulk system and LAPC planning processes would work for public comment by June 1.
4. Provide conceptual details of how the TERC review/approval process for bulk system and LAPC planning processes would work for public comment by June 1.
5. Provide legal review of requirements for formation of the TERC by July 1.
6. The draft NWPPPS planning process document will be available for public review and comment by August 1.
7. The draft TERC Approval process document will be available for public review and comment by August 1.
8. The public comments received on these proposals will determine what subsequent work would need to be done on these proposals.

Questions to answer/Issues to address:

1. Planning work group to develop the rest of the plan:
 - a. John White (Team Lead/Facilitator)– Snohomish PUD
 - b. John Martinsen – Snohomish PUD
 - c. Scott Waples - Avista
 - d. Marv Landauer - BPA
 - e. Oregon Public or IOU representative
 - f. Idaho IOU or Public (could PNGC be the “public rep” for Idaho and Oregon?)
 - g. Montana representative – Northwestern?
 - h. Lindy Fisker – PGE
 - i. Steve Fisher – Chelan PUD
 - j. Wider representation? Other IOUs and Publics?
2. Is the work group for the NWPPPS the same work group that should draft the TERC charter and formation expectations/plan?

3. How is the TERC formed and from where does it get its authority?
4. Does the TERC need to have the authority to compel construction? If so how is that accomplished? (Any BPA contractual obligation would have to respect BPA sub-delegation issues.)
5. How big is the TERC, how are members of the TERC selected, for what term, etc.
6. How are the states regulating agencies engaged so that the IOU's have rate relief support for projects?
7. What is the public process for the NWPPPS work?
8. What is the public process for the TERC review?
9. What bylaw changes are needed with NWPP to support the staffing required for a working NWPPPS?
10. How is the NWPPPS formed and staffed? Is the "staff" employees or consultant/contractors.
11. How is the new NWPPPS funded?
12. Need a definition of the "bulk system"
13. Need to define the process for planning the lower voltage system and the interconnections to the bulk system planning.
14. What is the cost estimate to establish the NWPPPS planning staff with adequate tools?
15. What are "adequate" tools?
16. How soon to the first plan?
17. How should the planning process work to solve congestion? (The concept as drafted anticipates identifying congestion problems and developing the top three alternative solutions. It does not promote the NWPPPS or TERC forcing congestion solutions.)
18. Is the 60/40 split of work acceptable or workable? Is there a better split?