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July 10, 2013

Via eFiling

Honorable Kimberly D. Bose, Secretary
Nathaniel J. Davis, Sr., Deputy Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

Re: Duke Energy Florida, Inc.
Docket No. ER13-_____

Florida Power & Light Company
Docket No. ER13-_____

Tampa Electric Company
Docket No. ER13-_____

Orlando Utilities Commission
Docket No. NJ13-_____

(Order No. 1000 Interregional Compliance Filings)

Dear Ms. Bose and Mr. Davis:

Pursuant to Order No. 1000 of the Federal Energy Regulatory Commission (“Commission”),¹ 18 C.F.R. § 35.28(c), and the Commission’s February 26, 2013 Notice Granting an Extension of Time to Submit Interregional Compliance Filings,² Duke Energy Florida, Inc. (“DEF”)³; Florida Power & Light Company (“FPL”); Tampa Electric Company (“TEC”); and Orlando Utilities Commission (“OUC”), hereby provide, their Order No. 1000 interregional compliance filings.

As has been identified in previous Order No. 1000 filings, the Florida Sponsors are three investor-owned public utilities in Florida (DEF, FPL and TEC) and two large municipal utilities (OUC and JEA). The DEF, FPL, TEC and OUC (referenced as the “Florida Filing TPs” in this letter) are submitting Order No. 1000 interregional compliance filings. Although JEA is not submitting a filing, JEA has a conforming Open Access Transmission Tariff (“OATT”). The Florida Sponsors are Transmission Providers within the Florida Reliability Coordinating Council, Inc. (“FRCC”) transmission planning region.

The FRCC transmission planning region has one interregional interface with the Southeastern Regional Transmission Planning (“SERTP”) region. The Florida Sponsors and the Jurisdictional SERTP Sponsors⁴ have been able to reach complete agreement on the development and adoption of parallel tariff language to implement Order No. 1000’s interregional requirements for their mutual seam. In addition to having adopted parallel tariff language, the Florida Sponsors and the Jurisdictional SERTP Sponsors have coordinated with the public utility transmission providers in neighboring regions to develop the portions of this transmittal letter that apply to each seam.

The common tariff language being filed herein by the Florida Filing TPs to comply with Order No. 1000’s interregional requirements was developed through extensive collaborative efforts and reflects the consensus of the Florida Sponsors and the Jurisdictional SERTP Sponsors and interactions with stakeholders. While the Florida Filing TPs are submitting this common transmittal letter, the Florida Filing TPs are individually submitting the relevant revised

¹ *Transmission Planning and Cost Allocation by Transmission Owning and Operating Public Utilities*, 136 FERC ¶ 61,051 (2011), *order on reh’g and clarification*, 139 FERC ¶ 61,132 (2012) (“Order No. 1000-A”), *order on reh’g and clarification*, 141 FERC ¶ 61,044 (2012) (“Order No. 1000-B”) (Order Nos. 1000, 1000-A, and 1000-B collectively referred to as “Order No. 1000,” “Order,” or “Final Rule”).

² *Notice Granting an Extension of Time to Submit Interregional Compliance Filings*, Docket No. RM10-23-000 (Feb. 26, 2013).

³ DEF shares a single Joint OATT with two of its affiliates, which Joint OATT is found in the eTariff database of Duke Energy Carolinas, LLC (“DEC”). As a result, DEC is identified as a co-applicant by the eTariff software.

⁴ The Jurisdictional SERTP Sponsors include: DEC and Duke Energy Progress, Inc.; Louisville Gas and Electric Company and Kentucky Utilities Company; Ohio Valley Electric Corporation, including its wholly owned subsidiary Indiana-Kentucky Electric Corporation; and Southern Company Services, Inc., acting as agent for Alabama Power Company, Georgia Power Company, Gulf Power Company, and Mississippi Power Company (collectively “Southern Companies”).

provisions to their respective OATTs, through eTariff, to comply with the Commission's filing requirements.

I. Structure of this Filing

In this consolidated filing, the Florida Filing TPs are providing all of their compliance materials in response to Order No. 1000's interregional transmission coordination and cost allocation requirements. This filing is structured as follows:

Section II provides an overview of: the collaboration between the Florida Sponsors and the Jurisdictional SERTP Sponsors; the outreach effort to the FRCC stakeholders; and a discussion of how the Florida Sponsors' interregional compliance proposals build upon their bottom-up transmission planning processes.

Section III discusses the compliance proposal being made for the FRCC and the SERTP interregional seam. The Florida Sponsors and the Jurisdictional SERTP Sponsors have agreed to use an avoided cost methodology to satisfy Order No. 1000's interregional cost allocation requirements; Section III.A of this transmittal letter provides a general description of that methodology and support for why doing so is appropriate. The Florida Sponsors and the Jurisdictional SERTP Sponsors have coordinated to prepare the pertinent discussions provided herein, and each of those sections discusses the coordination provided for the FRCC-SERTP seam. Section III.B identifies the specific tariff provisions being proposed and provides a demonstration that the provisions satisfy Order No. 1000's requirements.⁵

Section IV discusses the Jurisdictional SERTP Sponsors' proposals regarding the Southeast Inter-Regional Participation Process ("SIRPP"). As discussed therein, the SIRPP was originally formed pursuant to a Commission Staff request during the Order No. 890 compliance process providing a forum to allow for the performance of stakeholder-requested, interregional economic planning studies. However, Order No. 1000 does not apply Order No. 890's "economic planning principle" to interregional processes. Furthermore, with the expansion of the SERTP, the footprint that was once considered interregional at the time of Order No. 890 has now been largely subsumed within the SERTP's current regional footprint, with stakeholder-requested, economic planning studies being provided for under the SERTP process for the expanded SERTP footprint. It is the Florida Sponsors' understanding that the Jurisdictional SERTP Sponsors are proposing to delete references to the SIRPP in their respective OATTs.

⁵ In each of the filings, the Florida Filing TP is including the relevant tariff records that are being amended and/or added to their OATTs along with Clean and Marked Tariff Attachments only for the OATT that is in such Florida Filing TPs' database. Put another way, each Florida Filing TP will include in its filing its specific tariff records and corresponding Clean and Marked Tariff Attachments, but not the tariff records to be filed by the other Florida Filing TPs. Additionally, please note that the tariff records and Clean and Marked Tariff Attachments will not be absolutely identical across all four filings as they may reflect very slight variations in terminology used in the corresponding OATTs.

Accordingly the Florida Filing TPs are making conforming changes to their pertinent OATT sections (Section 7.4 of Attachment K or N-2 as applicable) related to this matter.

Section V is a general waiver request.

Section VI proposes an effective date to follow the effective dates of the regional compliance filings.

Section VII describes the communication of these filings to interested parties and provides the representatives of the Florida Filing TPs for correspondence and service purposes.

Section VIII is the specific list of documents accompanying the filings.

II. Background and Overview of Collaborative Process

A. The FRCC and the SERTP Interregional Seam.

Order No. 1000 requires public utility transmission providers to develop matching OATT language with public utility transmission providers in neighboring transmission planning regions.⁶ The Florida Sponsors have collaborated with the Jurisdictional SERTP Sponsors to meet this requirement.

B. FRCC Stakeholder Outreach Efforts

In addition to the collaboration with the Jurisdictional SERTP Sponsors, the Florida Sponsors provided a number of opportunities for other FRCC stakeholder involvement in the process. As was done with the Order No. 1000 regional compliance development process, the FRCC provided logistical support for this stakeholder process, including posting information on the FRCC website concerning the Order No. 1000 interregional compliance process (<https://www.frcc.com>). These materials included the following: all meeting notices and materials; Florida Sponsors' documents; and Other Stakeholders' documents. The FRCC also provided the meeting facilities and the webinar support for the stakeholder meetings. A chronology of the Order No. 1000 stakeholder involvement is provided below:

- On March 27, 2013, the Florida Sponsors distributed to the other FRCC stakeholders an initial strawman of a proposal to comply with Order No. 1000's interregional requirements for purposes of the FRCC-SERTP interregional seam.
- On April 11, 2013, the Florida Sponsors hosted a stakeholder meeting at the FRCC to discuss with other stakeholders the FRCC-SERTP interregional strawman.

⁶ Order No. 1000, P 475.

- On April 19, 2013, the other FRCC stakeholder comments on the strawman were submitted and posted on the FRCC website.
- On May 20, 2013, the Florida Sponsors posted responses to the other FRCC stakeholders' submitted comments on the strawman proposal.
- On May 10, 2013, the Florida Sponsors posted on the FRCC website draft OATT language for implementing Order No. 1000's interregional requirements with the FRCC-SERTP seam.
- On May 20, 2013, the Florida Sponsors hosted a stakeholder meeting at the FRCC to discuss that posted OATT language.
- On May 29, 2013, the Florida Sponsors sent out an email to the other FRCC stakeholders identifying the proposed OATT changes related to the FRCC-SERTP Economic Studies.
- On June 7, 2013, the other FRCC stakeholders submitted comments on the draft OATT language for implementing Order No. 1000's interregional requirements with the FRCC-SERTP seam.
- On July 10, 2013, the Florida Sponsors posted responses to the other FRCC stakeholders' submitted comments on the draft OATT language for implementing Order No. 1000's interregional requirements with the FRCC-SERTP seam.

C. The Florida Sponsors' Interregional Compliance Proposals Build Upon Their Bottom-Up Transmission Planning Processes.

In order to understand how the interregional proposals integrate with the Florida Sponsors' existing practices and processes, it is necessary to first describe those existing processes. Order No. 1000 provides that "interregional transmission coordination may follow a 'bottom up' approach."⁷ This holding is highly relevant to the FRCC region, as the Florida Sponsors are largely vertically integrated utilities that use bottom-up planning processes for transmission planning purposes. Their system planning generally begins with Integrated Resource Planning ("IRP") that is a state-regulated process to identify resource and system needs and the least-cost means to reliably address those needs. The results of this IRP along with long-term firm reservations made by third parties under their OATTs are the data inputs that drive the transmission planning in the FRCC region.

Order No. 1000 also provides that its interregional coordination requirements "should complement local and regional transmission planning processes, and should not substitute for

⁷ Order No. 1000, P 401.

these processes.”⁸ In this regard, the Florida Sponsors’ pre-Order No. 1000 transmission planning processes are already thoroughly coordinated with their neighbors. In addition to, for example, the region-wide reliability planning providing by the FRCC, the Florida Sponsors have numerous bilateral arrangements among themselves as well as with transmission owners/providers in the neighboring region.⁹ To the extent these arrangements provide for transmission expansion/upgrades, these are factored into the Florida Sponsors’ existing transmission planning processes. Accordingly, the interregional transmission coordination procedures developed by the Florida Sponsors in agreement with the Jurisdictional SERTP Sponsors and in coordination with the FRCC stakeholders build upon the Florida Sponsors’ bottom-up planning processes and are intended to supplement, not replace, existing planning processes.

III. Discussions of the Florida Sponsors and the Jurisdictional SERTP Sponsors’ Agreed-Upon Proposals for Complying with Order No. 1000’s Interregional Requirements for the FRCC and the SERTP Interregional Seam

Section III provides a general overview and support for the Florida Sponsors and the Jurisdictional SERTP Sponsors’ proposed tariff provisions to implement the interregional requirements of Order No. 1000. Section III.A describes and supports the mutual agreement to adopt an avoided cost methodology for the FRCC and the SERTP’s interregional seam, and how this methodology complies with the six interregional cost allocation principles. Section III.B describes how the proposed tariff provisions otherwise satisfy Order No. 1000’s interregional coordination and cost allocation requirements

A. The Agreed-Upon Methodology for Interregional Cost Allocation Purposes Based on Avoided Costs.

1. General Description of the Florida Sponsors’ and the Jurisdictional SERTP Sponsors’ Agreed-Upon Cost Methodology.

Order No. 1000 requires each public utility transmission provider within a region to develop a method or set of methods for allocating the costs of new interregional transmission facilities that two (or more) neighboring transmission planning regions determine resolve the needs of each region more efficiently or cost-effectively than the construction of separate regional transmission facilities.¹⁰ An interregional transmission facility is defined as one located in two or more transmission planning regions.¹¹ Order No. 1000 requires that public utility

⁸ *Id.*

⁹ In this regard, reference is made to the portions of the Florida Filing TPs’ Attachment K/Ns addressing Order No. 890’s regional participation, as those aspects of their OATTs provide an overview of the Florida Filing TPs’ existing coordination efforts.

¹⁰ Order No. 1000, P 482.

¹¹ *Id.* at n. 374.

transmission providers in each of the neighboring transmission planning regions have a common method or methods for allocating the cost of new interregional transmission facilities among the beneficiaries of such facilities in the two neighboring regions in which the facility is located.¹² An interregional transmission facility must be selected in both of the relevant regional transmission planning processes for purposes of cost allocation in order to be eligible for interregional cost allocation.¹³ Finally, the agreed-upon interregional cost allocation methodology must satisfy six cost allocation principles adopted in the Order.¹⁴

The Florida Sponsors' and the Jurisdictional SERTP Sponsors' avoided cost methodology presented herein satisfies these requirements. Pursuant to Order No. 1000's requirements, the Florida Sponsors' and the Jurisdictional SERTP Sponsors' proposals require that the project be located in both of the regions and interconnect with one or more transmission providers, owners, and/or sponsors within each of their regions. Consistent with Order No. 1000, the proposals require that the interregional project must be proposed (and ultimately selected) in both/all neighboring regions where it would be located, in addition to meeting certain prerequisites that the projects and developers must satisfy (i.e., the qualification criteria and submittal requirements of the pertinent regions).

The primary purpose of the FRCC and the SERTP transmission planning regions' interregional cost allocation methodology is to provide a means for the regions to allocate an interregional project's costs between the regions where it would be located. In general, the proposed avoided cost methodology involves the calculation of the total avoided cost benefits for both regions. In determining this interregional total, both regions would calculate the cost of all the regional transmission projects identified in their respective regional plans that would be displaced by the proposed interregional transmission project. Stated differently, the benefits of an interregional project would be the cost savings received by displacing the higher cost regionally-planned transmission project(s) in both regions with a more efficient and/or cost effective proposed interregional project(s) that addresses regional needs previously intended to be addressed by the displaced project(s). The Florida Sponsors, Jurisdictional SERTP Sponsors, or other entities which have their transmission projects displaced by the proposed interregional project, and thereby would receive costs savings, would be the beneficiaries themselves or would benefit on behalf of their customers.

The proposed interregional project's costs would then be allocated between the regions on a *pro rata* basis based upon the ratio of each region's displaced/avoided costs compared to the total displaced/avoided costs for both regions where the facility would be located. Allocation within each region is not addressed by these joint proposals, other than to indicate that further cost allocation within the region is left to the respective regional planning processes. Importantly, given the iterative nature of transmission planning and the fact that for most of these

¹² *Id.*, at P 578.

¹³ *Id.*, at P 582.

¹⁴ *Id.*, at P 603.

types of significant, regional and interregional projects there is a fair amount of lead time prior to parties committing to a project, the proposal provides that the allocation will be based upon the most recent regional benefits calculation performed prior to the project being selected for regional cost allocation processes in the pertinent regional plans.

The transmission project for interregional cost allocation will be included in the regional transmission plans after each region has performed all evaluations included in their respective regional processes, along with all requisite approvals and, if applicable, agreements being obtained from the regional processes necessary for the project to be included in the affected regional transmission plans. The interregional proposals further provide that once selected, the interregional project may be removed from the affected region's plans if it fails to meet requisite project milestones, if it is removed pursuant to the regional reevaluation procedures, or if the project is removed from the neighboring region's regional plan for purposes of cost allocation.

2. The Agreed-Upon Methodology Satisfies Order No. 1000's Interregional Cost Allocation Principles.

The methodology agreed upon by the Florida Sponsors and the Jurisdictional SERTP Sponsors satisfies Order No. 1000's six interregional cost allocation principles.¹⁵

a. Principle One: Allocation Commensurate with Estimated Benefits

The agreed-upon methodology would allocate the costs of interregional projects in proportion to the quantifiable benefits of avoided/displaced transmission. Utilizing this metric satisfies the requirement that costs must be allocated in a manner roughly commensurate with the estimated benefits to each region (Cost Allocation Principle 1)¹⁶ because the costs are allocated in proportion to the quantifiable benefits of avoided/displaced transmission. In the context of cost allocation within a planning region, the Commission has found that a cost allocation that includes avoided costs "could be a reasonable approach for allocating costs in a manner that is roughly commensurate with benefits."¹⁷ The Commission specifically approved an avoided cost

¹⁵ Interregional Cost Allocation Principle 1 provides that costs are to be allocated roughly commensurate with benefits; Interregional Cost Allocation Principle 2 provides that there will be no involuntary cost allocation to non-beneficiaries; Interregional Cost Allocation Principle 3 provides that if a benefit-to-cost ratio is used, it may not include a ratio exceeding 1.25 absent Commission approval; Interregional Cost Allocation Principle 4 provides that costs for an interregional transmission facility must be assigned only to transmission planning regions in which the transmission facility is located unless those outside voluntarily assume cost responsibility; Interregional Cost Allocation Principle 5 requires a transparent method for determining benefits and identifying beneficiaries, and allocating costs; and Interregional Cost Allocation Principle 6 allows for different cost allocation methods for different types of facilities. *See* Order No. 1000, P 603 *et seq.*

¹⁶ Order No. 1000, P 622.

¹⁷ *Avista Corp.*, 143 FERC ¶ 61,255 at P 300 (2013), citing *S.C. Elec. & Gas Co.*, 143 FERC ¶ 61,058 at P 232 (2013); *Pub. Serv. Co. of Colorado*, 142 FERC ¶ 61,206 at P 312 (2013).

approach for allocating the cost of reliability projects within a region, finding that it “reasonably captures the benefits of such projects.”¹⁸ Utilizing an avoided/displaced cost allocation metric facilitates the comparison of the costs of an interregional project with a project(s) which has already been determined to provide benefits to the planning region. Therefore, replacing an already existing project with a comparable, or more cost efficient, interregional project ensures that the cost and benefits are roughly commensurate in a manner that identifies cost-effective and efficient solutions to address transmission needs.

Moreover, notwithstanding regional cost allocation approaches, an avoided cost approach to interregional cost allocation is particularly appropriate in light of the purpose of interregional coordination under Order No. 1000. As the Commission explained in Order No. 1000-A, its interregional coordination reforms do *not* require the establishment of interregional planning processes to develop integrated interregional plans, but rather call upon public utility transmission providers to consider “whether the local and regional transmission planning processes result *in transmission plans* that meet local and regional transmission needs more efficiently and cost-effectively, after considering opportunities for collaborating with public utility transmission providers in neighboring transmission planning regions.”¹⁹ Since the purpose of interregional coordination is thus to determine whether an interregional project might displace one or more projects included in regional or local transmission plans, the cost of the displaced projects represents a reasonable measure of the benefits of the interregional project for cost allocation purposes.

The Florida Sponsors and the Jurisdictional SERTP Sponsors recognize that the Commission has held that the sole use of an avoided cost methodology does not comply with the principles applicable to *regional* cost allocation because (according to those orders) it does not account for economic or public policy needs.²⁰ Although the Florida Sponsors and the Jurisdictional SERTP Sponsors dispute such findings, they are not determinative or relevant here. Order No. 1000 clearly provides that it does *not* require the consideration of public policy or economic needs at the interregional level.²¹ Since Order No. 1000 requires only interregional coordination, the Commission explains that it does *not* “require ... interregional transmission planning, including the ... consideration of transmission needs driven by Public Policy Requirements, or the evaluation of economic considerations.”²² Accordingly, the sole use of an avoided cost methodology is appropriate at the interregional level. Stated differently, to the extent that the avoided cost methodology might be considered to not capture transmission needs

¹⁸ *Pub. Serv. Co. of Colorado*, 142 FERC ¶ 61,206 at P 312.

¹⁹ Order No. 1000-A at P 511 (emphasis added). *See also* Order No. 1000 at P 368, where the Commission explained that it was requiring further reforms in interregional coordination because, in the absence of coordination between regions, transmission providers “may be unable to identify more efficient or cost-effective solutions to the individual needs identified in their respective local and regional planning processes, potentially including interregional transmission facilities.”

²⁰ *S.C. Elec. & Gas Co.*, 143 FERC ¶ 61,058 at P 226; *Tampa Electric Co.*, 143 FERC ¶ 61,254 (2013).

²¹ Order No. 1000, P 401.

²² *Id.*

driven by public policy and economic²³ criteria that Order No. 1000 requires must be assessed in the *regional* processes, Order No. 1000 expressly holds that such considerations need not be repeated at the *interregional* level.

Measuring the benefits of interregional transmission projects for cost allocation purposes through the avoided cost/displaced approach is also appropriate in light of the ability of each region to decline to select an interregional project in its regional plan for cost allocation purposes if the project is not cost-effective for that region.²⁴ Allocating an interregional project's cost in proportion to the costs of the regional project or projects that it would displace takes into account the voluntary nature of interregional coordination and results in a close "alignment of transmission planning and cost allocation," which was a "central underpinning" of the Commission's interregional coordination reforms.²⁵

b. Principle Two and Principle Four: No Involuntary Allocation to a Region that Does Not Benefit or in Which a Facility Is Not Located

The avoided cost approach included in the interregional coordination proposals discussed herein complies with Cost Allocation Principle 2²⁶ and Cost Allocation Principle 4.²⁷ Only a transmission provider or transmission owner in the regions in which the facility would be located that avoids transmission costs would be allocated the cost of the regional project.

Principle 4 also requires that the interregional planning process identify the consequences of an interregional facility for other regions, such as upgrades that may be required there, and, if there is an agreement to share the costs of such upgrades, the allocation method must address those costs.²⁸ The cost allocation approach adopted by the Florida Sponsors and the Jurisdictional SERTP Sponsors does not provide for the sharing of costs of upgrades that might be required in a region in which an interregional facility is not located.

²³ As of the date of this filing, the Jurisdictional SERTP Sponsor's regional compliance filings, which employ the avoided cost methodology as the sole cost allocation metric, are still pending before the Commission. As applied by the Jurisdictional SERTP Sponsors, and as discussed further below, the avoided cost methodology does *in fact* account for *all* needs that drive physical firm transmission commitments, including economic and public policy needs. Nevertheless, assuming *arguendo* that some other methodology was still needed for "economic" and "public policy" projects at the regional level, this does not speak to what is required to satisfy Order No. 1000's interregional requirements.

²⁴ See Order No. 1000-A, P 512. This ability is an outgrowth of the requirement that an interregional project be selected for interregional cost allocation in the regional plans of the affected regions. *Id.*, at P 509.

²⁵ Order No. 1000, P 582.

²⁶ *Id.*, at P 637.

²⁷ *Id.*, at P 657.

²⁸ *Id.*

c. Principle Three: Benefit-Cost Threshold

The avoided/displaced cost methodology satisfies Cost Allocation Principle 3²⁹ because the FRCC-SERTP seam does not apply an interregional cost-benefit analysis. It also bears noting that the Florida Sponsors' proposal with the neighboring SERTP region provides that proposed interregional cost allocation projects must be accepted in the respective regional processes. This requirements means that if a regional process requires a benefit-to-cost ratio threshold, the portion of the project allocated to such region would be required to satisfy such threshold.

d. Principle Five: Transparency

Since the benefits that form the basis of cost allocation under the avoided cost approach are readily quantifiable, the cost allocation method and data requirements for determining benefits and identifying beneficiaries would be transparent, satisfying Cost Allocation Principle 5. Moreover, there would be sufficient documentation to allow stakeholders to determine how the cost allocation method was applied to a proposed facility.³⁰

e. Principle Six: Flexibility to Use Single or Multiple Methodologies for Different Projects

Finally, with regard to Cost Allocation Principle 6,³¹ this straightforward approach would apply to all types of transmission facilities proposed for Interregional cost allocation purposes ("Interregional CAP").

3. The Use of an Avoided Cost Approach Is Especially Appropriate for the FRCC and SERTP Interregional Seam.³²

There are additional reasons reinforcing the use of an avoided cost approach for the FRCC and SERTP interregional seam.³³ As previously discussed, Order No. 1000 expressly

²⁹ *Id.*, at P 646.

³⁰ *Id.*, at P 668.

³¹ *Id.*, at P 685.

³² The Florida Sponsors and the Jurisdictional SERTP Sponsors have coordinated in preparing the discussion found in this section, and it is the Florida Sponsors' understanding that essentially the same language is being incorporated into the transmittal letters for the public utility transmission providers in the SERTP that are being filed contemporaneously herewith.

³³ The Florida Sponsors' and the Jurisdictional SERTP Sponsors' regional cost allocation methods are based upon the avoided cost associated with a regional transmission project that is selected for regional cost allocation purposes. As of the date of this filing, the Commission has issued an order rejecting the Florida Sponsors' sole use of an avoided cost methodology on the regional level. *Tampa Electric Co.*, 143 FERC ¶ 61,254 at P 247 (2013). The Florida Sponsors and the Jurisdictional SERTP Sponsors reserve the right to seek rehearing of a finding that their respective regional avoided cost methodology does not fully satisfy Order No. 1000's regional cost allocation requirements.

provides that the interregional coordination procedures may use a bottom-up planning process,³⁴ which is necessary for the FRCC and the SERTP regions since the transmission planning in those regions builds upon often state-regulated, IRP planning. Elsewhere, the Order repeatedly holds that the Commission is not requiring IRP planning or disrupting the states' regulation thereof.³⁵ To the best of the public utility transmission providers in those regions' collective knowledge, the avoided cost methodology *is the most consistent, if not the only*, cost allocation methodology that is consistent with, and avoids significant disruption to, their bottom-up and IRP planning. This is because the avoided cost methodology looks to see if there is a more cost effective or efficient transmission solution to satisfy *system need(s) identified in the IRP and other bottom-up planning* processes, as opposed to other methodologies that might look to identify other or alternative system needs by overriding the resource solutions and decisions incorporated in those bottom-up planning processes. For example, the use of production cost analyses, if applied at a regional or interregional level, would disrupt such IRP and bottom-up planning if it identified different solutions to address a load serving entity's resource needs (*e.g.*, by altering dispatch patterns, assuming an alternate set of network resources, or assuming other changes would be made to resource plans). Therefore, the use of the avoided cost methodology is consistent not only with Order No. 1000's holding that the use of bottom-up planning is appropriate for interregional coordination, but also with Order No. 1000's repeated statements that the Commission is not disrupting IRP planning or the States' regulation thereof.³⁶

B. The FRCC-SERTP Seam: The Florida Sponsors' and the Jurisdictional SERTP Sponsors' Agreed-Upon OATT Language to Address Order No. 1000's Interregional Requirements for their Respective Seam.

The Florida Sponsors and the Jurisdictional SERTP Sponsors have agreed to a common approach and parallel tariff language in their respective OATTs to satisfy Order No. 1000's interregional coordination and cost allocation requirements for their collective seam ("FRCC-SERTP Joint Proposal").

For the Florida Sponsors, this tariff language effectuating the FRCC-SERTP Joint Proposal is found in their respective OATTs as follows:

³⁴ Order No. 1000, P 158.

³⁵ *Id.*, at P 212.

³⁶ Furthermore, and even though Order No. 1000 clearly holds that public policy and economic considerations are not required to be addressed by interregional coordination procedures, the Florida Sponsors and the Jurisdictional SERTP Sponsors emphasize that their avoided cost methodology does, in fact, address those considerations in both regional planning and interregional coordination. SCE&G's Request for Rehearing in FERC Docket No. ER13-107-000 explains in detail why this is the case. Rather than repeat those arguments here since Order No. 1000 clearly provides that economic and public considerations are not required at the interregional level, reference is made to SCE&G's request for rehearing.

- For DEF the implementing tariff language is found at Attachment N-2 - SERTP of the Duke Joint OATT.
- For FP&L the implementing tariff language is found at Attachment K-1 of FP&L's OATT.
- For TEC the implementing tariff language is found at Attachment K, Appendix 5, of TEC's OATT.
- For OUC the implementing tariff language is found at Attachment K, Appendix 5 of OUC's OATT.

For the Jurisdictional SERTP Sponsors, this parallel tariff language effectuating the FRCC-SERTP Joint Proposal is included in their respective OATTs as follows:

- For Duke the implementing tariff language is found at Attachment N-1 - FRCC of the Duke Joint OATT.
- For LG&E/KU the implementing tariff language is found at Appendix 6 to Attachment K of LG&E/KU's OATT.
- For OVEC the implementing tariff language is found at Attachment M-1 of OVEC's OATT.
- For Southern Companies the implementing tariff language is found at Attachment K-4, "Interregional Transmission Coordination Between the SERTP and FRCC Regions" of Southern Companies' OATT.

In addition to adopting parallel OATT language, in an effort to facilitate the Commission's review of this filing and that being made contemporaneously by the Florida Sponsors and the Jurisdictional SERTP Sponsors, the Florida Sponsors and the Jurisdictional SERTP Sponsors have coordinated to develop this Section III.B of this transmittal letter so as to include parallel discussions in their respective transmittal letters of the agreed-upon approach.

For ease of reference, the following tracks the tariff language that is being adopted in the Florida Sponsors' and the Jurisdictional SERTP Sponsors' respective OATTs.

1. Introduction

For both the Florida Sponsors and the Jurisdictional SERTP Sponsors, the FRCC-SERTP Joint Proposal begins with an "Introduction" section that follows the *pro forma* "Interregional Transmission Coordination" language found at pages 591-593 of Order No. 1000-A. This *pro forma* language provides a general overview of the interregional transmission planning

commitments being made by the Florida Sponsors and the Jurisdictional SERTP Sponsors for their collective seam.

2. Sections 1-3, 5: The Proposed Interregional Transmission Coordination Procedures

With regard to interregional transmission coordination, Order No. 1000 states that the purpose of these requirements is to "obligate public utility transmission providers to identify and jointly evaluate interregional transmission facilities that may more efficiently or cost-effectively address the individual needs identified in their respective local and regional transmission planning processes."³⁷ Order No. 1000 requires the public utility transmission providers in neighboring regions to engage in "joint evaluation" of proposed interregional projects³⁸ and establishes "data exchange"³⁹ and "transparency" requirements.⁴⁰ The FRCC-SERTP Joint Proposal addresses these interregional coordination requirements at Sections 1-3 and 5 in the proposed OATT language.

a. Section 1: Interregional Coordination in General

The preamble under the heading "Interregional Transmission Planning Principles" and Section 1 of the parallel OATT language provide a general discussion of how the Florida Sponsors and the Jurisdictional SERTP Sponsors will comply with Order No. 1000's interregional transmission coordination requirements. The Commission held in Order No. 1000 that it would not prescribe requisite time frames but expects the transmission providers in neighboring regions "to cooperate and develop timelines that allow for coordination and joint evaluation[s]."⁴¹

In compliance with this requirement, these implementing OATT provisions provide that the FRCC and the Jurisdictional SERTP Sponsors will meet no less than once per year to facilitate the implementation of the interregional coordination procedures that they are adopting. Section 1.1 further provides for the biennial review of each other's regional plans and makes reference to the other provisions being adopted that provide for exchange of models and data on at least an annual basis and for the joint evaluation of interregional projects. Section 1.2 further discusses how these proposed interregional coordination procedures will provide for the coordinated review and evaluation of interregional transmission projects and of the exchange of status updates of such projects. Order No. 1000 also directs that neighboring regions are to provide some effort "to harmonize differences in the data, models, assumptions, planning

³⁷ Order No. 1000, P 393.

³⁸ *E.g., id.*, at P 435.

³⁹ *Id.*, at P 454.

⁴⁰ *Id.*, at P 458.

⁴¹ *Id.*, at P 438.

horizons, and criteria used to study a proposed transmission project."⁴² Consistent with that requirement, Section 1.3 provides for the coordination of the assumptions to be used in joint evaluation, including items such as expected timelines and milestones, study assumptions, and regional benefit calculations.

b. Section 2: Data Exchange

Order No. 1000 requires the adoption of interregional procedures that provide for the exchange of data and information at least once a year so that neighboring regions are aware of and are able to utilize each other's plans, including underlying assumptions and analysis.⁴³ In accordance with these requirements, Section 2.1 of the FRCC-SERTP Joint Proposal provides for the exchange, on at least an annual basis, of the power-flow models and associated data used in the planning processes, along with additional transmission-based models and data as necessary and requested. Section 2.2 provides that the regional plans themselves will be posted upon each region's website and each region will be notified of such posting to allow for retrieval.

c. Section 3: Joint Evaluation

Order No. 1000 requires the development of procedures for the joint evaluation of proposed interregional facilities so as to provide "greater certainty that the transmission facilities in each regional transmission plan are the more efficient and cost-effective solutions to meet the region's needs."⁴⁴ Section 3.1 of the FRCC-SERTP Joint Proposal essentially provides that the FRCC and Jurisdictional SERTP Sponsors will review one another's plans, and if potentially more efficient and cost-effective interregional projects are identified through this review, then they will engage in joint evaluation of such projects. Section 3.2 provides that this joint evaluation may be triggered by stakeholders identifying interregional projects. Section 3.3 further provides that the public utility transmission providers in both regions will evaluate through their respective regional processes whether the proposed interregional project would be a more efficient and cost effective project than projects included in their existing plans. In an effort to provide for the evaluation of interregional projects on the same basis as those used for projects considered at both the regional and local levels, Section 3.3 provides that the evaluation of interregional projects will be performed through each region's regional processes, with the analysis to be consistent with the practices of the respective region and consistent with the methods utilized to produce the respective regional plans. Section 3.3 also generally provides that the both regions will coordinate and exchange assumptions, models, and data as possible and needed pursuant to the above-described coordination and data exchange provisions.

Order No. 1000 requires that a project that will receive interregional cost allocation must be selected for cost allocation purposes in the regional plans of both neighboring regions.⁴⁵ In

⁴² *Id.*, at P 437.

⁴³ *Id.*, at P 454.

⁴⁴ *Id.*, at P 435.

⁴⁵ *Id.*, at P 436.

this regard, Order No. 1000's joint evaluation provisions provide that an interregional transmission project is to first be proposed in the regional processes of both/all of the neighboring regions in which the facility is to be located so as to "trigger the procedure under which the public utility transmission providers, acting through their regional transmission planning process, will jointly evaluate the proposed transmission project."⁴⁶ Consistent with these requirements, Section 3.4 of the FRCC-SERTP Joint Proposal provides that if an interregional project is proposed in both the FRCC and SERTP regions in an effort to be selected for Interregional CAP in both regions, then the analysis of that project will be performed in the same manner as the analysis of other interregional projects identified by the FRCC and the public utility transmission providers in the SERTP through their interregional coordination efforts described in Sections 3.1 and 3.2. Section 3.4 also notes that such a project submitted for Interregional CAP must satisfy the interregional cost allocation requirements adopted by the FRCC and SERTP and provided at Section 4 (described below).

d. Section 5: Transparency

Order No. 1000's transparency requirements include that a website or email list be maintained for the communication of information related to interregional transmission coordination procedures.⁴⁷ Section 5 of the FRCC-SERTP Joint Proposal addresses these requirements, providing that such information will be posted on the respective regional websites (subject to CEII and confidentiality protections). Section 5 further provides that status updates of interregional coordination activities will be provided during the FRCC's and SERTP's respective regional planning meetings and that their stakeholders will have an opportunity during those regional processes to provide input and feedback related to interregional facilities under consideration. Likewise, each neighboring region will provide status updates to its stakeholders at the appropriate regional planning process meetings.

3. Section 4: Interregional Cost Allocation

Section 4 of the proposed interregional tariff language details the mechanics of the cost allocation methodology adopted under the FRCC-SERTP Joint Proposal. As already explained herein, the use of an avoided cost allocation methodology fully complies with Order No. 1000's interregional cost allocation requirements. And while this transmittal letter already provided an overview of the avoided cost methodology generally adopted by the Florida Sponsors and the SERTP Sponsors, the following discussion of the specific provisions adopted under the FRCC-SERTP Joint Proposal is provided.

Section 4.1 specifies the criteria that must be met for an interregional project to be considered for purposes of cost allocation between the FRCC and SERTP regions. Simply, the proposed project must be located in, and interconnect to sponsors' facilities located in, the two

⁴⁶ *Id.*

⁴⁷ *Id.*, at P 345.

regions and must satisfy the project criteria within each region's regional process. The latter reflects Order No. 1000's requirement that interregional projects selected for cost allocation be located and selected in each region's regional transmission planning process for purposes of cost allocation.⁴⁸ In that vein, the project must be proposed for purposes of cost allocation in both regional transmission planning processes pursuant to the respective project submittal requirements. Importantly, case-by-case flexibility is provided at Section 4.1.B should an interregional proposal not satisfy all of that criteria provided that (among other things) the project meets the threshold criteria for a project to be included in at least one of the region's regional transmission planning process and otherwise would provide significant interregional benefits.

Section 4.2 documents the procedures for evaluating the cost allocation methodology. Section 4.2.A essentially provides that the FRCC and SERTP public utility transmission providers will evaluate the proposal through their regional processes to determine whether the proposed project addresses transmission needs currently address by projects in their local or regional transmission plan and (if so) which projects would be displaced. Based upon that evaluation, Section 4.2.B provides that each region will quantify a "Regional Benefit" that is based upon the transmission costs that each region is projected to avoid due its transmission projects being displaced by the proposals. Importantly, this "Regional Benefit" is specific to only the *interregional* cost allocation between the FRCC and SERTP for an interregional project located within both regions and is not intended to be the equivalent of any benefit calculation at the *regional* level, as the regional cost allocations may provide for other or perhaps more detailed considerations.

Section 4.3 provides that each region will calculate a regional benefit to cost ratio consistent with its regional process and compare the ratio to its respective threshold to determine if the interregional project appears to be more efficient and cost effective than those projects included in its current regional transmission plan.

Order No. 1000 provides that in order for an interregional project to be selected for Interregional CAP purposes, it must first be selected for regional cost allocation in the pertinent regions.⁴⁹ Consistent with that requirement, Section 4.4 provides that an interregional project proposed for Interregional CAP in both regions will be included in their respective regional plans once it has been so selected through the regional planning processes for both the FRCC and SERTP. Once so selected for both regional cost allocation and Interregional CAP, Section 4.5 specifies that the actual allocation of the interregional project's costs to the regions will be made based upon each region's ratio of Regional Benefits to total Regional Benefits for both the FRCC and SERTP.

Consistent with Order No. 1000's holdings regarding project milestones and the need for an interregional project to have the approval of both regional processes, Section 4.6 provides that

⁴⁸ Order No. 1000, P 436.

⁴⁹ Order No. 1000, P 436.

an interregional project may be removed from the regions' regional plans if it fails to meet project milestones, if it is removed pursuant to a region's reevaluation procedures, or if the project is otherwise removed from one of the region's regional transmission plans.

IV. The Dissolution of the Southeast Inter-Regional Participation Process ("SIRPP")

It is the Florida Sponsors' understanding that the Jurisdictional SERTP Sponsors, in concurrence with the other sponsors of the Southeast Inter-Regional Participation Process ("SIRPP"),⁵⁰ are proposing to dissolve and otherwise terminate the SIRPP. The Jurisdictional SERTP Sponsors have provided the following explanation to the Florida Sponsors:

By way of background, and as explained on page 10 of Southern Companies' December 7, 2007 Attachment K Compliance Filing in Docket No. OA08-37-000, in response to Order No. 890's transmission planning requirements, the SIRPP was adopted:

... pursuant to specific Staff guidance following the Little Rock Conference ... [A]t the Little Rock Conference, several stakeholders requested a process through which they could request economic planning studies for hypothetical service that would transverse multiple regional transmission planning efforts. In addition, Staff and stakeholders raised several questions regarding the reliability planning efforts that are conducted at the SERC-wide level. Following that conference, Staff specifically recommended that the transmission providers in SERC develop a process whereby stakeholders can request economic studies across the SERC footprint, as well as providing stakeholders more access to the reliability planning that occurs at the SERC-wide level.

In accordance with that guidance, the SIRPP Sponsors established the SIRPP. As indicated above, the SIRPP provides for the performance of stakeholder-requested, hypothetical planning studies across the SIRPP's collective footprint as well as providing a forum for the SIRPP Sponsors to provide stakeholders with updates regarding SERC-wide transmission assessment efforts. And while not required by Order No. 890 (which established no requirements for interregional transmission planning efforts), the adoption of the SIRPP implicated several of the Order No. 890 planning principles, particularly the regional participation principle (in that the SIRPP involved a coordination efforts between the neighboring utilities) and the economic planning principle (in that the SIRPP provided for certain, stakeholder-requested economic planning studies). As such, the SIRPP is specifically referenced in Duke's, LG&E/KU's, and Southern Companies' currently effective Attachment Ks on several occasions.

⁵⁰ The SIRPP sponsors include all of the SERTP Sponsors (except for OVEC) and also SCE&G and Entergy (collectively, the "SIRPP Sponsors") (although Entergy will withdraw from the SIRPP once Entergy transfers its transmission planning activities to MISO).

While Order No. 890 did not adopt specific requirements at the interregional level, Order No. 1000 does. As described above, Order No. 1000 establishes interregional coordination and interregional cost allocation requirements.⁵¹ And while Order No. 1000 thereby established specific data exchange, joint evaluation, transparency, cost allocation and other requirements at the interregional level, the Commission declined to apply the Order No. 890 transmission planning principles to the interregional level.⁵² Accordingly, Order No. 1000's decision to *not* apply Order No. 890's transmission planning principles, including the economic planning principle, at the interregional level was neither an oversight nor accidental but was a deliberate determination by the Commission.

Consistent with the above explanation, the Florida Sponsors understand that the Jurisdictional SERTP Sponsors, in concurrence with the other SIRPP Sponsors, propose to dissolve and otherwise terminate the SIRPP. It is the Florida Sponsors' understanding that the Jurisdictional SERTP Sponsors are submitting revised tariff sheets that effectuate the foregoing by removing references to the SIRPP.

The Florida Sponsors informed other FRCC stakeholders of the Jurisdictional SERTP Sponsors' intent to dissolve the SIRPP and remove SIRPP references and that accordingly the Florida Sponsors intended to propose removal of SIRPP references from Section 7.4 of their Attachment K/Ns. No FRCC stakeholder objected.

Accordingly the Florida Sponsors are each filing their relevant tariff record that includes the referenced Section 7.4 and including those in their Clean and Marked Tariff Attachments.

V. Request for Waiver

The Florida Sponsors are making this filing in compliance with the Commission's interregional directives in Order No. 1000. By making this filing in compliance with that Order, the Florida Sponsors believe that they have hereby satisfied the Commission's requirements that apply. Should any of the Commission's regulations (including filing regulations) or requirements not be addressed, the Florida Sponsors respectfully request waiver of any such regulation or requirement.

VI. Effective Date

Order No. 1000 acknowledges that it might become effective during the middle of a transmission planning cycle and therefore directed public utility transmission providers to

⁵¹ Order No. 1000, PP 345-481, and PP 566-693.

⁵² See Order No. 1000, P 399 ("We decline to adopt the recommendations of those commenters that suggest that the Commission adopt a more robust, formalized interregional transmission planning process than the interregional transmission coordination requirements in the Proposed Rule.")

explain in their respective compliance filings how they intend to implement Order No. 1000's requirements.⁵³ Consistent with the foregoing, the Florida Sponsors propose that their interregional coordination procedures with the SERTP transmission planning region being filed hereunder become effective in the transmission planning cycle subsequent to their regional planning processes becoming effective.

For example, if the Florida Sponsors and the Jurisdictional SERTP Sponsors' regional planning proposals both are effective in 2014, then these interregional proposals would become effective in 2015. Although the Florida Sponsors believe the effective date could be January 1, 2015, they are using the date 12/31/9998 in their electronic metadata to reflect that there is some uncertainty in this regard. For example, should the Commission require extensive changes, it may not prove feasible to effectuate those changes to the transmission planning process by January 1, 2015.

VII. Communications and Service

The Florida Filing TPs are serving an electronic copy of this filing to their respective OATT customers for whom they have e-mail addresses and to the Florida Public Service Commission. In addition, the Florida Filing TPs are posting an electronic copy of this filing on their OASIS or on their company's website that contains their major FERC OATT related filings.

The Florida Filing TPs request that questions or other communications regarding this filing be addressed to the following representatives and that these representatives be placed on the official service list for their respective companies:

⁵³ See Order No. 1000, P 162.

Hon. Kimberly D. Bose
July 10, 2013
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VIII. List of Documents

The following is a list of documents submitted with this filing:

- (a) This transmittal letter;
- (b) A Clean Tariff Attachment for posting in eLibrary; and
- (c) A Marked Tariff Attachment.

For the foregoing reasons the Florida Filing TPs respectfully request that the Commission accept the filed tariff provisions.

Sincerely,

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Clean Tariff Attachment

Clean Version of OATT Attachment K, Section 7.4:

7.4 Southern Companies, Kentucky Utilities Company (“KU”) and Louisville Gas and Electric Company (“LG&E”) (collectively “LG&E/KU”), Ohio Valley Electric Corporation (“OVEC”), Associated Electric Cooperative Inc., PowerSouth Energy Cooperative, Dalton Utilities, Georgia Transmission Corporation, the Municipal Electric Authority of Georgia, South Mississippi Electric Power Association, Duke Energy Carolinas, and Duke Energy Progress sponsor the Southeastern Regional Transmission Planning (“SERTP”) forum. The FRCC and the SERTP have established their respective links to transmission providers and FRCC/SERTP websites as applicable that contain study methodologies, joint transmission studies, and inter-regional transmission service and generator interconnection service related studies. The FRCC website link that contains this type of information can be found under the *Florida-SERC Inter-Regional Transmission Information* folder. In this folder please refer to a document entitled *FRCC Inter-regional Coordination Process* that describes how information, modeling data and expansion plans are shared. The SERTP website link is <http://www.southeasternrtp.com>. FRCC and SERTP transmission providers plan to attend transmission planning forums when study findings are presented to stakeholders that impact their respective transmission systems.

ATTACHMENT K-1

Interregional Transmission Coordination Between the FRCC and SERTP Regions

The Transmission Provider, through its FRCC regional transmission planning process, coordinates with the public utility transmission providers in the Southeastern Regional Transmission Planning process region (“SERTP”) to address transmission planning coordination issues related to interregional transmission facilities. The interregional transmission coordination procedures include a detailed description of the process for coordination between the FRCC and the public utility transmission providers in the SERTP (i) with respect to an interregional transmission facility that is proposed to be located in both transmission planning regions and (ii) to identify possible interregional transmission facilities that could address transmission needs more efficiently or cost-effectively than transmission facilities included in the respective regional transmission plans. The interregional transmission coordination procedures are hereby provided in this Attachment K-1 with additional materials provided on the regional planning websites.

The Transmission Provider ensures that the following requirements are included in the interregional transmission coordination procedures:

- (1) A commitment to coordinate and share the results of the FRCC and SERTP regional transmission plans to identify possible interregional transmission projects that could address transmission needs more efficiently or cost-effectively than separate regional transmission facilities, as well as a procedure for doing so;
- (2) A formal procedure to identify and jointly evaluate transmission facilities that are proposed to be located in both transmission planning regions;

- (3) A duty to exchange, at least annually, planning data and information; and
- (4) A commitment to maintain a website or e-mail list for the communication of information related to the coordinated planning process.

The Transmission Provider and other transmission providers in the FRCC have worked with transmission providers located in the SERTP to develop a mutually agreeable method for allocating between the two transmission planning regions the costs of new interregional transmission facilities that are located within both transmission planning regions. Such cost allocation method satisfies the six interregional cost allocation principles set forth in Order No. 1000 and is included in this Attachment K-1.

For purposes of this Attachment K-1, the FRCC's regional transmission planning process is the process described in Attachment K of this Tariff; the SERTP regional transmission planning process is the process described in the relevant Attachment Ks (or analog tariff sections) of the public utility transmission providers in the SERTP. References to the respective regional transmission planning processes in this Attachment K-1 are intended to identify the activities described in those tariff provisions. Unless noted otherwise, Section references in this Attachment K-1 refer to Sections within this Attachment K-1.

INTERREGIONAL TRANSMISSION PLANNING PRINCIPLES

Representatives of the FRCC and the SERTP will meet no less than once per year to facilitate the interregional coordination procedures described below (as applicable). Representatives of the FRCC and the SERTP may meet more frequently during the evaluation of project(s) proposed for purposes of interregional cost allocation between the FRCC and the SERTP.

1. Coordination

1.1 Review of Respective Regional Plans: Biennially, the FRCC and the public utility transmission providers in the SERTP region shall review each other's current regional plan(s) and engage in the data exchange and joint evaluation described in Sections 2 and 3.

1.2 Review of Proposed Interregional Projects: The FRCC and the public utility transmission providers in the SERTP will coordinate with regard to the evaluation of interregional transmission projects identified by the FRCC and the public utility transmission providers in the SERTP as well as interregional transmission projects proposed for Interregional Cost Allocation Purposes ("Interregional CAP"), pursuant to Sections 3 and 4, below. Initial coordination activities regarding new interregional proposals will typically begin during the third calendar quarter. The FRCC and the public utility transmission providers in the SERTP will typically exchange status updates for new interregional transmission project proposals or proposals currently under consideration every six (6) months, or as needed. These status updates will generally include, if applicable: (i) an update of the region's evaluation of the proposal; (ii) the latest calculation of Regional Benefits (as defined in Section 4.2); (iii) the anticipated timeline for future assessments; and (iv) reevaluations related to the proposal.

1.3 Coordination of Assumptions Used in Joint Evaluation: The FRCC and the public utility transmission providers in the SERTP will coordinate assumptions used in joint evaluations, as necessary, which includes items such as:

- Expected timelines/milestones associated with the joint evaluation;

- Study assumptions; and
- Regional benefit calculations.

2. Data Exchange

- 2.1** At least annually, the FRCC and the public utility transmission providers in the SERTP shall exchange power-flow models and associated data used in the regional transmission planning processes to develop their respective then-current regional transmission plan(s). This exchange will typically occur by the beginning of each region's transmission planning cycle. Additional transmission-based models and data may be exchanged between the FRCC and the public utility transmission providers in the SERTP as necessary and if requested. For purposes of the interregional coordination activities outlined in this Attachment K-1, only data and models used in the development of the FRCC's and SERTP's then-current regional transmission plans and used in their respective regional transmission planning processes will be exchanged. This data will be posted on the pertinent regional transmission planning process' website, consistent with the posting requirements of the respective regional transmission planning processes, and is considered CEII. The FRCC shall notify the public utility transmission providers in the SERTP of such posting.
- 2.2** The FRCC regional transmission plans will be posted on the FRCC website pursuant to the FRCC's regional transmission planning process. The FRCC will also notify the public utility transmission providers in the SERTP of such posting so the public utility transmission providers in the SERTP may retrieve these transmission plans. The public utility transmission providers in the SERTP will

exchange their then-current SERTP regional plan(s) in a similar manner according to their regional transmission planning process.

3. Joint Evaluation

3.1 Identification of Interregional Projects: The FRCC and the public utility transmission providers in the SERTP shall exchange planning models and data and current regional transmission plans as described in Section 2. The FRCC and the public utility transmission providers in the SERTP will review one another's then-current regional plan(s) in accordance with the coordination procedures described in Section 1 and their respective regional transmission planning processes. If through this review, the FRCC or the public utility transmission providers in the SERTP identify a potential interregional project that could be more efficient and cost effective than projects included in the respective regional plans, the FRCC and the public utility transmission providers in the SERTP will jointly evaluate the potential project pursuant to Section 3.3.

3.2 Identification of Interregional Projects by Stakeholders: Stakeholders may also propose projects that may be more efficient or cost-effective than projects included in the FRCC's and the SERTP's regional transmission plans pursuant to the procedures in each region's regional transmission planning processes. The FRCC and the public utility transmission providers in the SERTP will evaluate interregional projects proposed by stakeholders pursuant to Section 3.3.

3.3 Evaluation of Interregional Projects: The FRCC and the public utility transmission providers in the SERTP shall act through their respective regional transmission planning processes to evaluate potential interregional transmission

projects and to determine whether the inclusion of any potential interregional transmission projects in each region's regional transmission plan would be more efficient or cost-effective than projects included in their respective then-current regional transmission plans. Such analysis shall be consistent with accepted planning practices of the respective regions and the transmission study methodologies utilized to produce each region's respective regional transmission plan(s). To the extent possible and as needed, assumptions and models will be coordinated between the FRCC and the public utility transmission providers in the SERTP as described in Section 1. Data shall be exchanged to facilitate this evaluation using the procedures described in Section 2.

3.4 Initial Evaluation of Interregional Projects Proposed for Interregional Cost

Allocation Purposes: If an interregional project is proposed in the FRCC and the SERTP for Interregional CAP, the initial evaluation of the project will typically begin during the third calendar quarter, with analysis conducted in the same manner as analysis of interregional projects identified pursuant to Sections 3.1 and 3.2. Projects proposed for Interregional CAP shall also be subject to the requirements of Section 4.

4. Cost Allocation: If an interregional project is proposed for Interregional CAP in the FRCC and the SERTP, then the following methodology applies:

4.1 Interregional Projects Proposed for Interregional Cost Allocation Purposes:

For a transmission project to be considered for Interregional CAP within the FRCC and the SERTP, the following criteria must be met:

A. The transmission project must be interregional in nature;

- Be located in both the FRCC and the SERTP regions;
 - Interconnect to the transmission facilities of one or more FRCC members enrolled in the regional planning process and the transmission facilities of one or more SERTP sponsors; and
 - Meet the threshold criteria for transmission projects potentially eligible to be included in the regional transmission plans for purposes of cost allocation in both the FRCC and the SERTP, pursuant to their respective regional transmission planning processes.
- B. On a case-by-case basis, the FRCC and the SERTP will consider a transmission project that does not satisfy all of the criteria specified in Section 4.1.A but: (i) meets the threshold criteria for a project proposed to be included in the regional transmission plan for purposes of cost allocation in at least one of the two regions; (ii) would be located in both regions; (iii) would be interconnected to the transmission facilities of one or more of the FRCC members enrolled in the regional planning process and the transmission facilities of one or more SERTP sponsors; and (iv) provide significant interregional benefits (i.e. a major transmission project effectuating significant bulk electric transfers between the FRCC and the SERTP region).
- C. The transmission project must be proposed for purposes of cost allocation in both the FRCC and the SERTP.
- Except for the case-by-case exception for project threshold criteria identified in Section 4.1.B, the transmission developer and project

submittal must satisfy all criteria specified in the respective regional transmission processes.

- The proposal should be submitted in the timeframes outlined in the respective regional transmission planning processes.

4.2 Evaluation of Interregional Projects Proposed for Interregional Cost

Allocation Purposes: Interregional projects proposed for Interregional CAP in the FRCC and the SERTP shall be evaluated within the respective regions as follows:

- A. Each region, acting through its regional transmission planning process, will evaluate proposals to determine whether the proposed project(s) addresses transmission needs that are currently being addressed with projects in its regional transmission plan and, if so, which projects in the regional transmission plan could be displaced by the proposed project(s).
- B. Based upon its evaluation, each region will quantify a Regional Benefit based upon the transmission costs that each region is projected to avoid due to its transmission project(s) being displaced by the proposal.
 - For purposes of this Attachment K-1, “Regional Benefit” means the total avoided costs of projects included in the then-current regional transmission plans that would be displaced if the proposed interregional transmission project was included. The Regional Benefit is not necessarily the same as the benefits used for purposes of *regional* cost allocation.

4.3. Calculation of Benefit to Cost Ratio: Each region will calculate a regional benefit to cost (“BTC”) ratio consistent with its regional process and compare the BTC ratio to its respective threshold to determine if the interregional project appears to be more efficient and cost effective than those projects included in its current regional transmission plan. Each region shall utilize the cost calculation(s) as defined in such region’s regional transmission planning process (*e.g.*, the FRCC will compute the cost of the portion of the interregional project that resides within the FRCC region in accordance with their regional process and the SERTP will do the same). The regions shall also coordinate such cost calculation assumptions in accordance with Section 1.3. The anticipated percentage allocation of costs of the interregional project to each region shall be based upon the ratio of the region’s Regional Benefit to the sum of the Regional Benefits identified for both the FRCC and the SERTP. The Regional Benefits shall be determined pursuant to the methodology described in Section 4.2. Regional BTC assessments shall be performed in accordance with each region’s regional transmission planning process, including but not limited to subsequent calculations and reevaluations.

4.4 Inclusion in Regional Transmission Plans: An interregional project proposed for Interregional CAP in the FRCC and the SERTP will be included in the respective regional transmission plans for purposes of cost allocation after:

- A. Each region has performed all evaluations, as prescribed in its regional transmission planning process, necessary for a project to be included in its regional transmission plan for purposes of cost allocation;

- This includes any regional BTC ratio calculations performed pursuant to Section 4.3; and
- B. Each region has obtained all approvals, as prescribed in its regional process, necessary for a project to be included in the regional transmission plan for purposes of cost allocation.

4.5 Allocation of Costs Between the FRCC and the SERTP: The cost of an interregional project, selected for purposes of cost allocation in the regional transmission plans of both the FRCC and the SERTP, will be allocated as follows:

- A. Each region will be allocated a portion of the interregional project's costs in proportion to such region's Regional Benefit to the sum of the Regional Benefits identified for both the FRCC and the SERTP.
 - The Regional Benefits used for this determination shall be based upon the last Regional Benefit calculation performed – pursuant to the method described in Section 4.2. – before each region included the project in its regional transmission plan for purposes of cost allocation and as approved by each region.
- B. Costs allocated to each region shall be further allocated within each region pursuant to the cost allocation methodology contained in its regional transmission planning process.
- C. Should one region be willing to bear more costs of the interregional transmission project than those costs identified pursuant to the methodology described in Section 4.5.A, the regions may voluntarily

agree, subject to applicable regional approvals, to an alternative cost sharing arrangement.

4.6 Removal from Regional Plans: An interregional project may be removed from the FRCC's or the SERTP's regional transmission plan for purposes of cost allocation: (i) if the developer fails to meet developmental milestones; (ii) pursuant to the reevaluation procedures specified in the respective regional transmission planning processes; or (iii) if the project is removed from one of the region's regional transmission plans pursuant to the requirements of its regional transmission planning process.

A. The FRCC shall notify the public utility transmission providers in the SERTP if an interregional project or a portion thereof is likely to be removed from its regional transmission plan.

5. Transparency

- A. The FRCC shall post procedures for coordination and joint evaluation on the FRCC website.
- B. Access to the data utilized will be made available through the FRCC website subject to the appropriate clearance, as applicable (such as CEII and confidential non-CEII). The FRCC shall make available on the FRCC website links to where stakeholders can register (if applicable/available) for the stakeholder committee(s) or distribution list(s) of the SERTP.
- C. The FRCC will provide status updates of the interregional transmission planning activities during their regional transmission planning meetings. These status updates will occur at all FRCC Board meetings and at the FRCC Planning

Committee meetings. The FRCC will provide status updates of interregional activities including:

- Facilities to be evaluated;
- Analysis performed; and
- Determinations/results.

D. Stakeholders will have an opportunity to provide input and feedback within the respective regional transmission planning processes of the FRCC and the SERTP related to interregional facilities identified, analysis performed, and any determination/results. Stakeholders may participate in either or both regions' regional transmission planning processes to provide their input and feedback regarding the interregional coordination between the FRCC and the SERTP.

Marked Tariff Attachment

Marked Version of OATT Attachment K, Section 7.4:

7.4 Southern Companies, Kentucky Utilities Company (“KU”) and Louisville Gas and Electric Company (“LG&E”) (collectively “LG&E/KU”), Ohio Valley Electric Corporation (“OVEC”), Associated Electric Cooperative Inc., PowerSouth Energy Cooperative (formally known as Alabama Electric Cooperative), Dalton Utilities, Georgia Transmission Corporation, the Municipal Electric Authority of Georgia, MEAG Power, and South Mississippi Electric Power Association, Duke Energy Carolinas, and Duke Energy Progress also sponsor the Southeastern Regional Transmission Planning (“SERTP”) forum. ~~These SERTP sponsors are located within the Southeastern Subregion of SERC.~~ The FRCC and the SERTP have established their respective links to transmission providers and FRCC/SERTP websites as applicable that contain study methodologies, joint transmission studies, and inter-regional transmission service and generator interconnection service related studies, ~~and the FRCC/SERTP process for requesting inter-regional economic studies.~~ The FRCC website link that contains this type of information can be found under the *Florida-SERC Inter-Regional Transmission Information* folder. In this folder please refer to a document entitled *FRCC Inter-regional Coordination Process* that describes how information, modeling data and expansion plans are shared. The SERTP website link is <http://www.southeasternrtp.com>. ~~Transmission providers within the FRCC and SERTP coordinate with each other as necessary in the performance of economic studies. The FRCC SE Region Economic Study Request document posted under the Florida-SERC Inter-Regional Transmission Information folder on the FRCC website describes the process and procedures for requesting inter-regional economic studies.~~ FRCC and SERTP transmission providers plan to attend transmission planning forums when study findings are presented to stakeholders that impact their respective transmission systems.