

Draft Attachment K**Ohio Valley Electric Corporation
Transmission Planning Process**

Pursuant to the requirements of the Commission's order titled "Preventing Undue Discrimination and Preference in Transmission Service", 72 Fed. Reg. 12,266 (March 15, 2007), including amendments and guidance related thereto issued from time to time (Order No. 890), Ohio Valley Electric Corporation on behalf of itself and its wholly owned subsidiary Indiana-Kentucky Electric Corporation (OVEC) provides this draft of its proposed transmission planning principles to be filed for inclusion as Attachment K to OVEC's open access transmission tariff (OATT) on December 7, 2007 or such other date as required under Order No. 890. Please note, that this document remains a draft and OVEC reserves the right in its sole discretion to supplement or otherwise modify this document based on further orders or interpretations by the Commission or its Staff, input from stakeholders, review of draft filings by other utilities, or further internal review. In accordance with Order No. 890, this document was posted on OVEC's OASIS site on September 14, 2007.

Background

OVEC was organized and its transmission systems constructed in the years 1952-1956. OVEC was formed by various electric utility holding companies and their subsidiaries (Owners) for the express purpose of supplying the electric power requirements of a single retail customer, the predecessor to the U.S. Department of Energy's (DOE) uranium enrichment project (Project) located near Portsmouth, Ohio. Due to the highly critical nature of the load at the Project, stringent design criteria were adopted for planning and constructing the OVEC transmission system (OVEC System). The OVEC System also was constructed and has been operated and maintained in a coordinated manner with its neighboring systems, and every OVEC transmission substation includes at least one tie-line to a neighboring, third party utility.

The OVEC System is primarily an extra high-voltage (EHV) network. The lower voltage 138 kV facilities in the OVEC System are all associated with interconnections to the transmission systems of its Owners. In addition to those at 138 kV, OVEC's interconnections include EHV facilities. The DOE load is served from two 345 kV stations within the Project's boundaries. The Project stations are owned, operated, and maintained by DOE. Two double-circuit tower 345kV lines and one single-circuit 345 kV line from OVEC and its Owners' stations supply each of the DOE stations. OVEC currently has no transmission customers (other than OVEC's own use of the OVEC System to deliver power and energy to its current Owners) and only a single bundled retail customer (DOE). Under a short-term, arranged power service agreement approved by the Public Utilities Commission of Ohio, DOE's maximum load is limited to 50 MW and its actual load is fairly predictable.

As a result of the stringent criteria used in its initial system design, the coordination of its transmission facilities with its neighboring system, and relatively predictable and limited load at the Project, it has been unnecessary to regularly carry out facility planning studies for the OVEC System. As discussed below, the OVEC System's performance is routinely assessed as part of

ReliabilityFirst Corp.'s (RFC's) seasonal appraisal conducted for every upcoming summer and winter period. OVEC also participates in future system appraisals conducted by RFC, or as otherwise required by the Commission or NERC. In addition, the OVEC System's performance has been assessed as part of system impact studies carried out at the request of independent power producers seeking to connect to the OVEC System. Finally, as discussed below, OVEC as part of the required planning process would conduct additional economic planning studies as requested by stakeholders.

Principle 1: Coordination

The purpose of the coordination requirement is to eliminate the potential for undue discrimination in planning by opening appropriate lines of communication between transmission providers, their transmission-providing neighbors, affected state authorities, customers and other stakeholders. The Transmission Provider can meet this requirement by facilitating the formation of a permanent planning committee made up of itself, its neighboring transmission providers, affected state authorities, customers, and other stakeholders. (452)

Transmission Provider is required to craft a process that allows for reasonable and meaningful opportunity to meet or otherwise interact meaningfully. (453)

The ultimate responsibility for planning remains with the transmission providers. (454)

The following procedures and meetings are intended to give all interested stakeholders the opportunity to provide meaningful input into OVEC's transmission planning process, including input to the development of any transmission plans.

OVEC will form a planning committee (Committee) comprised of representatives (to the extent they wish to participate) from its Owners and a representative from DOE, which together comprise all of OVEC's owners and customers. In addition, representatives from the state utility commissions in which OVEC's System is located (Indiana, Kentucky and Ohio) would be invited to participate. Finally, any other stakeholders would be given an opportunity to participate. All meeting notices and contact information for persons to request to join the Committee will be posted on OVEC's OASIS. Correspondence with OVEC by the Committee may be conducted via electronic mail or any other written materials.

The Committee will meet at least twice a year to develop the annual OVEC transmission plan. The plan will consider projected transmission needs up to 10 years in the future. The first Committee meeting will take place on April 1, 2008, and will be repeated annually on that date or another suitable date selected by OVEC with at least 30 days notice to the Committee. At that meeting, OVEC will present its latest transmission plan, as well as request information from the Committee on what projects, expansions, or other considerations should be taken into account in developing the next transmission plan. Committee members will have thirty (30) days from the date of the annual meeting in which to submit written comments or other information for the next transmission plan.

The second Committee meeting will take place on October 1, 2008, and will be repeated annually on that date or another suitable date selected by OVEC with at least 30 days notice to the Committee. At that meeting, OVEC will finalize the transmission plan for the current year; provided that, at least 30 days prior to the date of such meeting, OVEC shall provide a draft of the proposed final transmission plan to the Committee for its review and comment. To the extent feasible, OVEC will include all Committee comments, and as it deems reasonable incorporate such comments, in OVEC's transmission plan as soon as reasonably practicable.

In addition, the Committee may meet more frequently as necessary for planning purposes; provided that, the Committee members will be given at least ten (10) days' prior notice

of any meeting and be given the opportunity to participate and/or submit written comments or other information before or after such meeting. All Committee meetings and review of Committee comments will be conducted in a non-discriminatory manner.

The following items will be addressed in developing OVEC's transmission plan:

- Review of recent operating conditions, such as NERC Transmission Loading Relief events, and MISO and PJM LMP binding constraints that may indicate developing reliability concerns on the OVEC system;
- Requests for connection to OVEC facilities;
- Requests for service into, out of or through the OVEC Transmission system;
- Projections of future load or generation changes within OVEC;
- Projections of OVEC major transmission equipment or systems approaching end-of-useful life; and
- To the extent possible, review of the above items will include similar information in the adjacent portions of the directly connected Sponsors systems.

In addition, as a member of RFC, OVEC participates in RFC's regional assessment processes as applicable, including the process for consolidating and sharing power flow information and any other processes developed in compliance with Order No. 890. The Committee will be provided with drafts of any transmission planning proposals (or changes to previous proposals) and the expected timing of implementation of such proposals (as reasonably practicable based on RFC requirements) in order to permit the Committee to comment on such proposals and timing. Consistent with FERC requirements, additional information may be made available to the Committee, subject to applicable confidentiality and CEII requirements. RFC-related filings also would be discussed at the annual meeting of the Committee.

Principle 2: Openness

Transmission planning meetings are required to be open to all affected parties including, but not limited to, all transmission and interconnection customers, state commissions, and other stakeholders. (460)

Transmission Provider in consultation with affected parties, are to develop mechanisms to manage confidentiality and CEII concerns. (460)

As discussed above, all Committee meetings and the ability to submit comments would be open to all stakeholders. In order to participate in the Committee meetings, or to receive information provided to or by the Committee, the entity requesting participation must execute a confidentiality agreement. OVEC also will comply with the Commission's requirements regarding the use and dissemination of Critical Energy Infrastructure Information (CEII), subject to the provision of CEII information requests under 18 C.F.R. § 388.113 or a Freedom of Information request under 18 C.F.R. § 388.108.

OVEC will post the form of a mutual confidentiality agreement as part of its final Attachment K filing for use by OVEC and the Committee members. OVEC is also working with its OASIS provider to set up a separate secure section for the dissemination of information to and from the Committee.

Principle 3: Transparency

Transmission Provider disclose to all customers and other stakeholders the basic criteria, assumptions, and data that underlie their transmission system plans. (471)

Transmission Providers are required to reduce to writing and make available the basic methodology, criteria, and processes they use to develop their transmission plans, including how they treat retail native loads. (471)

Transmission Providers required to make available information regarding the status of upgrades identified in their transmission plans in addition to the underlying plans and related studies. (472)

Form 715 is an insufficient basis for broad transmission planning proposes and must be supplemented by additional assumptions and data. (477)

Require disclosure of criteria, assumptions, data and other information that underlie transmission plans. (478)

OVEC's transmission system planning guidelines will be made available in Part 4 of OVEC's FERC Form 715 and on OVEC's OASIS. These guidelines outline the basic criteria, assumptions, and data that underlie transmission planning for the OVEC System, including:

- Adherence to NERC and RFC reliability standards;
- Treatment of native load;
- Transmission contingencies and monitored facilities;
- Thermal and voltage limits;
- Generation dispatch assumptions;
- Minimum operating voltage at generators; and
- Other modeling considerations.

The transmission system planning guidelines provided in the OVEC response to Form 715 have been designed to allow others to replicate the OVEC transmission planning process. Powerflow models used in OVEC planning studies are based on the models submitted as Part 2 of FERC Form 715. As all OVEC facilities fall within the definition of Bulk Electric System facilities, these models contain a complete representation of the OVEC transmission system.

To the extent that updated modeling information is received from other stakeholders in the course of the planning process, this information will be made available to the Committee, subject to applicable confidentiality and CEII requirements.

A flow chart of OVEC's transmission system planning process is attached hereto as Exhibit I.

OVEC will also post on its OASIS, every six months or more often, updates on the status of all transmission expansion projects on the OVEC System, including current, projected completion dates.

Principle 4: Information Exchange

Transmission Providers, in consultation with their customers and other stakeholders, required to develop guidelines and a schedule for the submittal of information. The information exchanges principles are for both network and point-to-point transmission customers. (486)

Transmission Providers, in consultation with their customers and other stakeholders, required to develop guidelines and a schedule for the submittal of information on their projected loads and resources on a comparable basis (e.g., planning horizon and format) as used by the transmission providers in planning for their native load. The information exchanges principles are for both network and point-to-point transmission customers. In order for the Final Rule's planning processes to be open and transparent as possible, the information collected by transmission providers to provide transmission service to their native load customers must be transparent and, to that end, equivalent information must be provided by transmission customers to ensure effective planning and comparability. We clarify that the information must be made available at regular intervals to be identified in advance. The information exchange should be a continual process, the frequency of which should be addressed in the transmission provider's compliance filing required by this Final Rule. However, we expect that the frequency and planning horizon will be consistent with the ERO requirements. (480, 486)

We also believe that it is appropriate to require point-to-point customers to submit any projections they have of a need for service over the planning horizon and at what receipt and delivery points. To the extent applicable, transmission customers also should provide information on existing and planned demand resources and their impacts on demand and peak demand. In addition, stakeholders should provide proposed demand response resources if they wish to have them considered in the development of the transmission plan. (487)

OVEC currently has no network transmission customers. To the extent in the future OVEC has any network transmission customers, those customers would be required pursuant to the terms of their network service agreement to provide annual updates of their network resource availability forecast (e.g., all planned resource outages, including off-line and on-line dates) for the following year. Network transmission customers would also be required to inform OVEC, in a timely manner, of any changes to such customer's network resource availability forecast. In addition to the information required under the network service agreement, for the purposes of transmission planning, all network transmission customers would be required to provide annual load forecasts for the next ten years.

The primary focus for transmission planning on OVEC's transmission system is contracted, long-term firm usage. However, OVEC invites firm point-to-point customers and bundled retail customers to provide information regarding any projected usage that will exceed five years, as well as information regarding planning (including any proposed projects) relating to portions of the bulk transmission system owned or operated by such retail customers. OVEC also invites owners or operators of electric generation facilities located within or near OVEC's transmission system to provide any relevant information about their planning or projections, subject to and in accordance with any confidentiality or requirements under applicable Standards of Conduct. Customers or others providing such information would be required to inform OVEC, in a timely manner, of any changes to such customer's forecast or other information.

Principle 5: Comparability

Transmission Providers, after considering the data and comments supplied by customers and other stakeholders, are to develop a transmission system plan that (1) meets the specific service requests of its transmission customers, and (2) otherwise treats similarly-situated customers comparably in transmission system planning. (494)

Customer demand resources should be considered on a comparable basis to the service provided by comparable generation resources where appropriate. (494)

OVEC notes that currently OVEC is the sole transmission customer requesting service on the OVEC System, and OVEC has no network transmission customers. However, to the extent network customers request service over the OVEC System in the future, they, as well as OVEC's native load, will be treated comparably for the purposes of transmission planning for all network customers. Where demand resources are able to meet the same criteria as generation resources, demand and generation resources will be treated comparably for transmission planning purposes. The same criteria will be applied to the same types of projects, and addressed on a first-come, first-served basis to ensure that OVEC's interests do not take precedence over those of their similarly situated customers.

Principle 6: Dispute Resolution

Transmission Providers required to develop a dispute resolution process to manage disputes that arise from the Final Rule's planning process. (501)

If an existing dispute resolution process is relied upon, the Transmission Provider must specifically address how its procedures will be used to address planning disputes. (501)

The dispute process shall address both substantive and procedural planning issues. (501)

The dispute resolution process should be a three step process consisting of negotiation, mediation, and arbitration. (503)

Any dispute, claim or controversy between OVEC and any applicable stakeholder regarding application of, or results from, the transmission planning procedures set forth in this Appendix K (each a “Dispute”) shall be resolved in accordance with the procedures set forth below. For the avoidance of doubt, any dispute between OVEC and a transmission customer relating to transmission service or any other service provided, or activity performed, under any other portion of OVEC’s Open Access Transmission Tariff shall be resolved pursuant to the dispute resolution provisions of such tariff.

- A. Notice of Dispute. In the event of a Dispute, any party to the Dispute may provide written notice to the other parties to the Dispute, including a description of the nature of the Dispute.
- B. Dispute Resolution by Representatives. The parties to the Dispute shall first refer the Dispute to their respective representatives who shall negotiate in good faith to resolve the Dispute.
- C. Dispute Resolution by Executive Management Representatives. If the Dispute is not resolved within fifteen (15) days of being referred to the disputing parties’ representatives pursuant to subsection B above, then each party shall have five (5) days to appoint an executive management representative who shall negotiate in good faith to resolve the Dispute.
- D. Dispute Resolution by Mediation. If the parties’ executive management representatives are unable to resolve the Dispute within thirty (30) days of their appointment, the parties shall proceed in good faith to submit the matter to a mediator mutually acceptable to the disputing parties. The parties will share equally in the cost of such mediation, which will be conducted in accordance with the Commercial Mediation Rules of the American Arbitration Association.
- E. Arbitration or FERC Complaint Process. If the parties are unable to resolve the Dispute within thirty (30) days after the appointment of a mediator pursuant to subsection D above, then the Dispute shall be resolved either through a formal proceeding at the Commission pursuant to Section 205 or 206 (as applicable) or through the following binding arbitration procedure.

1. *Choice of Arbitrator(s).* Any arbitration initiated under subsection E shall be conducted before a single neutral arbitrator appointed by the disputing parties. If the disputing parties fail to agree upon a single arbitrator within ten (10) days of the referral of the Dispute to arbitration, each disputing party shall choose one arbitrator who shall sit on a three-member arbitration panel. The two arbitrators so chosen shall within twenty (20) days select a third arbitrator to chair the arbitration panel. The arbitrator(s) shall provide each of the disputing parties an opportunity to be heard and, except as otherwise provided herein, shall generally conduct the arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association.
2. *Arbitration Decisions.* Unless otherwise agreed, the arbitrator(s) shall render a decision within ninety (90) days of appointment and shall notify the disputing parties in writing of such decision and the reasons therefore. The decision of the arbitrator(s) shall be final and binding upon the disputing parties, and judgment on the award may be entered in any court having jurisdiction; provided, to the extent the final decision of the arbitrator(s) affects jurisdictional rates, terms and conditions of service or facilities, it must also be filed with the Commission consistent with applicable law, and its effectiveness is contingent upon applicable filing and acceptance provisions, if any, of applicable law. The decision of the arbitrator(s) may be appealed solely on the grounds that the conduct of the arbitrator(s), or the decision itself, violated the standards set forth in the Federal Arbitration Act and/or the Administrative Dispute Resolution Act.
3. *Costs.* Each disputing party shall be responsible for its own costs incurred during the arbitration process and for the following costs, if applicable:
 - the cost of the arbitrator chosen by the Party to sit on the three member panel and one half of the cost of the third arbitrator chosen; or
 - one half of the cost of the single arbitrator jointly chosen by the disputing parties

Principle 7: Regional Participation

In addition to preparing a system plan for its own control area on an open and nondiscriminatory basis, each Transmission Provider is required to coordinate with interconnected systems to (1) share system plans to ensure that they are simultaneously feasible and otherwise use consistent assumptions and data and (2) identify system enhancements that could relieve congestion or integrate new resources. (523)

The regional planning processes must be open and inclusive and address both reliability and economic considerations. (528)

As a member of RFC, OVEC participates in RFC's regional assessment processes as applicable. As part of this process, just as OVEC provides the latest information about changes on the OVEC system, models used in the OVEC planning process also reflect the latest available information about plans and conditions in the surrounding systems, so that the OVEC plans can be formulated in the context of regional developments. Furthermore, OVEC planners participate in RFC study teams assessing projected seasonal, near-term and long-term transmission performance. As needed, OVEC planners also participate with the adjacent systems and/or RTOs to address system developments with the potential for mutual interest, such as evaluating requests for Generator Interconnection or Transmission Service in the adjacent systems.

Principle 8: Economic Planning Studies

The planning process retains a congestion study principle for the transmission planning process and must consider both reliability and economic considerations. (542)

Transmission Providers, in consultation with their stakeholders during the development of the Attachment K compliance filings, are directed to develop a means to allow the Transmission Provider and stakeholders to cluster or batch requests for economic planning studies so that the Transmission Provider may perform the studies in the most efficient manner. (546)

Stakeholders shall have the right to request a defined number of high priority studies (5-10 annually) to address congestion and/or integration of new resources or loads. The costs of this defined number of high priority studies would be recovered as part of the overall pro forma OATT cost of service. Once requested, the transmission provider would conduct the studies, including appropriate sensitivity analyses, in a manner that is open and coordinated with the affected stakeholders. (547)

The study process should encompass the study of upgrades to integrate new generation resources or loads on an aggregated or regional basis. (548)

Requests for economic planning studies and the responses to the requests shall be posted on the Transmission Provider's OASIS or website. (546)

The Transmission Provider should be obligated to study the cost of congestion only to the extent it has the information to do so. If stakeholders request that a particular congested area be studied, they must supply relevant data within their possession to enable the transmission provider to calculate the level of congestion costs that is occurring or is likely to occur in the near future, . . . providing for confidential treatment and application of the Standards of Conduct. Transmission Provider must clearly define the information sharing obligations placed on customers in the planning attachments in the pro forma OATT. (550)

Committee members may collectively request up to five (5) economic planning studies per year. Multiple study requests within the same 60 day period will be clustered. The costs of such planning studies, to the extent possible, will be included in OVEC's transmission rates. If Committee members request any economic planning studies above the five (5) allocated per year, then the requesting Committee member will be assessed directly for the cost of the additional study.

Economic planning studies may be used to evaluate: (i) network additions or upgrades that are not required to maintain NERC or RFC standards of reliability on the OVEC System, or to accommodate a request for interconnection or transmission service, but that may alleviate significant and/or recurring congestion on some portion of the transmission system; or (ii) network additions or upgrades necessary to integrate new generation resources or load on the transmission system other than as necessary to accommodate a request for interconnection or transmission service.

OVEC will perform the economic planning studies to the extent it has the data necessary to perform such a study. OVEC may solicit the requesting customer(s), Committee members or others for additional information and data necessary to perform the requested economic planning study. Such information and data including the results of any studies will be subject to confidentiality provisions, and/or Standards of Conduct, as appropriate.

In addition to evaluating potential network additions or upgrades, the economic planning study will evaluate which customer(s) will receive the primary benefit of such upgrades or additions. Such evaluation will include network response studies, sometimes referred to as Distribution Factor (DFAX) or Line Outage Distribution Factor (LODF) methods to identify the beneficiaries of the proposed changes.

The performance of any economic planning study would be used for evaluation purposes only. OVEC shall not have any obligation to build any network additions or upgrades identified by the economic planning studies. OVEC notes that, consistent with Order No. 890, the study of economic planning proposals does not represent an endorsement by OVEC of such proposals or require OVEC to commit to fund any such proposals.

Principle 9: Cost Allocation for New Projects

Planning process must address the allocation of costs of new facilities (stakeholders and Transmission Providers are permitted to determine their own specific criteria). (557 & 558)

Guidance for cost allocation method: (1) whether it fairly assigns costs among participants, (2) whether it provides adequate incentives to construct new transmission, (3) whether it is generally supported by state authorities and participants across the region. (559)

Each region should address these issues up front, at least in principle, rather than having them relitigated each time a project is proposed. (561)

If a network upgrade or addition is identified in an economic planning study, and if such addition or upgrade is then approved for construction, then the entity or entities requesting the upgrade and all customers benefiting from such upgrade shall jointly agree as to how the costs of the upgrade shall be allocated among the entities identified in the economic planning study as receiving the primary benefit of such upgrade.

Consistent with Order No. 890, the above cost allocation principles are not applicable to existing mechanisms for cost allocation, including allocation of costs to interconnection or transmission customers requesting such services. In addition, these cost allocation criteria do not apply to network upgrades or additions necessary to maintain OVEC's transmission system reliability pursuant to NERC or RFC standards.

Notwithstanding the above cost allocation principles or the results of the study identifying the entities benefiting from such upgrades, OVEC shall under no circumstances be required to build any economic planning upgrades unless OVEC has reasonable proof of the guarantee of the payment of all costs related to such upgrades from the entities requesting or benefiting from such upgrades to assure that OVEC is not responsible for any of the costs of the upgrades. Such guarantee may take the form of prepayment of all costs or a suitable guarantee from a creditworthy counterparty.

OVEC PLANNING PROCESS MAP

