Proposed Public Power Strawman Resolution to RTO Issues

August 31, 2000

Entitlement to Firm Transmission Rights – The transmission customer may elect to receive either FTRs or the auction revenues associated with those FTRs. Preexisting contracts and load service obligations are contracts and obligations as defined in the workgroup report of 8/18/2000 which exist as of the later of the initial date of the RTO operations or December 15, 2001. Firm transmission rights for conversion of pre-existing PTP contracts will be determined based on applicable contract demand and other terms and conditions. Firm transmission rights for conversion of preexisting NT contracts will be based on historical monthly HLH non-coincidental peaks and historical monthly LLH non-coincidental peaks chosen by the customer from the period 1998 – 2000 (one set of 24 "peaks"). Such converted PTP & NT contracts shall include contracted for loads during the base year with service commencement dates past the base year.

Duration of Rights – The following applies

- Explicit roll-over rights will be honored; and
- PTOs may deny rollover rights if the transmission contract provides the PTO with the option to do so; and
- Pre-Order 888 contracts and Order 888 Open Access contracts associated with firm power service to statutory requirements loads (including third party transmission contracts necessary to meet load service obligations) are deemed to include transmission rollover rights that shall be honored so long as such rollover rights are exercised.

Treatment of Load Growth – For the period during which company rates are in effect, if unencumbered FTRs exist on a flowpath, these will be assigned up to the then current TTC on the flowpath to annual load growth of PEC (where PEC rights provide for load growth) or LSO rights holders prior to each year's annual auction. Rights holders for PECs and LSOs must buy FTRs to serve any load growth that occurs after the company rate period in the RTO auction.

Board Advisory Committee – The Board Advisory Committee will be open to RTO members. The BAC will select a chair and vice-chair who will convene and conduct regular meetings, at a minimum in conjunction with the regular meetings of the Board of Trustees. The BAC may bring any issue to the attention of the Board of Trustees that it desires, and make recommendations on such issues which may include majority and minority reports. In addition, the Board of Trustees must seek BAC input on:

- Tariff changes
- Transmission control agreement, load and generation integration agreements and schedule coordinator agreement.
- Rates, costs and revenue requirements of the RTO

The Board of Trustees will have the affirmative duty to consider recommendations made by the BAC, the staff and other interested parties presenting points of view to the Board of Trustees. Individual RTO members retain the right to make presentations to the Board on any matter.

Are Transfer Payments Constant Or Subject To Change? – Transfer payments will change to reflect transmission rate changes approved by regulatory commissions over the company rate period.

Transfer Payments for Short and Long Term Sales – The following general rules shall apply, with exceptions on a case by case basis:

- Long Term Contracts (Exports) - Transfer payments are made during the term of the contract. At expiration of the contract, the transfer payments stop and the FTRs go to the RTO for sale and the revenue goes to the owner.
- Long Term Contracts (Wheeling within RTO) - Transfer payments are made for the entire company rate period, even if the contract expires or terminates prior to the end of the company rate period. The payer of the transfer payments gets the associated FTRs.
- Short Term Wheeling - Transfer payments are made for the entire company rate period, even if the contract expires or terminates prior to the end of the company rate period. The payer of the transfer payment does not get the associated FTRs, they stay with the owner of the facilities. FTR revenues that go to the owner will first be used to refund the transfer payments.
- Long Term Imputed – Same as Long Term Contracts (Wheeling within RTO) above.
- Short Term Imputed - Same as Short Term Wheeling above.

Tariff or Contract: Where's The Beef? – This is the issue of where does the meat of the RTO agreements get documented. If they are documented in the tariff, they can be changed unilaterally by FERC, if they are in bilateral agreements they are less likely to change. Important RTO provisions, including at least the following, should be common provisions documented in bilateral contracts (Load and Generation Integration Agreements and Transmission Control Agreements).

- Entitlement to Firm Transmission Rights
- Duration of Rights
- Treatment of Load Growth
- Constancy of Transfer Payments
- Transfer Payments for Short and Long Term Sales
- Facilities Inclusion
- Feasible Dispatch Options
- Term of Company Rate

- Protection of Nonconverted Transmission Rights
- Sale of Transmission Rights

Facilities Inclusion – RTO facilities are assets of participating transmission owners that are needed to support RTO's transfer capabilities and perform Order 2000 functions (including service to wholesale loads). A Partial TCA will be offered which provides non-jurisdictional utilities the option of placing limited transmission facilities under the control of the RTO without granting FERC jurisdiction over all of the utility's transmission facilities. The non-jurisdictional utility will granted FTRs equal to the full capacity of facilities covered by the Partial TCA.

Rules for Over Allocation of Flowpaths – Rules for over-allocated flow paths should be determined by the RTO and remedies may include: pro rata allocation on a planning basis before rights are assigned; day ahead or real time buy back of rights; market based redispatch; or other tools that are identified. These remedies will only be used for months where constraints are shown to exist. Any capacity made available by the use of such tools shall first be used to restore, on a pro rata basis, any FTRs that were subject to an allocation in the planning stage.

Feasible Dispatch Options – Transmission rights holders will chose two feasible dispatches (on/off peak) for each month (annual total of 24) consistent with PECs and LSOs terms and conditions.

Appeal Process Issues – The PTO will administer nonconverted contracts, and the parties to such nonconverted contracts shall issue agreed upon instructions to the RTO to implement the service required under the nonconverted contracts. Disputes between the parties to nonconverted contracts will be governed by the terms of such contracts. Third parties appealing instructions for nonconverted contracts have the burden of proving that such instructions violate the terms of the nonconverted contract. The express terms of the nonconverted contract shall be the standard by which the instructions are judged. Disputes over nonconverted contracts brought by third parties shall be governed by the RTO appeal process. With regard to appeals by third parties to both converted and nonconverted contracts, the FERC rules regarding standing shall be used.

Term of Company Rate – The Company Rate will be in effect for no less than 10 years with follow on pricing structure to be determined at that time.

Planning – Per the Workgroup Recommendations of August 23.

Protection of Nonconverted Transmission Rights – The RTO will be obligated to implement instructions provided by the parties to nonconverted contracts, so that transmission customers who retain their pre-RTO contracts are not deprived of the value of such contracts. The RTO will provide service to nonconverted contracts, and converted contracts, regardless of the time at which conversion occurred, in a non-discriminatory manner.

Sale of Transmission Rights – Firm transmission rights arising from converted network and point to point transmission services are marketable in the RTO annual auction. In addition, parties with nonconverted contracts will retain any rights to sell or assign excess transmission capacity as permitted by such contracts.

Cost Benefit Study – RTO (filing parties) must produce a defensible cost benefit study before 10/15/2000 (including examination of cost shifts). Mitigation of costs shifts must be addressed.