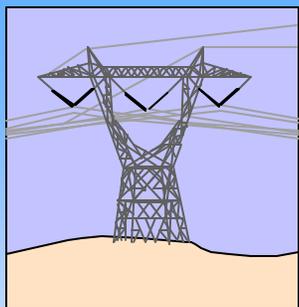




TransConnect, LLC

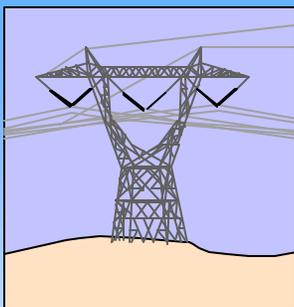
Outline of Proposed  
“Stage 2” Rate Filing

August 2, 2001

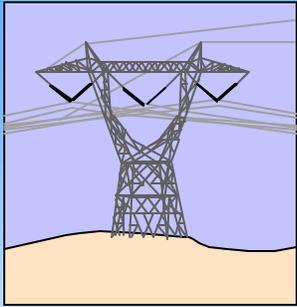


# Contents

1. Status of TransConnect.
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3. Next Steps.

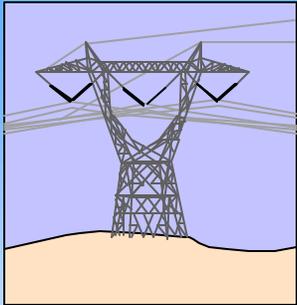


These materials are provided for informational purposes only and are subject to change. Nothing herein should be construed to commit any particular company to participate in this filing, or to create any contractual rights or duties of any kind.



# Status of TransConnect

- The April 26, 2001 FERC order:
  - Generally approved TransConnect's proposed governance, subject to minor compliance conditions.
  - Found that TransConnect met the requirements for independence and could file for innovative and incentive rates and participate in the RTO planning and expansion function, subject to FERC review of a detailed planning and expansion proposal.

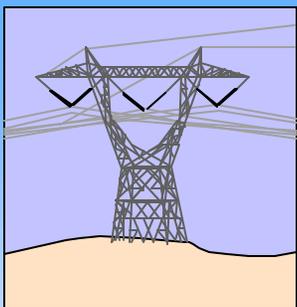


## Status (con.)

- Puget Sound Energy, Inc. has indicated it will withdraw from participation in TransConnect; this withdrawal has not yet been finalized.

### – Active TransConnect Applicants

- Avista Utilities
- Montana Power
- Nevada Power
- Portland General Electric
- Sierra Pacific Power

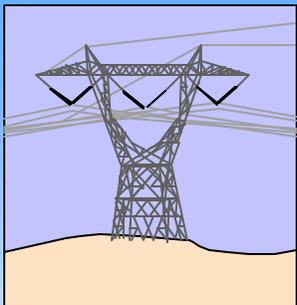


## Status (con.)

- Transmission facilities of the TransConnect companies are estimated to total over \$1 billion.

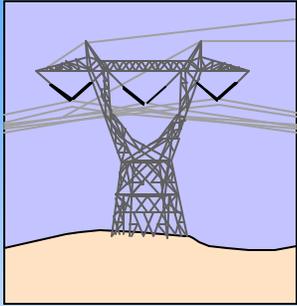
### Estimated YE 2000 Net Plant

– Nevada Power	\$353 million
– Sierra Pacific	\$271 million
– Montana Power	\$217 million
– Portland General	\$129 million
– Avista	<u>\$109 million</u>
– Total	\$1,078 million



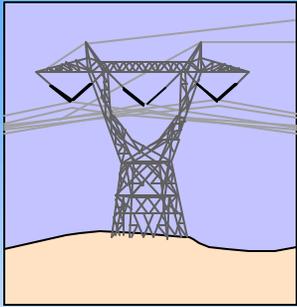
# Overview of TransConnect Filing

- Filing anticipated to be made in September 2001.
- Filing will include:
  - Detailed Rate Proposal.
  - Planning Protocol.
  - Compliance Filing on Governance Issues from April 26 Order.



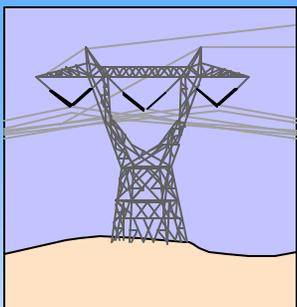
## Overview (con.)

- Filing will seek preliminary approval of rate treatments and planning protocol.
- Final/compliance rates will be filed 60 days before the proposed effective date.



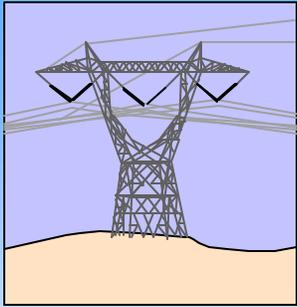
## Overview (con.)

- FERC action needed to provide certainty before applicants finalize their participation in TransConnect (similar to preliminary approval of rates in FERC gas pipeline certificate applications).



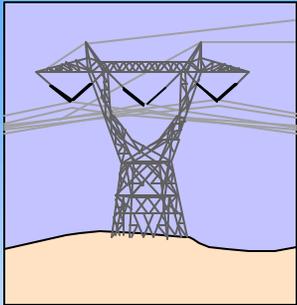
# Rate Proposal

- **Zone Rates**
  - Based on fully developed cost of service for transmission facilities.
  - Consistent with license plate rate design and will be used for the transition period.
- **5-Year Rate Cap**
- **O&M Indexed to “RPI-X”** (retail price index minus a productivity adjustment)



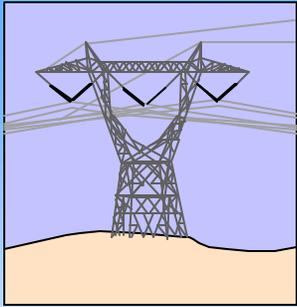
## Rates (con.)

- Negotiated Rate Authority.
  - Similar to negotiated rates permitted for gas pipelines.
- Benchmarks.
  - TransConnect to propose benchmarks after actual experience. May include:
    - Reliability measures.
    - Throughput
  - Developed in collaborative process.



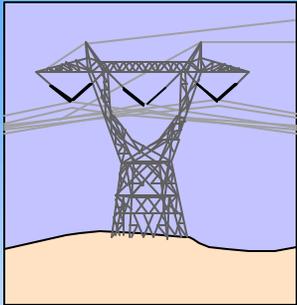
## Rates (con.)

- **New investment:**
  - Priced incrementally where cost responsibility can be determined:
    - Investments to satisfy service requests.
    - Investments for 3rd parties.
    - Those bearing the cost responsibility would receive FTRs, allowing them to realize the market value of the investment.



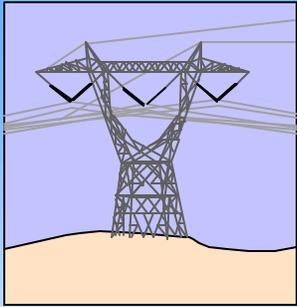
## Rates (con.)

- Embedded cost treatment with incentives for costs that cannot be directly assigned:
  - Accelerated depreciation.
  - Incentive return (basis point adder).
- **Cost-Benefit Analysis.**
  - Consistent with Order No. 2000 requirements.



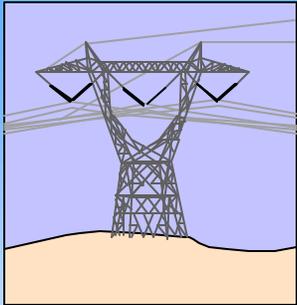
## Rates (con.)

- **Effective Date**
  - Proposed to be same as RTO West effective date.
  
- **Tariff**
  - Separate tariff not proposed; rates will be stated as part of the RTO West Tariff.
  - Illustrative rate sheet will be included in the filing.



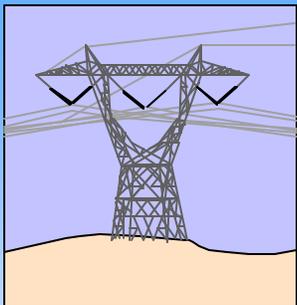
## Rates (con.)

- Return on Equity
  - Based on financial analysis, estimated range of reasonableness from 12 to 15.5 percent.
  - Will likely propose a rate of return near middle of range.
  - Basis point adder for certain new investment will remain within range.



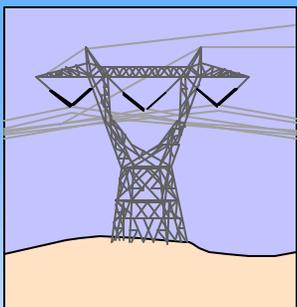
# Proposed Planning Protocol

- TransConnect will actively plan and propose projects that can be justified economically.
- The protocol will include least cost planning.
- TransConnect will have independent authority to plan and undertake other projects, including projects outside RTO West. RTO West will not unreasonably withhold approval of projects within RTO West's control area.



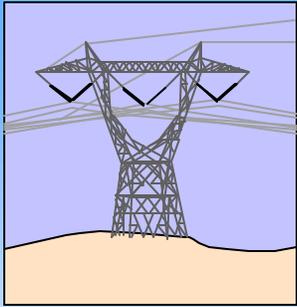
# Compliance Filing

- Responds to and complies with Commission's April 26 Order.
  - Clarification re: Class C stock.
  - Filing of audit reports directly with the Commission.



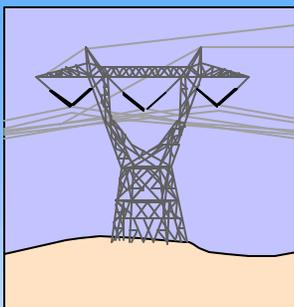
## Next Steps . . .

- File and receive FERC order on preliminary rate proposal.
- File and obtain Company approvals to execute agreements necessary to form TransConnect.
- Business formation requirements:
  - Finalize board and management selections.
  - Secure financing.



## Next Steps (con.)

- File for and receive state and federal regulatory approvals to refunctionalize and transfer assets (currently at various stages).
- File for and receive authority to make effective final rates.
- TransConnect becomes operational.



*For additional information regarding this presentation, please contact:*

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