

The image features a blue gradient background with a white geometric pattern of intersecting lines. The text is positioned on the left side of the image.

NorthernGrid

FERC Order 1920

CREPC-TC Ad Hoc Committee

05/28/2025

Agenda

- Evaluation Process & Selection Criteria
- Cost Allocation Process & Methodology
- Voluntary Funding Approach
- Partnering with RSEs and Stakeholders

Evaluation Process & Selection Criteria



Evaluation Process & Selection Criteria

Order 1920 requires that Transmission Providers consult with and seek support of Relevant State Entities regarding the evaluation process and selection criteria that Transmission Providers propose to use to evaluate Long-Term Regional Transmission Facilities for selection.



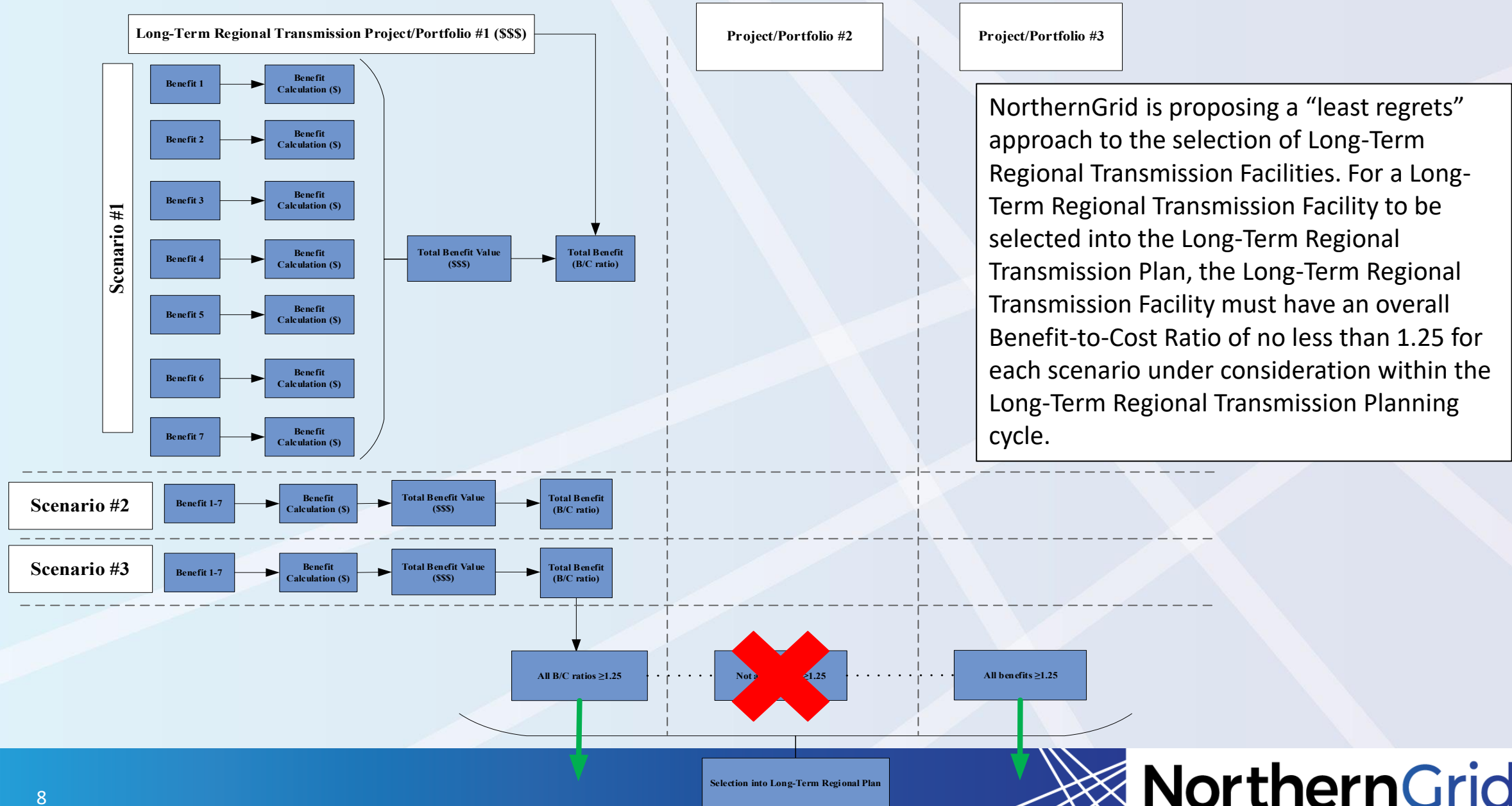
Evaluation Process

Long-Term Regional Transmission Facilities must be evaluated against seven benefits:

	Benefit
1	Avoided or deferred reliability transmission facilities and aging infrastructure replacement;
2	A benefit that can be characterized and measured as either (2a) reduced loss of load probability or (2b) reduced planning reserve margin
3	Production cost savings
4	Reduced transmission energy losses
5	Reduced congestion due to transmission outages;
6	Mitigation of extreme weather events and unexpected system conditions
7	Capacity cost benefits from reduced peak energy losses



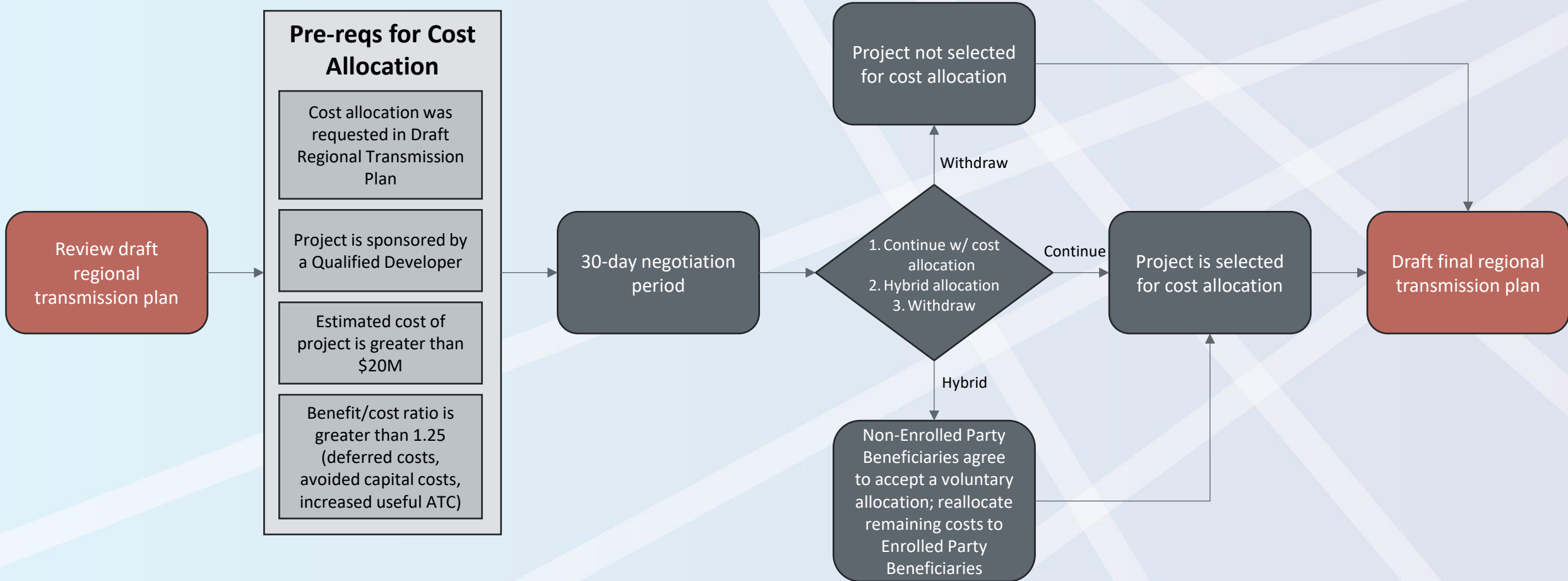
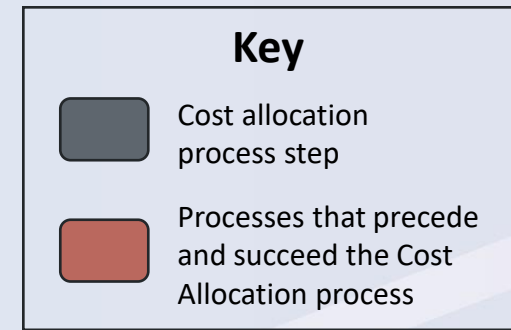
Selection Criteria



Cost Allocation Process & Methodology



Existing & Proposed Cost Allocation Process



Cost Allocation Factors

- Well defined set of benefits
 1. Creates useable Available Transmission Capacity (ATC)
 2. A separate project will be deferred because of the planned project
 3. A separate project will be eliminated because of the planned project
- FERC authorized 1.25 cost-benefit ratio



Cost Allocation Examples

Example 1

Application of Benefit-to-Cost Ratio (for illustrative purposes only)

Annualized Cost of Eligible Cost Allocation Project = \$100M

Beneficiary A's Annualized Benefits = \$60M

Beneficiary B's Annualized Benefits = \$50M

Beneficiary C's Annualized Benefits = \$90M
(Beneficiary C is the Sponsor)

Total benefits = \$200M

In this example, the Benefit-to-Cost Ratio exceeds 1.25 and, therefore, the Eligible Cost Allocation Project becomes classified as a "Preliminary Cost Allocation Project."

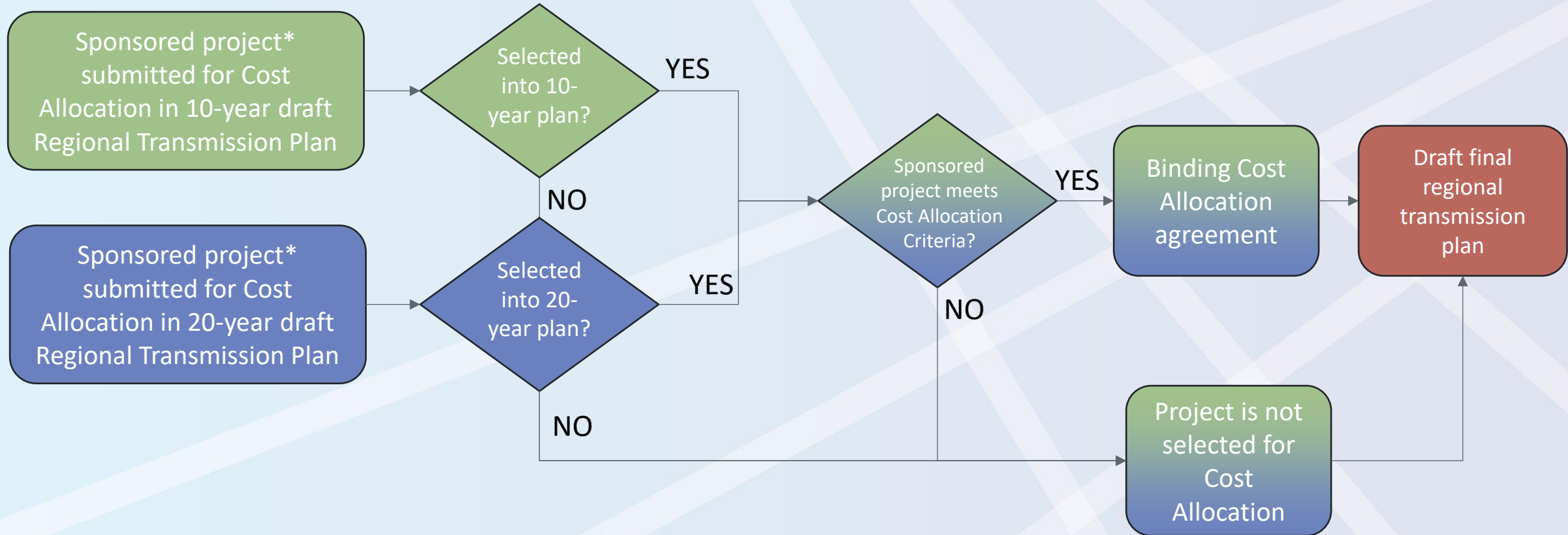
Example 2

Allocation of Total Project Cost to Enrolled Party Beneficiaries (for illustrative purposes only)

Example 2 builds upon the facts described in Example 1, and allocates the Preliminary Cost Allocation Project's \$100M costs to each Enrolled Party Beneficiary as follows:

Enrolled Party Beneficiary A:	$(\$60M/\$200M) \$100M = \$30M$
Enrolled Party Beneficiary B:	$(\$50M/\$200M) \$100M = \$25M$
Enrolled Party Beneficiary C:	$(\$90M/\$200M) \$100M = \$45M$
Total	= 100M

Proposed 1920 & 1000 Combined Cost Allocation Process



*must be sponsored by a Qualified Developer

Voluntary Funding Approach



Voluntary Funding

If a Long-Term Regional Transmission Facility does not satisfy the criteria for selection into the Long-Term Regional Transmission Plan, Relevant State Entities and Interconnection Customers may elect to fund all, or a portion, of the cost.

- Voluntary funding opportunities will be made available following the selection of projects or portfolios of projects into the plan.
 - Currently proposed to occur in the 2nd quarter of the third year of the planning cycle.
- The voluntary funding option may be exercised following the selection of the Long-Term Regional Transmission Plan and prior to the completion of the Draft Final Long-Term Regional Transmission Plan
- The Enrolled Parties Planning Committee will determine the amount of voluntary funding required to ensure that the project or portfolio of projects meets the selection criteria.

The amount of voluntary funding is subtracted from the total project cost and shall equal the amount that the project cost must be reduced to achieve a Benefit-to-Cost ratio of 1.25

Voluntary Funding

Example Benefit-to-Cost Ratio Calculation:

Long-Term Regional Transmission Project Capital Cost: \$100M

Long-Term Regional Transmission Project Net Benefit: \$100M

Benefit-to-Cost Ratio: \$100M Net Benefit/\$100M Cost = 1.0

Voluntary Funding Needed for Selection:

\$100M Net Benefit / (\$100M Cost – Voluntary Funding Amount) = 1.25

$\$100\text{M Net Benefit} / \underline{\$80\text{M Cost}} = 1.25$

Voluntary Funding Amount: \$100M - \$80M = \$20M

Voluntary Funding by Non-Jurisdictionals

- In the existing cost allocation process, there is a period for non-jurisdictionals to evaluate and decide if they want to participate in a project and voluntarily accept a portion of the costs.
- If non-jurisdictionals choose not to participate, they would not receive capacity on the project, effectively addressing concerns about free ridership

Partnering with RSEs and Stakeholders

- Planning - Regional transmission planning
- Permitting - Challenges due to varying state authority
- Payment - Capital investment and rate recovery

Thank You

Stakeholder meeting – Friday, June 13th at 10am (Pacific)

Please submit comments & questions to:

nwpp_northerngrid_staff@westernpowerpool.org

or

<https://www.northerngrid.net/comments/>