Announcement: DE-FOA-0000068

Activity Description: Topic B, Cooperation Among States on Electric Resource Planning and Priorities

RE-PROPOSAL

Project title: The Eastern Interconnection States' Planning Council

Applicant:
The National Association of Regulatory Utility Commissioners
1101 Vermont Ave NW, Suite 200
Washington DC 20005

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Organization type: United States-owned Non-Profit, 501(c) 4 Organization (Non-lobbying / LDA exempt)

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A Revised Proposal to the United States Department of Energy

The Eastern Interconnection States' Planning Council (EISPC)

Introduction

In response to the June 2009 Funding Opportunity Announcement (FOA),[1] requesting state interaction with Eastern Interconnection-wide planning, the National Association of Regulatory Utility Commissioners (NARUC) submitted an application on behalf of various State and other entities. NARUC, on behalf of these entities, the members and supporting organizations comprising the Eastern Interconnection States' Planning Council ("EISPC" or the "Council") is pleased to submit this Re-Proposal to address the issues the Department raised in our meetings in Washington on January 21-22, 2010.

The States' participation in this cutting-edge undertaking is premised on the expectation that EISPC and the Eastern Interconnection Planning Collaborative ("EIPC"), the Topic A awardees, will form the foundation for a more coherent and comprehensive approach to planning for our nation's long-term electric power needs. The States believe this use of the Stimulus Funds provides a once-in-a-lifetime opportunity to create an ongoing structure and to begin conducting studies on an Interconnection-wide scale. We hope and expect that a successful planning effort will lead, among other things, to projects that will yield the lowest reasonable delivered cost to customers, enhance the reliability of our nation's electric power system, better utilize renewable energy, foster a more aggressive approach to energy efficiency, assess the opportunities for effective deployment of new technologies such as "Smart Grid," and address increasing environmental requirements.

The Council recognizes that, for this bold initiative to be successful, it is imperative that States work in close cooperation with the EIPC and stakeholders, as well as the Department of Energy, the Federal Energy Regulatory Commission, and the North American Electric Reliability Corporation. We will press the industry to be innovative and far-sighted, and lend our policy perspective to the state-of-the-art planning tools and innovative analytics at EIPC's disposal to develop reasoned long-term plans that will address our nation's long-term energy needs.

Beyond the initial project, to better ensure the long-term benefits of the Stimulus Funding, EISPC will work with the industry to make continual improvements in their long-term planning processes for improving their analytical techniques, planning tools, processes, and databases. EISPC, in concert with EIPC, will also create a structure to ensure continued Interconnection-wide studies and planning.

As set forth below, EISPC has enhanced and reconfigured our original proposal to reflect the feedback we received last month and the Department's directives and priorities for this project. We also have met and spoken repeatedly with representatives of EIPC in an attempt to coordinate our efforts with theirs and to reach a consensus on how the broader planning work should be conducted. As we explain, however, durable agreements with EIPC have not materialized on certain points. Where we differ with EIPC on the appropriate approach, we will identify below the position EIPC

[1] U.S. Department of Energy (DOE) Funding Opportunity Announcement DE-FOA-0000068.

has taken, and then describe our proposal.

FOA Topic Area 1. Identify Eastern Energy Zones of particular interest for low- or no-carbon electricity generation (including renewable, alternative, low-carbon emitting resources, carbon-capturing resources, and others)

Given the importance of energy zones in transmission planning, the studies relating to the identification of such zones will likely be a high priority for EISPC, and will allow EISPC to analyze these questions in a way that the current regional approach to planning would not readily permit.

Identification of energy zones has two primary components: a data component and a policy component.

Data: EISPC will investigate the potential best locations for energy zones. Assessment of resource feasibility is the first step in designating a geographic area as an energy zone. The following studies listed on the Gantt Chart are intended to collect this data:

- We will study potential new Renewable/Alternative Energy Zones and possible reconfiguration of existing REZs across the Eastern Interconnection.

- We will study potential locations for other low- and no-carbon generating resources, including natural gas, hydro-electric, nuclear (including upgrades at existing facilities), coal resources (including CCS) and oil.

Policy: After data is collected for potential locations for energy zones, policymakers from the 41 jurisdictional entities in the Eastern Interconnection must evaluate and ultimately select specific locations that could then be modeled by the EIPC. EISPC will develop and implement the process by which these negotiations will occur.

As part of both data collection and policy negotiations, EISPC will solicit input from, among others, non-governmental organizations.

FOA Topic Area 2. Conduct studies on key issues for the Eastern Interconnection.

EISPC will conduct a number of studies. While the Council has not yet voted on what specific studies will be conducted, EISPC prepared the following indicative listing of studies:

- The two studies listed above under FOA Topic Area 1 relating to Renewable/Alternative Energy Zones across the Eastern Interconnection and potential locations for low- and no-carbon generating resources.

- State-by-state potential for renewable or alternative energy (*e.g.*, wind, solar, biomass, landfill, hydro, etc.) as well as imports from Canada. An initial inventory of capabilities will likely be started in the first year.

- The potential to develop additional demand-side resources in each state. Based on the work already completed by FERC, an initial assessment will be done in the first year, but the analysis will be refined during the course of this effort.

- The potential for distributed generation in each state. An initial inventory may be started in the first year but will continue in subsequent years.

- The state-by-state potential for storage and waste-to-energy facilities.

At its first meeting in March, the Council will select and prioritize the seven studies we will undertake and in which order.

EISPC recognizes that some of the studies listed on the Gantt chart have been or are being addressed by other entities. Hence, one of the first tasks to be completed is to identify and compile the work that has already been done in these areas and develop a mechanism by which the Council can use the results of this completed work in its work on the reference case, future scenarios, and indicative plans. Since EISPC will not have staff hired until the 2nd or 3rd quarter of 2010, we would ask the DOE to consider assigning staff from one of the national labs to assist, not only in the compilation of existing studies, but also in presenting the information to EISPC so that the Council can fully understand and incorporate the results of the studies into our deliberations.

FOA Topic Area 3. Develop other inputs as needed to go into the Interconnection-level analyses prepared under Topic A.

Although the process can be characterized in different ways, we understand the Interconnection-level analysis generally as a three-step process. The *first* step is to create one or more Reference Cases, sometimes referred to as a "Base Case," "Business as Usual Case," or "Most Expected Case." The Reference Case, as used in load forecasting, might be usefully defined as the best estimate of forecasted energy and demand over a given period (*e.g.*, 20 years[2]). Often, the reference case is where there is approximately an equal probability of higher and lower cases. Similarly, in resource planning, the Reference Case (or Base Case or Business as Usual Case) would attempt to strike the balance among the Reference Case and the probabilities associated with the various scenarios. The Reference Case need not be the "recommended case."

Second, once the Reference Case(s) are established, EIPC will run a series of macroeconomic future analyses. The goal in this stage is to identify a broad range of possible scenarios and analyze, at a higher level, the potential impact on the transmission systems so that we can narrow the list of scenarios requiring further study. These macroeconomic results will not include full production cost and reliability models, but will enable a decision on which future scenarios to pursue further.

Third, after reviewing the outcome of the macroeconomic analyses, EIPC will perform fully developed transmission build-out analyses of a smaller number of future scenarios. These models

[2] For the remainder of this Re-Proposal, it is assumed that EIPC will use a 20-year planning horizon for its future scenarios. EISPC and/or the EIPC Steering Committee may determine that a different planning horizon is appropriate.

will include full production cost and reliability analyses.

EISPC agrees generally with this analytical framework, but has encountered some difficulty in reaching consensus with EIPC on elements of each of these steps.

1. The Reference Case:

EIPC proposes to build one Reference Case by rolling the current ten-year plans from EIPC's 24 regional planning authorities up into one overarching plan for 2020. EIPC has agreed to provide EISPC with the inputs and assumptions used by each of the 24 planning authorities in a standardized format so that EISPC can analyze and compare these variables (and the bases for its Reference Case) across the Eastern Interconnection regions. EISPC will review these variables from the 24 planning authorities and determine whether the proposed Reference Case is acceptable or whether EISPC would like to change some of the inputs and assumptions in the Reference Case. We understand that EIPC will provide this data to EISPC beginning in March 2010. DOE may also provide benchmarks for the variables in the Reference Case; EISPC would then evaluate if there are reasons to depart from the DOE benchmarks. EISPC will complete its analysis of EIPC's inputs and assumptions along with any benchmarks by provided by DOE by September 1, 2010.

From there, however, the next step is a matter of some dispute. As we mentioned, EIPC plans to prepare one Reference Case on a 10-year planning horizon. This Reference Case will include generation and transmission planned in each of the underlying planning areas over the next ten years, but nothing further. EIPC also plans to analyze all future macro- and microeconomic scenarios over a 20-year planning horizon. Because the Reference Case forms the baseline for the analysis that follows, the inputs and assumptions behind that Reference Case can color tremendously the outcome of the future scenarios we and EIPC will be studying. There are two challenges relating to EIPC's proposal. *First*, EIPC does not propose to create a Reference Case for the 20-year planning horizon that could be used in analyzing the future scenarios. *Second*, EIPC's sole Reference Case simply rolls up 24 regional plans. EISPC proposed, and EIPC originally agreed, that EIPC would run a separate EISPC Reference Case reflecting any disagreements over the inputs and assumptions underlying EIPC's Reference Case and would extend the planning horizon for the Reference Case out 20 years.

EIPC now takes the position that it lacks the budget to do this. Although they say they can analyze minor variations in Reference Case inputs and assumptions, they would not agree to run a separate EISPC Reference Case independently of the future scenarios described below. EISPC continues to believe that a separate EISPC Reference Case may be necessary – we will not be able to tell with certainty until we have received and analyzed the inputs and assumptions underlying EIPC's Reference Case, but we cannot agree at this point to withdraw that recommendation. Regardless of whether EISPC modifies the inputs and assumptions, we believe that the EIPC reference case must be carried through to a 20-year planning horizon so that it can be used in evaluating the future scenarios that will be run with a 20-year outlook. EIPC takes the position that carrying even its own roll-up Reference Case

beyond the 10-year period must be done under one of the future scenarios described below.

2. Macroeconomic Future Scenarios:

EIPC has agreed to conduct a macroeconomic analysis of 8 separate future scenarios. We had understood that EIPC would set aside 4 of the 8 future scenarios for EISPC to define, but its Re-Proposal seems to hedge somewhat, stating that "it may be reasonable and appropriate to allow the States to select a certain number (e.g. four) of the eight futures for the Macroeconomic analysis."[3] This difference, if there is one, should be resolved in favor of ensuring that policymakers' input into this planning process is not overly diluted by the interests of industry stakeholders.

Within each of the macroeconomic future scenarios, we understand that EIPC will run up to 9 sensitivity analyses on the input variables, providing up to 72 scenario/sensitivity combinations for us to review as we decide which future scenarios to analyze further.

In April 2010, EIPC will provide to EISPC a standardized format for providing the inputs and assumptions for these future scenarios. By December 1, 2010, EISPC will define its 4 future scenarios and provide them to EIPC for analysis. EISPC and EIPC have reached agreement on this aspect of the process.

3. Microeconomic Future Scenarios:

From here, EISPC will analyze future scenarios in depth, including a full production costing modeling analysis to facilitate the collaborative analysis of these future scenarios.

This particular process is not in dispute, but the number of future scenarios EIPC will run is. In our original discussions with EIPC, they agreed to prepare four full future scenario analyses, two of which were to be defined by EISPC. In its Re-Proposal, however, EIPC plans only to run three, all of which will be determined by a vote of the EIPC Stakeholder Steering Committee. As explained above, one of the three future scenarios will likely be extending the Reference Case to a twenty- or thirty-year planning horizon. Hence, there will only be two full future scenarios and those scenarios will be defined by the Stakeholder Steering Committee.

Although we expect that EISPC will have substantial voting authority on the Stakeholder Steering Committee – the precise number of seats on the Committee has yet to be determined. While we have an understanding with EIPC that State Officials will comprise approximately 40% of the Steering Committee, EIPC does not propose to allow EISPC to designate either of the two future scenarios. EIPC has proposed, but not yet put in writing, a "consent" mechanism that would prevent EIPC from proceeding with any future scenario that EISPC vetoed.

[3] EIPC's Revised Statement of Project Objectives at 3.

EISPC respectfully disagrees with two elements of EIPC's current position.[4] *First*, EISPC believes that EIPC should run at least four full future scenario analyses, particularly if one of them takes the form of the extended Reference Case – or, put another way, three beyond any expansion of the Reference Case. Otherwise the practical effect of EIPC's proposal is that this project will yield a full analysis of only two future scenarios – not enough, in our view, to provide State and federal policymakers with enough information to make informed decisions about future transmission expansion.

Second, of these four future scenarios, EISPC should have the ability to designate at least two of them outside of the EIPC stakeholder process. The purpose of this project is not to fund the Planning Authorities' analysis of the *status quo* played out into the future, but rather to inform future policy decisions about transmission and energy expansion. If industry stakeholders are allowed to drive the decision-making process, and if the only check by State Officials takes the form of a veto, the EIPC process risks bogging down or failing to deliver the information most helpful to policymakers.

4. Evaluation of Indicative Transmission Plans:

Given that the primary objective of this initiative is to better ensure that the necessary infrastructure is built on time and in as optimal a manner as reasonably feasible, collaboration among EPIC, EISPC, DOE, FERC, and stakeholders is imperative. Ultimately, for the indicative plans to result in the timely construction of new facilities and programs, these plans must enjoy the full confidence of those involved in the process. Because of the constitutional and statutory role the States have in siting and approving new infrastructure and programs that have ramifications for retail customers, the input of States is essential. Similarly, the active participation of the FERC is also critical. Put another way, any entity desiring to build facilities would be well-advised to make proposals that are generally consistent with the indicative long-term plans.

To this end, States will be active participants in the development of the reference case, scenarios, futures, and analysis of issues that are integral to the construction of these indicative transmission plans, above and beyond the limited role some States already play in the regional planning processes. We will review and analyze the inputs and assumptions underlying the regional plans that will comprise EIPC's Reference Case, work with EIPC to refine that Reference Case and, to the extent we cannot resolve differences with EIPC request that a separate EISPC Reference Case be created as a point of comparison. Beyond the initial effort, States intend to be actively engaged in the refinement of data, analysis, and processes to improve the value of the process.

5. Confidential Information Used In Modeling:

EISPC may provide EIPC with inputs for modeling that must be kept confidential. For example, it is difficult for planning authorities to identify what plants will likely be retired in the near future. EISPC may elect to identify those retirements for EIPC.

[4] In recent discussions, EIPC suggested that additional microeconomic future scenarios could be run in 2013 and those scenarios could be chosen by EISPC. However, this offer has not been formally made to EISPC.

EISPC will work with the DOE to ensure that the confidentiality of any such information can be retained in an appropriate manner, but with the fullest feasible disclosure.

FOA Topic Area 4: Provide insight into the economic and environmental implications of the alternative electricity supply futures and their associated transmission requirements developed for the Eastern Interconnection under Topic A.

In its original proposal, EISPC listed the following whitepapers that could be used in its evaluation of alternative supply future and transmission requirements.

- Renewable Energy Credits – how to address in modeling.
- Market structure impacts
- Power Purchase Agreements for Renewables
- Existing policies that could impact resource expansion plans
- Smart Grid
- PHEV
- Natural gas prices
- Economic Development

The Council has not yet voted on which of these whitepapers it intends to prepare. EISPC will likely wait until its staff is hired and receive recommendations from its staff to determine which of these whitepapers will be prepared, when and by whom.

FOA Topic Area 5: Demonstrate and develop if necessary consensus-building and coordination mechanisms for the interconnection-wide entity.

1. Large Full Council Meetings: to work towards a consensus, the designees from the 39 States in the Eastern Interconnection must meet face to face to build a rapport that will be the foundation for its negotiations. Hence, a significant part of the EISPC budget is dedicated to face-to-face meetings of all designees.

2. Use of Web Conferencing for Council Meetings: though face-to-face meetings will be the primary forum for deliberations, EISPC also intends to use web conferencing. While full Council conference calls and in-person meetings are essential for creating and cementing working relationships, participants will also need an organized means of idea-generation and solution-creation. They will need to post inquiries by subject, find resources (both documents and experts), ask questions of experts, and find documents on point. EISPC will use a Knowledge Communities platform for this effort that will allow for document tracking and sharing, centralized data input, threaded conversations, and broad search-ability of contributed data. EISPC will use a separate audio-, video- and web-linking tool to enable teleconferencing, tele-presence, webcasting, and remote web conferencing capability.

3. Receiving Input from NGO's: Not only will EISPC send representatives to the EIPC Steering Committee, EISPC will also receive input from numerous non-governmental organizations through-out the grant period. EISPC intends to meet person-to-person with the NGO's at through

two forums:

- NARUC meetings; and
- Regional State Committee annual meetings

EISPC hopes to have web-conferencing with NGO's at other times in the year and will investigate the availability of federal GSA facilities for web-conferencing with NGOs. EISPC also expects all stakeholders to discuss issues with individual state designees.

4. Developing a Process to Decide How EISPC May Be Sustainable on a Permanent Basis While the EIPC has determined that it will create a private entity to continue interconnection-wide planning into the future, EISPC has not yet addressed this issue. One of the fundamental hurdles to ongoing State participation will be the funding for the EISPC staff and the funding for travel to Council meetings. Beginning in the middle of 2011, EISPC will turn its attention to creating a sustainable organization.

5. EISPC Participation in the Steering Committee and the Importance of the Decision-Making Authority of the State Policy Makers:

DOE designed this funding opportunity recognizing the importance of State participation in these interconnection-wide studies. The studies envisioned under this FOA present an unprecedented opportunity for States to collect information and coordinate actions in order to meet our nation's future energy needs and policy goals. State leadership in the studies will facilitate that end result.

The critical nature of the States' role must be reflected in the DOE's final project design. This can be accomplished by specifying that EISPC representatives will have a substantial, if not majority, leadership position on the EIPC Steering Committee. Alternatively, EISPC's leadership could be recognized by specifying that a portion of the EIPC's modeling capacity will be dedicated to the modeling proposed by EISPC.[5]

Finally, State regulators and policymakers are approaching this project pursuant to their charge of putting the public interest first. Other participants in this process have a different charge, led by a variety of competing interests. Given the fact that developing transmission and generation will cost the rate-paying public billions--if not trillions--of dollars, it is crucial that the public interest be a prime consideration in this process. Ensuring prominent State participation through EISPC will further the goal of ensuring the public interest is considered throughout this process.

[5] Another option is to provide veto authority over specific decisions to the states. This is an unsatisfying alternative since it could encourage an atmosphere of disagreement and divergence. EISPC's goal is to facilitate collaboration among the States, which could be frustrated by providing the States with after-the-fact veto authority over potentially bad assumptions, rather than providing the States with proactive authority to obtain modeling based on the assumptions agreed-upon by the States.

MERIT REVIEW CRITERION DISCUSSION

The merit review criterion discussion for this proposal, including governance, team structure and qualifications, and technical approach to be used by the EISPC, remain unchanged from our original proposal.

Project Management Plan

Because of the changes discussed above and because of the amount of the final award, the funding and costing profile has changed as follows:

Project Federal Funding Profile

NARUC and Subcontractor Costs

	NARUC Direct	NARUC Indirect	NARUC total	Subcontractor total	Total
Year 1	$ 3,969,190	$ 1,252,341	5221530.686	1154245.396	$ 6,375,776
Year 2	$ 1,162,777	$ 569,741	1732517.338	1195392.797	$ 2,927,910
Year 3	$ 635,409	$ 455,554	1090962.346	1198920.617	$ 2,289,883
Year 4	$ 675,167	$ 478,052	1153219.286	1253211.902	$ 2,406,431
				TOTAL	**$ 14,000,000**

More detail is available in Attachment B, the Project Budget Justification, and the SF424A budget file for this application.

Project Costing Profile

Year	Year 1	Year 2	Year 3	Year 4
January	$531,315	$243,993	$190,824	$200,536
February	$531,315	$243,993	$190,824	$200,536
March	$531,315	$243,993	$190,824	$200,536
April	$531,315	$243,993	$190,824	$200,536
May	$531,315	$243,993	$190,824	$200,536
June	$531,315	$243,993	$190,824	$200,536
July	$531,315	$243,993	$190,824	$200,536

August	$531,315	$243,993	$190,824	$200,536
September	$531,315	$243,993	$190,824	$200,536
October	$531,315	$243,993	$190,824	$200,536
November	$531,315	$243,993	$190,824	$200,536
December	$531,315	$243,993	$190,824	$200,536
Total	$6,375,776	$2,927,910	$2,289,883	$2,406,431

Statement Of Project Objectives

The Eastern Interconnection States' Planning Council

A. OBJECTIVES

At its origins a century ago, the electric industry comprised hundreds of disconnected local distribution companies. It has evolved into a combination of regional markets, regional transmission organizations, competitive and noncompetitive models, and any number of players, ranging from vertically integrated companies to distribution-only companies, from local utilities to a 12-state holding company system. What does not exist is interconnection-wide coordination and planning in the Eastern Interconnection.

There now is interest in interconnection-wide planning due to new market, technology, policy, and environmental drivers. Because the Eastern Interconnection's affected States have a variety of resources, interests, market types, and infrastructures, this project uses a collaborative approach to facilitate coordination and consensus-building around interconnection-wide transmission planning. The release of $60 million to support interconnection-wide planning creates an opportunity that previously existed only in concept: an Interconnection-wide sharing of assumptions, data, scenarios and modeling efforts, with the potential for coordinated activities that avoid duplication, make more economic use of existing infrastructure, avoid unnecessary infrastructure, and target new infrastructure for those purposes that will make the most improvements.

The State government participants engaged in this proposal are committed to developing an active discussion among decision-makers, informed by objectivity, trust, open-mindedness and, where facts support it, decisiveness.

B. SCOPE OF WORK

This project will create and operate a new collaboration among State and Provincial representatives, including utility regulatory commissions and Governors' offices, to facilitate dialogue and collaboration among the States and Provinces in the Eastern Interconnection and thus enable them to develop more consistent and coordinated input and guidance for the regional and interconnection-level analyses and planning that will be done under Topic A. This collaborative, EISPC, seeks support for its first four years of effort, after which it is hoped that EISPC will become self-sustaining.

EISPC will be supported by a professional staff, which will be an independent and cohesive unit initially within the National Regulatory Research Institute but directly accountable to EISPC. EISPC will also obtain support from the National Association of Regulatory Utility Commissioners.

C. TASKS TO BE PERFORMED

The tasks that will be taken on to accomplish the scope of work are described in detail below. The collaboration proposed will engage in eight major tasks over four budget periods to address topic areas identified in DE-FOA-0000068:

1. Develop the new organization (including implementing the EISPC participants' decision-making processes and protocols, establishing and acting on staffing needs, budget requirements, institutional arrangements to ensure expert and infrastructural support of the new staff, and methods to ensure the accountability of the staff).
2. Take all reasonable actions to reach consensus on an initial set of modeling inputs for the Reference Case and future scenarios.
3. Take all reasonable actions to reach consensus on feedback to the Topic A Group's initial modeling results for the resource expansion plans and production cost modeling.
4. Conduct studies, which will facilitate further refinement to the modeling.
5. Prepare whitepapers to assist both in refinements to the modeling and to add context to EISPC's evaluation of the final results.
6. Attempt to reach consensus on revisions to the modeling inputs and future scenarios for iterative modeling runs.
7. Attempt to reach consensus on the evaluation of the final Topic A Group's results.
8. Participate in Topic A Group activities.

Each task is considered in detail below.

1. Organizational Development (October 2009 – October 2010):

    A. Form an Executive Committee
    B. Develop an organizational structure
    C. Begin job search and hire an EISPC Director and set up of office space initially within the NRRI offices.
    D. Begin search for and potentially hire Administrative Assistant, Power Systems Engineer, and an Economist.
    E. Identify key stakeholders that need to be involved in the collaborative effort, develop a detailed work plan, assessment of issues such as the ability to obtain and protect confidential information required to conduct the studies.

2. Reach consensus on modeling inputs and future scenarios (April 2010 – June 2011)

    A. Define the "Planning Horizon" (e.g., 10, 15, 20, 30, 50 years) to be used in the preparation of the various scenarios.

B. Define the parameters for the "Reference Case" beginning with an evaluation of the EIPC "roll-up" Reference Case and determine if any changes are necessary. By way of examples:
   - Define the Reference Case. Should this be considered as the "Business as Usual Case?"
   - Define at what point in the planning process a resource should be included in the Reference Case as opposed to a future case.
   - Define how pending legislation or rulemakings will be addressed in the Reference Case.
   - Define current renewable or alternative energy zones.

C. For the Reference Case and Scenario Analysis, compile the energy and demand forecasts to be used by the Topic A Group. This should include an evaluation of the forecasts for credibility and consistency as well as the various forecasting methodologies.

D. Assess fuel escalation rates, forecasted increases in fixed costs associated with construction of new facilities, forecasted maintenance costs, forecasted rates of inflation and capital costs, etc.

E. Catalogue current demand side resources (*i.e.*, demand response, price response, and energy efficiency programs) and distributed generation resources and their effect on energy and demand forecasts and the attendant affects on production costing and resource planning.

F. Make an initial recommendation concerning environmental costs (*e.g.*, NO_x, SO_x, mercury, carbon, and water) in the Topic A Group's initial analysis. Cataloging existing and potential environmental exclusionary zones should be done in this phase.

G. Define "renewable" and/or "alternative" resources to ensure consistent treatment in the studies. EISPC will then compile Renewable Resource Standards for each state and attempt to achieve a consensus in the treatment of "Renewable Energy Credits" in the conduct of the studies.

H. Attempt to reach a consensus in the treatment of retirements of resources (*e.g.*, due to more stringent environmental rules, age, condition) in the Reference Case.

3. <u>Reach consensus on feedback to the Topic A Group's initial modeling results for the resource expansion plans, production cost modeling and the results. (March 2010 - February 2011)</u>

After receiving preliminary results from the Topic A Group on both the reference case and future scenarios, refine inputs and assumptions as necessary and present to the Topic A Group.

4. <u>Conduct studies to facilitate further refinement of the modeling inputs and future scenarios (March 2010 - December 2010 - staged according to need)</u>

The following is an indicative list of the types of studies that may be performed. The

policy-makers that make up EISPC will determine which specific studies will be performed as the process moves forward. EISPC will select the specific studies that will be conducted. EISPC will first determine whether any of these studies have already begun or have been conducted by other entities, and if so, will utilize that existing information. The list of potential studies includes:

A. An opportunity for States to reevaluate or reconfigure Renewable Energy Zones.

B. Identification of state-by-state potential for renewable or alternative energy (*e.g.*, wind, solar, biomass, landfill, hydro and etc) as well as imports from Canada.

C. Assessment of the location of new nuclear facilities and uprating existing nuclear resources.

D. Assessment of coal potential including carbon capture and storage.

E. Identification of state-by-state potential for demand-side resources. This would include: price responsive demand, peak demand management (including customer-owned energy storage), and energy efficiency.

F. Identification of state-by-state potential for distributed generation.

G. Assessment of the state-by-state potential for storage and waste-to-energy facilities.

H. Assessment of state-by-state potential for rapid-startup fossil back-up generation.

I. Assessment of gas and other fuel price issues.

J. Other issues as identified by EISPC.

5. Prepare whitepapers to assist in both the modeling inputs and future scenarios, and in our final evaluation of the results of the alternative futures. (June 2010 - June 2012 – staged according to need)

The following is an indicative list of the types of whitepapers that may be prepared. The policy-makers that make up EISPC will determine which specific whitepapers will be developed as the process moves forward. The list of potential whitepapers includes:

A. Renewable/Alternative Energy White Paper**:** Among other things, this Paper will attempt to estimate the potential Renewable Energy Values that will be used in the formulation of scenarios and the effect on resource selection.

B. Market Structures Whitepaper**:** Identify relevant market structures on a state and regional basis (particularly in the economic context) for new resource development. This whitepaper may also describe transmission planning processes and responsibilities used within each market context and evaluate the potential impact on market development of an interconnection-wide planning and development.

C. Power Purchase Agreements for Renewables Whitepaper – investigate the financial implications for regulated utilities due to substantial purchases of power from renewable or alternative energy sources.

D. State, Regional and Federal Policy Whitepaper: prepare a whitepaper that would catalog the existing state, regional and federal policies that may impact transmission planning and development.

E. Smart Grid Whitepaper: identify the potential smart grid and the development of one or more scenarios.

F. PHEV Whitepaper: Describe the future potential for Plug-In Hybrid Electric Vehicles and one or more scenarios.

G. Consideration of Economic Uncertainties / Risk and the potential impact on resource expansion plans, as well as state statutes / rules that may ameliorate or increase uncertainties such as CWIP/AFUDC, recovery of costs associated with emerging technologies such as nuclear and clean coal, and state-specific economic incentives or disincentives.

H. Consideration of other Incentives and Disincentives for Resource Development. This would include "traditional" generation technologies, distributed generation, transmission, renewable or alternative energy, DSM, energy storage, Smart Grid, and etc.

6. Attempt to reach consensus on revisions to the modeling inputs and future scenarios. (September 2010 – end)

Once EISPC receives initial feedback from the Topic A Group, revisions will be made based on changes in legislation, the economy, technology, and external factors. Since this is an iterative process, these refinements will be key to ensuring updated studies.

7. Attempt to reach consensus on or final evaluation of the results of the alternative futures (June 2011 – end)

In making every effort to achieve consensus, the EISPC participants will consider all the white papers and studies developed as part of this process in order to inform the evaluation of alternatives, including:

A. Reliability and economic implications of various resource portfolio scenarios. This would include the potential for reduced reserve margins, reducing congestion and losses resulting from potential new transmission, upgrades of existing facilities, and enhancements of the underlying transmission systems.
B. Economic Development related to manufacturing, construction and post construction.

The EISPC participants will create a written report summarizing this final analysis.

8. Participate in Topic A Group Activities. (Beginning-End)
    A. Representatives from the Council will participate in the Topic A Group's Steering Committee.
    B. EISPC's in-house transmission planner will oversee all of the Topic A Group's modeling and planning efforts.
    C. Participate in Topic A Group's Stakeholder Process.
    D. Coordinate with Topic A Group for the rollout of the results.

D. DELIVERABLES

1. Organizational Development (October 2009 – October 2010)
    - Job descriptions for key EISPC staff
    - Detailed work plan
    - Confidential information agreement

2. Reach consensus on modeling inputs and future scenarios (April 2010 – June 2011)
    - Meeting materials (agendas, participants, etc.)
    - Initial set of inputs for Reference Case and future scenarios.

3. Reach consensus on feedback to the Topic A Group's initial modeling results for the resource expansion plans, production cost modeling and the results. (March 2010 – February 2011)
    - Feedback report to Topic A Group on refinements to the initial reference case results.
    - Feedback report to Topic A Group on refinements to the initial future scenario results.

4. Conduct studies to facilitate further refinement of the modeling inputs and future scenarios (March 2010 - December 2010 - staged according to need)
    - Written reports for each study. See listing on the Gantt Chart.

5. Prepare whitepapers to assist in both the modeling inputs and future scenarios, and in our final evaluation of the results of the alternative futures. (June 2010 - June 2012 – staged according to need)
    - Written whitepapers. *See* listing on the Gantt Chart.

6. Attempt to reach consensus on revisions to the modeling inputs and future scenarios. (September 2010 – end)
    - Meeting materials (agendas, participants, outputs, etc.)
    - Feedback reports submitted to the Topic A Group to refine inputs and assumptions for modeling.

7. Attempt to reach consensus on or final evaluation of the results of the alternative futures (June 2011 – end)
    - Meeting materials (agendas, participants, outputs, etc.)
    - Written report summarizing the final analysis.

8. Participate in Topic A Group Activities. (Beginning-End)
    - Meeting materials for Topic A Group's Steering Committee. (agendas, participants, outputs, etc.)
    - Meeting materials for Topic A Group's Stakeholder Process (agendas, participants, outputs, etc.)
    - Press releases for the rollout of the results.

E. CONCLUSION

The States believe the Eastern Interconnection States' Planning Council will capitalize on the best practices of existing and emerging efforts and extend new benefits and insights across the entire Eastern Interconnection. This type of effort demonstrates the best structure to produce a result that we hope will bring substantial benefits to the nation. And, with the key Eastern Interconnect representatives involved in developing modeling inputs and future scenarios relying on the experience of all the other planning processes, this collaboration will produce information needed for success in meeting our state, regional and national energy goals.

Regardless of the outcome, the importance of the dialogue itself cannot be overstated. As States have not previously collaborated on an Eastern Interconnection-wide basis, this process will serve to identify areas of agreement and potential solutions to conflict. In addition, the studies developed will be useful not only to the broader regional and national goals, but vitally useful to States as we pursue the best outcomes for ratepayer citizens in our own States. The participants of this collaborative eagerly await the opportunity.