

3.7 State Agreement Process

3.7.1 Scope and Effect

This Section 3.7.1 sets forth the State Agreement Process. Through the State Agreement Process, two or more Participants may agree, for one or more specified Long-Term Regional Transmission Facilities (or portfolios of such Facilities), on an alternative cost allocation method in lieu of the Long-Term Regional Transmission Cost Allocation Method set forth in Section 3.6. Any alternative cost allocation method agreed to under this Section 3.7 and filed with and accepted by the Commission shall apply to the Long-Term Regional Transmission Facility (or portfolios of such Facilities) to which it is addressed, in lieu of the Long-Term Regional Transmission Cost Allocation Method, beginning on the date specified in the Commission's order accepting any alternative cost allocation method agreed to under this Section 3.7.

3.7.2 State Agreement Process Timing

The State Agreement Process may commence before a Long-Term Eligible Cost Allocation Project is identified by the Cost Allocation Task Force per Section 3.6.1 but shall terminate no later than six months from the date the Enrolled Parties notify the Relevant State Entities that a Long-Term Eligible Cost Allocation Project has been identified by the Cost Allocation Task Force.

3.7.3 State Agreement Process Participation

- (a) Each Participant representing a state commission that regulates the retail rates of an Enrolled Party that would be assigned costs associated with a Long-Term Eligible Cost Allocation Project pursuant to the Long-Term Regional Transmission Cost Allocation Method in Section 3.6 is eligible to vote on any proposed alternative to such Long-Term Regional Transmission Cost Allocation Method during the State Agreement Process.
- (b) If, during the State Agreement Process, an alternative cost allocation approach being considered might assign costs to an Enrolled Party that was not initially identified as a Long-Term Enrolled Party Beneficiary, a Participant that represents a state commission that regulates the retail rates of such Enrolled Party is eligible to vote on such alternative approach.

3.7.4 State Agreement Process Facilitation

- (a) The Participants shall determine among themselves the procedures by which they will conduct the State Agreement Process, including the meeting schedule. NorthernGrid shall, upon request, provide reasonable logistical support for meetings of the Participants and the Enrolled Parties shall provide data and analysis reasonably necessary to inform the process, subject to applicable confidentiality procedures.
- (b) The Enrolled Parties Planning Committee and the Cost Allocation Task Force may, upon invitation by the Participants, attend meetings or provide input. They shall not otherwise direct or constrain the process.

3.7.5 Cost Allocation to Non-State Regulated Enrolled Parties or Non-Enrolled Parties in the State Agreement Process

- (a) If costs are allocated to a Long-Term Enrolled Party Beneficiary that is not state regulated, the Participants shall consult with the impacted non-state regulated Long-Term Enrolled Party Beneficiary prior to voting on an alternative cost allocation methodology.
- (b) If, during the State Agreement Process, the Participants conclude that non-Enrolled Parties will significantly benefit from the Long-Term Eligible Cost Allocation Project, the Participants may vote to either: (i) recommend that the Enrolled Parties Planning Committee decline to select that Long-Term Eligible Cost Allocation Project (if the vote occurs prior to the selection per Section 3.6.1); or (ii) recommend that the Enrolled Parties Planning Committee reevaluate the selected Long-Term Eligible Cost Allocation Project on the basis of changes in presumed costs or benefits in the next Long-Term Regional Transmission Planning Cycle.

3.7.6 Decision Making Criteria

- (a) For a single transmission project, each Participant eligible to vote must approve the proposed alternative to the Long-Term Regional Transmission Cost Allocation Method in Section 3.6.
- (b) For a portfolio of projects, at least 75 percent of Participants eligible to vote that represent states that regulate the retail rates of Long-Term Enrolled Party Beneficiaries that would be allocated at least 75 percent of the estimated total costs of the projects must agree to approve a proposed alternative to the Long-Term Regional Transmission Cost Allocation Method in Section 3.6.

3.7.7 Access to Data

Participants have the authority to request relevant information from the Enrolled Parties and the Cost Allocation Task Force.

3.7.8 Documentation and Commission Filing

- (a) If Participants fail to reach an agreement on an alternative cost allocation methodology within the time frame allocated in Section 3.7.2, the Long-Term Regional Transmission Cost Allocation Method in Section 3.6 shall apply.
- (b) If Participants reach agreement on an alternative cost allocation method for a Long-Term Eligible Cost Allocation Project, the agreement shall be memorialized in a written document that specifies (i) the Long-Term Eligible Cost Allocation Project to which the agreement applies; (ii) the alternative cost allocation method, including any formula, and beneficiary identification methodology under the method; (iii) the effective date or event on which the alternative method is to take effect; and (iv) the Participants vote count.
- (c) The Participants shall submit the agreement to the Enrolled Parties for filing with the Commission. The Enrolled Parties shall file the agreement with the Commission as a proposed amendment to this Attachment K, within thirty (30) calendar days of receipt of the signed agreement and shall post the filing on the public portion of the NorthernGrid Website at the time of filing.
- (d) The alternative cost allocation method shall take effect on the date specified in the Commission's order accepting the agreement. Until that date, the Long-Term Regional Transmission Cost Allocation Method set forth in Section 3.6 shall apply.

3.7.9 Commission Rejection

If the Commission rejects a filed agreement, the Long-Term Regional Transmission Cost Allocation Method set forth in Section 3.6 shall apply to that Long-Term Eligible Cost Allocation Project.