Purpose of Study

The purpose of this study is to assess the Progress Energy Carolinas (“Progress”) and Duke Energy Carolinas (“Duke”) transmission systems’ reliability and develop a single collaborative transmission plan for the Duke and Progress transmission systems that ensures reliability of service in accordance with NERC, SERC, Progress and Duke requirements. In addition, the study will also assess enhanced access option scenarios provided by the Transmission Advisory Group (“TAG”) and approved for study by the Oversight Steering Committee (“OSC”). The Planning Working Group (“PWG”) will perform the technical analysis outlined in this study scope under the guidance and direction of the OSC.

The TAG members will have the opportunity to provide input on all the study scope elements of both the Reliability Planning Process as well as the Enhanced Transmission Access Planning Process as the study activities progress. This will include input on the following: Study Assumptions; Study Criteria; Study Methodology; Case Development and Technical Analysis; Problem Identification; Assessment and Development of Solutions (including proposing alternative solutions for evaluation); Comparison and Selection of the Preferred Transmission Plan; and the Transmission Plan Study Results Report. The TAG members may also propose enhanced access scenarios for the year 2018 for evaluation in the study.

Overview of the Study Process Scope

The scope of the proposed study process will include the following steps:

1. **Study Assumptions**
   - Study assumptions selected

2. **Study Criteria**
   - Establish the criteria by which the study results will be measured

3. **Case Development**
   - Develop the models needed to perform the study
   - Determine the different resource supply scenarios to evaluate

4. **Methodology**
   - Determine the methodologies that will be used to carry out the study

5. **Technical Analysis and Study Results**
   - Perform the study analysis (thermal, voltage, stability and short circuit) and produce the results
6. **Assessment and Problem Identification**
   - Evaluate the results to identify problems / issues

7. **Solution Development**
   - Identify potential solutions to the problems / issues
   - Test the effectiveness of the potential solutions through additional studies (thermal, voltage, stability and short circuit) and modify the solutions as necessary such that all reliability criteria are met
   - Perform financial analysis and rough scheduling estimate for each of the proposed solutions (e.g., cost, cash flow, present value)

8. **Selection of a Recommended Collaborative Transmission Plan**
   - Compare alternatives and select the preferred solution alternatives – balancing cost / benefit / risk
   - Select a preferred set of transmission improvements that provide a reliable transmission system to customers most cost effectively while prudently managing the associated risks

9. **Report on the Study Results**
   - Prepare a report on the recommended Collaborative Transmission Plan
   - Include study results for the enhanced access scenarios, if applicable

Each of these study steps is described in more specific detail below.

### Study Assumptions

The specific assumptions selected for this study are:

- The years to be studied (study year) will be 2013 Summer and 2012/2013 Winter (winter as needed) for a near term reliability analysis and 2018 for a longer term reliability analysis.
- Each Load Serving Entity (“LSE”) will provide a list of resource supply assumptions and include the resource dispatch order for each of its Designated Network Resources in the Progress and Duke control areas. Generation will be dispatched for each LSE in the cases to meet that LSE’s peak load in accordance with the designated dispatch order. LSEs will also include generation down scenarios for their resources, if applicable (e.g., generation outage with description of how generation will be replaced, such as by that LSE’s dispatch orders).
- PSS/E and/or MUST will be used for the study.
Load growth assumptions will be in accordance with each LSE’s practice.

Generation, interchange and other assumptions will be coordinated between Participants as needed.

For a variety of reasons (such as load growth, generation retirements, or power purchase agreements expiring), some LSEs may wish to evaluate other resource supply options to meet future load demand. In this case, the PWG will solicit input from the Participants for different scenarios on where to include other supply resources to meet their load demand forecasts in the study. These resource supply options can be either in the form of transactions or some “fictitious” generators which are added to meet the resource adequacy requirements for this study. The PWG will use the 2018 longer term reliability case to analyze the proposed interchange transactions and/or the location of the fictitious generators to determine if those transactions or generators create any reliability criteria violations. Based on this longer term reliability analysis, the PWG will provide feedback to the Participants on the viability of the proposed interchange transactions or fictitious generator locations for meeting future load requirements. The results of this analysis will be included in the 2008 Collaborative Plan Report.

In 2008, the PWG will examine existing studies and perform additional analysis, if necessary, to determine the impacts of large baseload resources among its resource supply options within the Duke and Progress East control areas. The results of this investigation will be included in the 2008 Collaborative Plan Report.

In 2008, the PWG will include renewable wind scenarios among its resource supply options in the year 2018. Potential scenarios include (i) locating wind resources in North Carolina in the western mountains and on the eastern coast and (ii) importing wind resources from the Midwest. The results of this analysis will be included in the 2008 Collaborative Plan Report.

Enhanced access scenarios provided by the TAG for the year 2018 and approved by the OSC will be incorporated into the study process in a similar manner as the Participants proposed resource supply option scenarios. The results of this analysis will be included in the 2008 Collaborative Plan Report for use by all stakeholders in developing resource supply plans for the future.

**Study Criteria**

The study criteria with which results will be evaluated will be established, promoting consistency in the planning criteria used across the systems of the Participants, while recognizing differences between individual systems. The study criteria will include the following reliability elements:

- NERC Reliability Standards
NERC is in the process of revising the Transmission Planning (“TPL”) standards. Later in the spring of 2008, when some of the TPL standards are closer to being finalized, the PWG will select a subset of the new TPL standards on which to perform sensitivity analysis to evaluate the impact of the new TPL standards in the year 2018.

- SERC requirements
- Individual company criteria (voltage, thermal, stability, short circuit and phase angle)

Case Development

- The most current MMWG or VSTE model will be used for the systems external to Duke and Progress as a starting point for the Base Case to be used by both Progress and Duke in their analyses.
- The Base Case will include the detailed internal models for Progress and Duke and will include current transmission additions planned to be in-service for the given year (i.e. in-service by summer 2013 for 2013S cases and in-service by the winter for 2012/2013 for 2012/2013W cases as well as in-service by summer 2018 for 2018S cases).
- An “All Firm Transmission” Case(s) will be developed which will include all confirmed long term firm transmission reservations with roll-over rights applicable to the study year(s), as appropriate.
- Duke and Progress will each create their respective generation down cases from the common Base Case and share the relevant cases with each other.
- Additional cases will be developed as required for different scenarios to evaluate other options to meet load demand forecasts in the study.
- Other additional cases will be developed as required and approved by the OSC to evaluate the enhanced access scenarios submitted by the TAG.

Study Methodology

- Initially, power flow analyses will be performed based on the assumption that thermal limits will be the controlling limit for the reliability plan. Voltage, stability, short circuit and phase angle studies may be performed if circumstances warrant.
- Progress and Duke will exchange contingency and monitored element files so that each can test the impact of the other company’s contingencies on its transmission system. The contingency element files will either be modified or a new one created to include all common tower outages which are greater than one mile.
In 2008, Progress may be implementing a new methodology in Operations for determining Available Flowgate Capacity (“AFC”) and Available Transfer Capacity (“ATC”), including consideration of Transmission Reliability Margin (“TRM”). The new process will include increased coordination with PJM and others, and Progress may adopt the new methodology for the planning horizon. In the 2008 NCTPC Study, the PWG will perform a sensitivity analysis to compare the current TRM assumptions used by Progress in Planning with the new TRM assumptions if implemented by Progress in Operations.

Progress is in the process of performing an internal study to evaluate its current transformer rating assumptions and the completion of the internal study is targeted for June 2008. Progress will report the results of the internal study to the PWG. Dependent on the internal study results, the PWG may reassess the results from the thermal screenings performed for the 2008 NCTPC Study using the higher transformer ratings, as appropriate.

Technical Analysis and Study Results

The technical analysis will be performed in accordance with the study methodology. Results from the technical analysis will be reported throughout the study area to identify transmission elements approaching their limits such that all Participants are aware of potential issues and appropriate steps can be identified to correct these issues, including the potential of identifying previously undetected problems.

Progress and Duke will report results throughout the study area based on:

- Thermal loadings greater than 90%.
- Voltages less than 100% for 500 kV and less than 95% for 230 kV, 115 kV, and 100 kV buses; pre- to post-contingency voltage drops of 5% or more.

Assessment and Problem Identification

- Duke and Progress will each run their own assessments. Duke reliability criteria will be used for Duke’s transmission facilities, and Progress reliability criteria will be used for Progress’s transmission facilities. Duke and Progress will each document the reliability problems resulting from their assessments. These results will be reviewed and discussed with the TAG for their feedback.

- In 2008, Progress and Duke will clearly address the treatment of lower voltage transmission facilities (< 230 kV facilities) directly related to the impact of new generation interconnected to the system in addition to the impact of new base or alternative network resources projected to serve load. If the study of new generation
resources identifies any significant impact on facilities < 230 kV, then the upgrades will be included in the results of the 2008 Collaborative Plan Report.

**Solution Development**

- The PWG will develop potential solution alternatives to the identified reliability problems.
- The TAG will have the opportunity to propose solution alternatives to the identified reliability problems.
- Duke and Progress will test the effectiveness of the potential solution alternatives using the same cases, methodologies, assumptions and criteria described above.
- Duke and Progress will develop rough, planning-level cost estimates and construction schedules for the solution alternatives.

**Selection of a Recommended Collaborative Transmission Plan**

- The PWG will compare alternatives and select the preferred solution alternatives, balancing cost / benefit / risk.
- The PWG will select a preferred set of transmission improvements that provides a reliable and the most cost effective transmission solution to meet customers’ needs while prudently managing the associated risks.
- The preferred set of transmission improvements developed by the PWG will be reviewed and discussed with the TAG for their feedback.

**Report on the Study Results**

The PWG will compile all the study results and prepare a recommended collaborative plan for the OSC review and approval. Prior to the OSC’s final review and approval, the final draft of the study report will be reviewed and discussed with the TAG to solicit their input on the recommended collaborative plan. The final report will include a comprehensive summary of all the study activities as well as the recommended transmission improvements including estimates of costs and construction schedules. The report will also include study results and information related to any sensitivity analysis, resource supply options scenarios, and enhanced access scenarios that were included as part of the 2008 study analysis.