21st CENTURY ENERGY PLAN

Policy Strawman for the Development of a Certificate of Need Process
Basics of Certificate of Need

- Process used in many States
  - Traditionally Regulated States and Restructured States
- Voluntary Two Tier Process
  - Tier I
    - Need for the new supply is established
    - Determines a Plan or Approach for Resource Acquisition
  - Tier II
    - Proceeding that establishes the cost on a plant specific basis.
    - Cost Basis for Plant Additions based on Competitive Bidding of Engineering, Construction and Procurement (EPC)
Certificate of Need

- Comprehensive Filing of Least Cost Plan/IRP
  - As Needed Basis (not prescribed)
- Contested Case Open Process
- Supply addresses EE, DSM, Renewables, etc.
- Certificate is non-rescindable
Key Issues

- Separates different types of risk into parts
  - Risk of being second guessed many years later
  - Risk to Cost and Schedule
- Process is voluntary, traditional approach still available
- May commence permitting, siting, interconnect studies with or without CON – Manage Risk to Schedule
- Is necessary but not sufficient by itself to stimulate development of Capital Intensive Assets (Baseload)
  - Pre-Approval does not address other key issues that will need to be attended. For instance:
    - Effects of Retail Open Access on Load Swings – long term planning for long term assets
    - Cash flow during construction