

# Transmission Asset Allocation Services

## About Navigant Consulting

Navigant Consulting, Inc. (NYSE: NCI) is an international consulting firm combining deep industry expertise and integrated solutions to assist companies and their legal counsel in enhancing stakeholder value, improving operations, and addressing the challenges of uncertainty, risk and significant business model change. Professional services include dispute, investigative, operational and business advisory, risk management and regulatory advisory, and transaction advisory solutions. The Company focuses on industries undergoing substantial regulatory or structural change, including financial services, insurance, healthcare and energy. Navigant Consulting has offices in over 40 cities in North America, Europe and Asia.

Transmission owners throughout New England have faced rapid and profound changes in how transmission asset costs are allocated, including sharing certain transmission asset costs through the New England Regional Network Service (RNS) rates.

More than ever before, the way firms classify transmission assets counts. Over \$2 billion in Pool Transmission Facility (PTF) assets are included in the New England RNS rates. Assets from a single substation, transmission line, or right of way can run into the millions, and in some cases, tens of millions of dollars. The rules can be complex and entire categories of qualified investments can be easily overlooked.

Navigant Consulting has significant experience in classifying transmission and distribution assets – successfully working with utilities in the Northeast and New England to address asset classification, and providing related value-added services.

## Allocating Transmission Assets

Proper transmission asset assessment ensures that transmission plant accounting records are current and that the RNS transmission investment has been accurately identified. Incorrect allocations can be costly.

### Potential Pitfalls

The process of updating and classifying assets is not a smooth one for many companies. Accounting records may be incomplete. Procedures for tracking substation investment may vary widely between the accounting and engineering departments. Naming and asset bundling conventions may be inconsistent. Proper procedures may not be in place to ensure that all upgrades are reflected in accounting data and that all accounting data can be tied back to assets in the field. The function of each item may be unclear. Navigant Consulting's

transmission experts help clients capitalize on the opportunities to add value by correctly tracking and classifying assets.

### Planning Strategies

Expansion planning is another area where asset classification counts. In some instances, a small amount of forethought can determine whether a transmission expansion qualifies as PTF or changes the asset classification of other assets as well as serving a reliability function. NCI's perspective can help.

### Staffing

The additional workload of periodic asset allocation reviews may stretch current staff beyond capacity. Our professionals have the experience to quickly and efficiently accomplish our clients' required allocation tasks while identifying opportunities to add value. Navigant Consulting has experts located in every geographic region, which allows us to put on-site teams in place as needed.

### Complex Rules

Rules for allocating transmission assets among PTF, non-PTF, and Common asset classifications can be complex and, in some cases obscure. Assets, including substation assets, can change classification as additional transmission facilities are added upstream or downstream. Navigant Consulting's experts can help clients navigate the rules and deal with unique or complicated circumstances.

### Internal Procedures

Often, companies do not have the internal checks and balances in place to ensure that changes in the field are correctly reflected in changes in PTF and non-PTF transmission accounts. Software incompatibility, and bundling and naming discrepancies can all cause problems when assets are added or change classifications. Legacy issues are also common when procedures adopted

## Contact »

Laurie Oppel  
202.481.7534  
loppel@navigantconsulting.com

John Higgins  
781.270.8323  
john.higgins@navigantconsulting.com

Dave Clarke  
202.481.7530  
dclarke@navigantconsulting.com

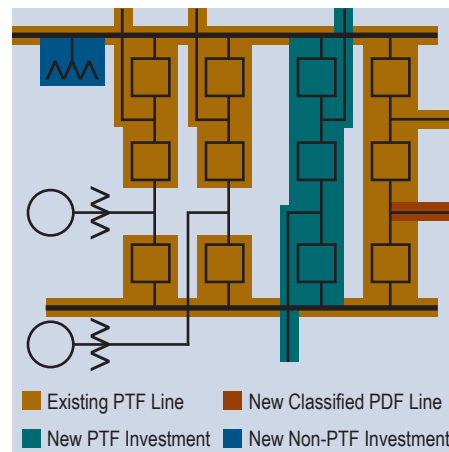
Celia David  
312.583.2139  
celia.david@navigantconsulting.com

[www.navigantconsulting.com](http://www.navigantconsulting.com)

## Asset Allocation Issues and the Bottom Line

- » Is your firm updating its PTF and non-PTF asset allocations?
- » Is your firm trying to match accounting data to physical facilities?
- » Is your firm working to identify new PTF facilities?
- » Is your firm struggling to identify which existing assets have changed classification?
- » Are your firm's transmission plant accounting records current?
- » Does your firm's asset update process function smoothly and efficiently?
- » Does your firm's asset allocation process over-burden staff?
- » Are entire categories of qualified investments being overlooked?
- » Are lucrative opportunities to correctly classify new assets being missed?
- » Does your firm's allocation process include appropriate quality assurance and quality control?
- » Does your firm's expansion planning cost/benefit analysis reflect the potential to change asset classification?

before PTF rules became effective no longer serve the accounting requirements. A review by Navigant Consulting's transmission experts provides our clients with a helpful, unbiased perspective of all related internal processes and controls.



## How Navigant Consulting Helps Our Clients

Our experts assist clients in working through complicated transmission allocation issues including improving and standardizing their transmission asset recognition, classification and capital budgeting procedures. Through detailed asset and process reviews, we help clients get the most out of the transmission asset allocation effort.

## Recent Navigant Consulting Transmission Allocation Engagements

- » We performed a comprehensive PTF asset review for a major New England transmission owner.
- » Our experts conducted a comprehensive review of allocation of assets to bulk power system and distribution system accounts for a major Northeast transmission owner. The effort was part of an overall review of the firm's capital budgeting process for transmission and distribution projects.
- » For a major Mid-Atlantic transmission owner, our staff developed a transmission revenue requirement, functionalizing assets into transmission, sub-transmission and distribution.
- » Navigant Consulting conducted a review of transmission and distribution substation assets for a major western utility.



©2008 Navigant Consulting, Inc. All rights reserved. 08-00852A

Navigant Consulting is not a certified public accounting firm and does not provide audit, attest, or public accounting services. "NAVIGANT" is a service mark of Navigant International, Inc. Navigant Consulting, Inc. (NCI) is not affiliated, associated, or in any way connected with Navigant International, Inc., and NCI's use of "NAVIGANT" is made under license from Navigant International, Inc.