

Western Area Power Administration (WAPA) Transmission System Network Upgrades Policy Document

This Business Practice documents the Western Area Power Administration (WAPA) policy, as implemented by WAPA's Power System Operations Council (PSOC), on the classification of transmission facilities as Network Upgrades and the crediting of customer payments for such Network Upgrades.

1. Designation of Transmission System Network Upgrades
 - A. Generator Interconnection – Network Upgrades associated with generator interconnections are defined in WAPA's Open Access Transmission Service Tariff (OATT) under its Large/Small Generator Interconnection Procedures (LGIP/SGIP). These facilities generally include the additions, modifications, and upgrades to the Transmission Provider's Transmission System required at or beyond the point at which the Interconnection Facilities connect to the Transmission Provider's Transmission System to accommodate the interconnection of the Generating Facility to the Transmission Provider's Transmission System. These facilities are located on WAPA's side of the Point of Interconnection (POI), as generally shown in the generic interconnection arrangements shown in Attachment 1.
 - B. Load (non-generator) Interconnection – Network Upgrades associated with load related interconnections, for which transmission service is taken under WAPA's OATT, are defined in WAPA's OATT. These facilities generally include modifications or additions to transmission-related facilities that are integrated with and support the Transmission Provider's overall Transmission System for the general benefit of all users of such Transmission System. These facilities are located on WAPA's side of the POI, as generally shown in the generic interconnection arrangements shown in Attachment 1.
 - C. Transmission-Transmission Interconnection – Network Upgrades are those transmission system additions, modifications, or upgrades related to the transmission-transmission interconnection that are deemed by WAPA, in its sole discretion, to be required to support transmission service provided by WAPA under its OATT. These facilities are located on WAPA's side of the POI, as

generally shown in the generic interconnection arrangements shown in Attachment 1.

Facility additions associated with Generator Interconnections, Load Interconnections, and Transmission-Transmission Interconnections, while adhering to the interconnection examples shown in Attachment 1 will NOT automatically be classified as Network Upgrades or be eligible for inclusion in WAPA's transmission rate. Further analysis will be done by WAPA to identify its preferred alternative that is reliable, meets its interconnection requirements, and minimizes the rate impacts. WAPA will allow a customer-selected alternative interconnection in place of its preferred alternative; however the customer will be responsible for the cost differential between the costs that WAPA would have incurred at its preferred alternative and the costs of the alternative interconnection. Therefore, some facilities in the customer-selected alternative that would normally be classified as Network Upgrades will not be considered Network Upgrades by WAPA.

2. Funding of Transmission System Network Upgrades
 - A. Generator Interconnection – The Interconnection Customer shall advance fund all costs associated with the construction of Network Upgrades pursuant to Sections 11.3 and 11.5 of WAPA's Large Generator Interconnection Agreement (LGIA), or Sections 5.2 and 6.3 of WAPA's Small Generator Interconnection Agreement (SGIA). Title to the applicable facilities must be conveyed to WAPA subsequent to the commissioning of these facilities and prior to when the Interconnection Customer begins transmitting power over these facilities.
 - B. Load (non-generator) Interconnection – Unless WAPA determines that the Transmission Provider will fund the Network Upgrades, the Transmission Customer shall advance fund all costs associated with the construction of Network Upgrades¹. Title to the applicable facilities must be conveyed to WAPA subsequent to the commissioning of these facilities and prior to when the Transmission Customer begins transmitting power over these facilities.
 - C. Transmission-Transmission Interconnection – Unless otherwise agreed to by WAPA, the interconnection requestor shall advance fund all costs associated with the construction of facilities required for a transmission-transmission interconnection. The ownership of such facilities will be determined on a case-

¹ This obligation to construct and place into service sufficient transmission capacity is contingent upon the availability to Transmission Provider of sufficient appropriations and/or authority, when needed, and the Transmission Customer's advanced funds.

by-case basis, where WAPA reserves the right to own all transmission-related facilities in its substations.

3. Crediting for Transmission System Network Upgrades
 - A. Generator Interconnection – The Interconnection Customer shall be entitled to credits to its transmission charges pursuant to Section 11.4 of WAPA’s LGIA or Section 5.2.1 of WAPA’s SGIA, and the provisions set forth below:
 - i. WAPA will provide credits only for those funds advanced by the Interconnection Customer for Network Upgrades. WAPA will not provide credits for funds advanced for the Interconnection Facilities or Distribution Upgrades.
 - ii. The Interconnection Customer, or an Assignee, must take transmission service over the Network Upgrades, as well as over WAPA’s Transmission System as a condition for receiving credits for the advanced funds.
 - iii. A repayment procedure will be agreed upon or set forth in an agreement between WAPA and the Interconnection Customer, prior to the issuance of any credits to the Interconnection Customer. Credits shall be on a dollar-for-dollar basis for the non-usage sensitive portion of the Interconnection Customer’s or Assignee’s transmission charges associated with the Generating Facility² (capacity charge only, excludes any congestion fees, losses, ancillary services, etc.), limited to the Interconnection Customer or Assignee’s transmission service bill. The amount credited by WAPA may be increased to accelerate the return of the Interconnection Customer’s advanced funds, at WAPA’s sole discretion, based upon its cash flow constraints and limited to the Interconnection Customer’s or Assignee’s transmission service bill.
 - iv. WAPA will only provide credits under net billing or bill crediting arrangements. WAPA will not provide cash payments to the Interconnection Customer or Assignee.
 - v. Credits shall include interest at the lesser of either (1) the composite loan interest rate incurred by the Interconnection Customer for the

² When the Generating Facility is designated as a Network Resource or a substitute resource, the Interconnection Customer is entitled to credits for the full amount of the reserved capacity of the Generating Facility regardless of the amount of energy that is scheduled for delivery in any particular hour.



construction of facilities or (2) the Federal interest rate in effect at the time title to the facilities is transferred to WAPA. The Federal interest rate is defined as WAPA's authorized yield rate or coupon rate of the Federal project to which the construction applies.

- B. Load (non-generator) Interconnection – The Transmission Customer shall be entitled to credits to its transmission charges pursuant to the following provisions:
- i. WAPA will provide credits only for those funds advanced by the Transmission Customer for the Network Upgrades needed to serve new load under WAPA's OATT. The Network Upgrades must be determined by WAPA, in its sole discretion, to be of general benefit to more than one user of the Transmission System at that location (substation). Transmission service must also be taken under WAPA's OATT for the load. In the event the amount of planned load for which the Network Upgrades were installed does not materialize, WAPA will limit the credits for Network Upgrades to prevent any rate impact for the missing load. WAPA will not provide credits for funds advanced for Direct Assignment Facilities or for Network Upgrades needed to serve load that previously existed on WAPA's Transmission System and was moved to a new point of delivery.
 - ii. The Transmission Customer, or an Assignee, must take transmission service over the Network Upgrades, as well as over WAPA's Transmission System as a condition for receiving credits for the advanced funds.
 - iii. A repayment procedure will be agreed upon or set forth in an agreement between WAPA and the Transmission Customer, prior to the issuance of any credits to the Transmission Customer. Credits shall be on a dollar-for-dollar basis for the non-usage sensitive portion of the transmission charges associated with the load served from the new interconnection (capacity charge only, excludes any congestion fees, losses, ancillary services, etc.), limited to the Transmission Customer's or Assignee's transmission service bill. The amount credited by WAPA may be increased to accelerate the return of the Transmission Customer's advanced funds, at WAPA's sole discretion, based upon its cash flow constraints and limited to the Transmission Customer's or Assignee's transmission service bill.
 - iv. WAPA will only provide credits under net billing or bill crediting



arrangements. WAPA will not provide cash payments to the Transmission Customer or Assignee. Further, WAPA will not include any interest for the funds advanced to WAPA by the transmission customer.

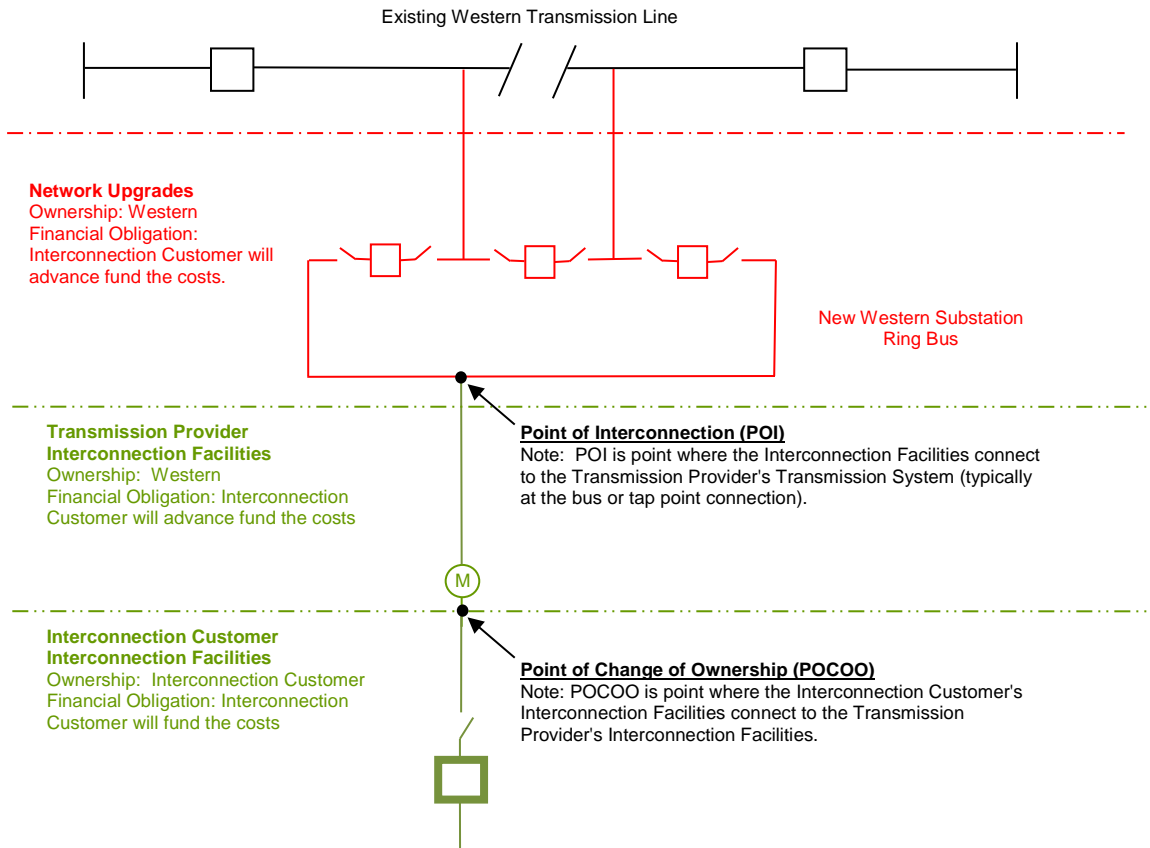
- C. Transmission-Transmission Interconnection – WAPA will normally not provide any credits for facility updates installed to accommodate a new transmission-transmission interconnection request. WAPA, in its sole discretion, may provide credits to a Transmission Customer, for Network Upgrades associated with the transmission-transmission interconnection, funded by the Transmission Customer, and for which, WAPA determines in its sole discretion are needed to accommodate transmission service provided by WAPA.

APPROVED:

PSOC Chair

Date: _____

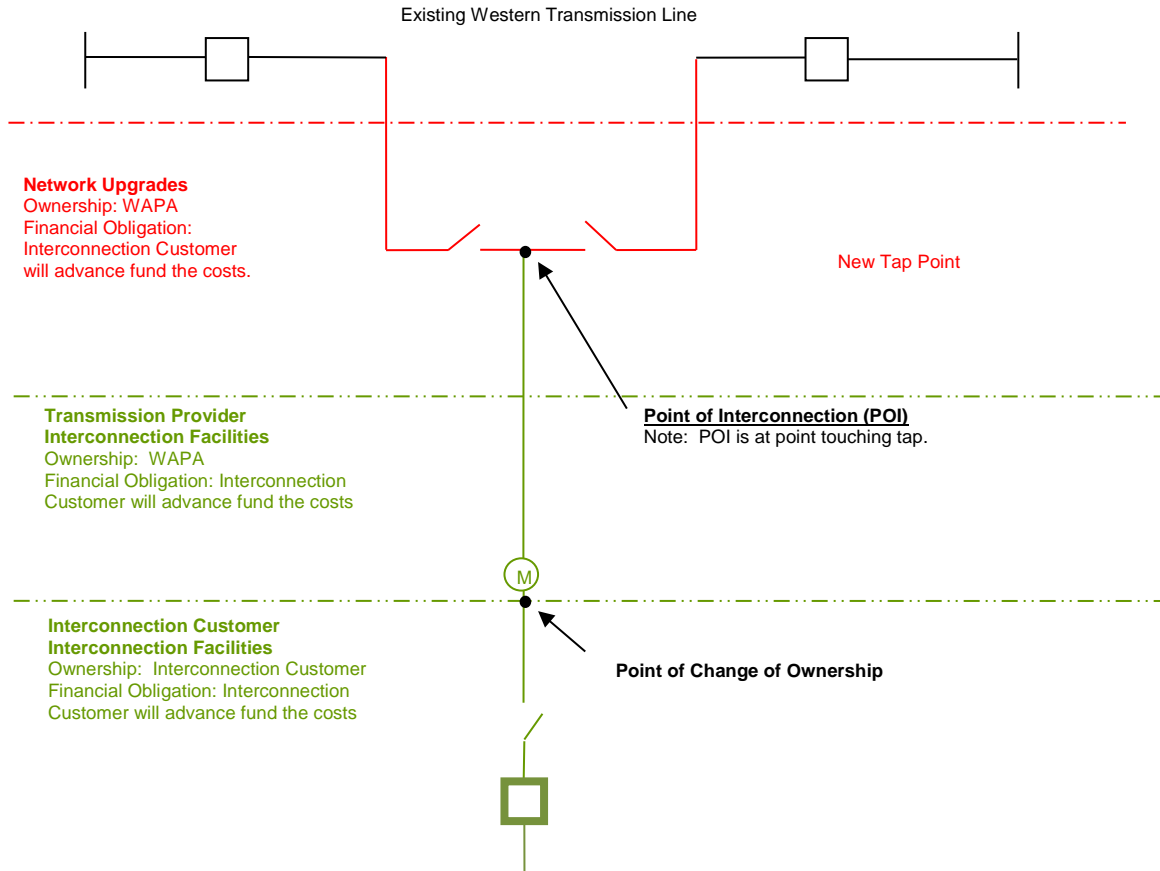
**Attachment 1 –
Diagrams Regarding Generator Interconnection
Facility Designations, Typical Ownership Rights, and Cost Assignments**



Note: Ownership indications are those that typically will be agreed upon between WAPA and the Interconnection Customer. Also, although flexibility exists in negotiating ownership arrangements if and as necessary, the financial obligations should be determined as shown.



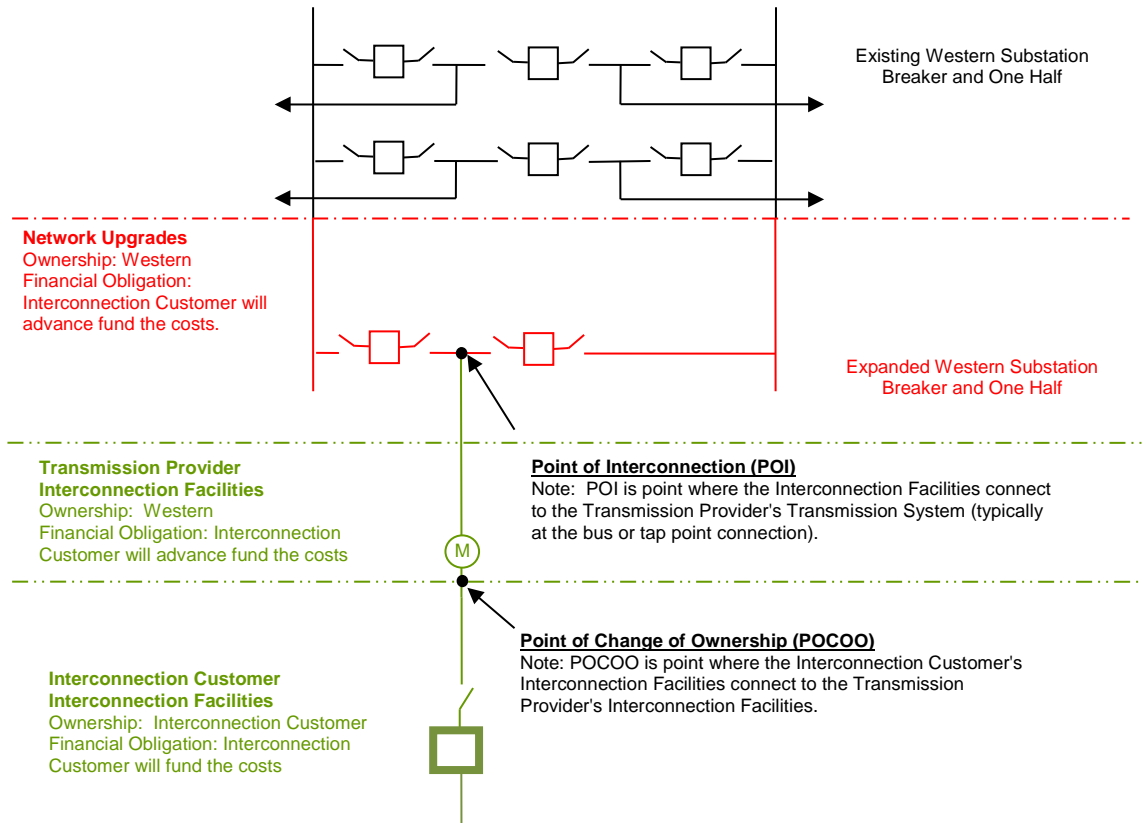
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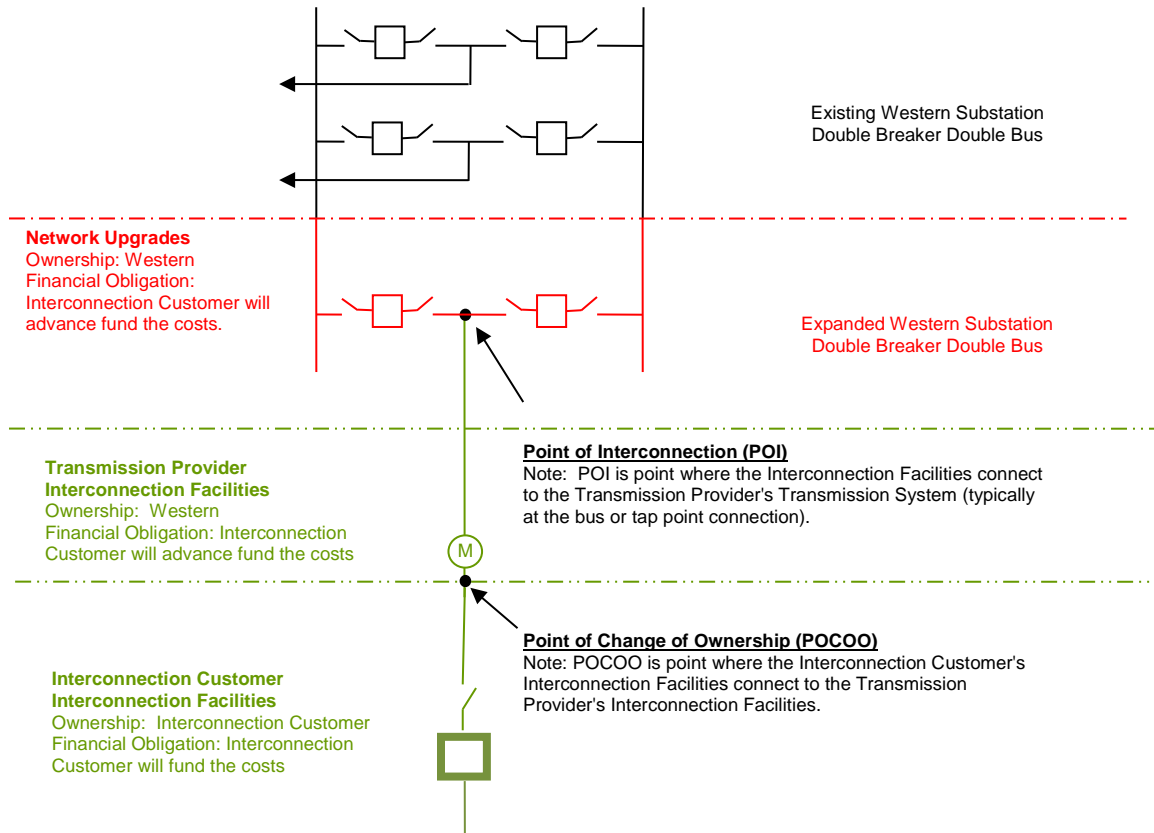
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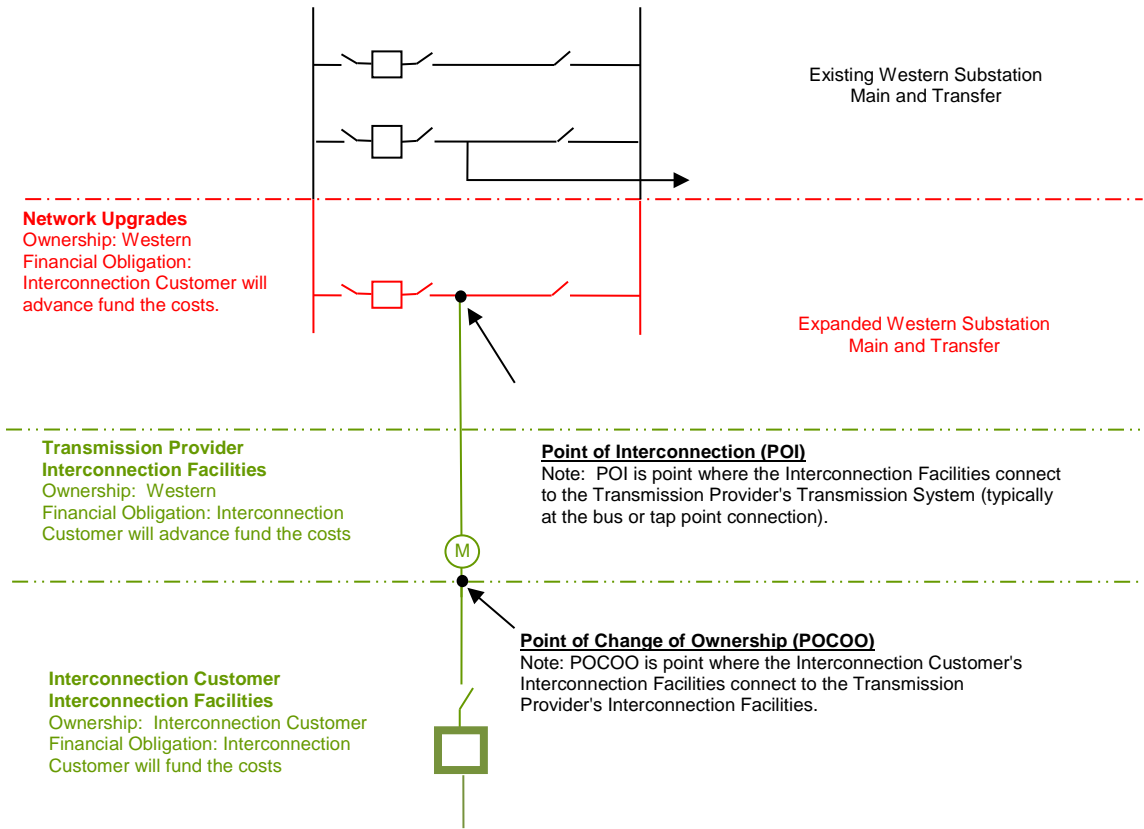
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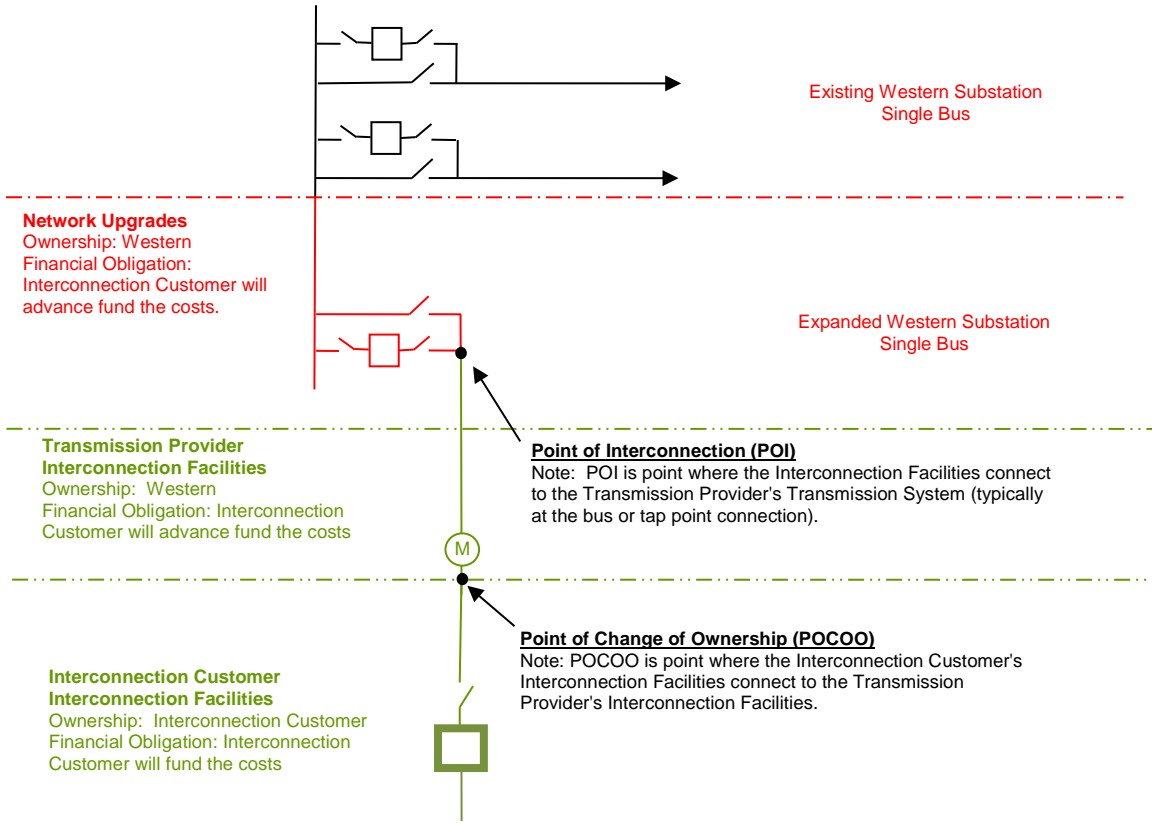
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