

**Western Area Power Administration (WAPA)
Option to Build
Business Practice**

The Federal Energy Regulatory Commission's Order No. 845 revised Articles 5.1, 5.1.3, and 5.1.4 of the *pro forma* Large Generator Interconnection Agreement (LGIA) to remove the limitation that Interconnection Customers may exercise the Option to Build the Transmission Provider's Interconnection Facilities and Stand Alone Network Upgrades only in instances when the Transmission Provider cannot meet the dates proposed by the Interconnection Customer. WAPA incorporated these *pro forma* revisions into its LGIA without modification, and this Business Practice provides additional clarity regarding the amended Option to Build.

Stand Alone Network Upgrades

Stand Alone Network Upgrades are defined in the WAPA OATT as Network Upgrades that are not part of an Affected System that an Interconnection Customer may construct without affecting day-to-day operations of the Transmission System during their construction. Both the Transmission Provider and the Interconnection Customer must agree as to what constitutes Stand Alone Network Upgrades and identify them in Appendix A to the LGIA. Stand Alone Network Upgrades are not permitted on Affected Systems.

If the construction of a Network Upgrade (i) requires taking any of Transmission Provider's existing facilities out of service (e.g., tower change outs and reconductoring), or (ii) requires the use or control of existing rights-of-way or real property of Transmission Provider, then the Network Upgrade shall not be considered a Stand Alone Network Upgrade.

If the Transmission Provider and Interconnection Customer disagree if an upgrade is a Stand Alone Network Upgrade, then the Transmission Provider must email a written technical explanation of why the upgrade is not a Stand Alone Network Upgrade within 15 Calendar days of its determination.

In the Facilities Study, the Transmission Provider shall identify and describe Stand Alone Network Upgrades and provide a cost breakdown of such facilities, if the Transmission Provider were to construct such upgrades. The construction of each Stand Alone Network Upgrade shall be separately identified in Appendix B to the LGIA as an Interconnection Customer Milestone under the Option to Build.

Actions Following Exercise of the Option to Build

Interconnection Customer shall adhere to Good Utility Practice and the standards, policies, and specifications provided by the Transmission Provider within 90 Calendar Days of an "Option to Build" request, subject to the Interconnection Customer executing a Non-Disclosure Agreement

(NDA) prior to release of the Transmission Provider's standards, policies, and specifications that are not publicly posted. Interconnection Customer shall comply with all requirements of law and Applicable Reliability Standards.

Transmission Provider and Interconnection Customer shall negotiate an amount of compensation for the Transmission Provider to execute its oversight responsibilities should the Interconnection Customer select the Option to Build. Such amount(s) shall be advanced to the Transmission Provider, prior to the Transmission Provider performing such responsibilities, as stated in Section 5.2.12 of the LGIA. Transmission Provider will review the proposed completion dates to determine if they are acceptable based on the estimated time required for any Transmission Provider oversight activities that must occur.

The Interconnection Customer shall use selection criteria for contractors, vendors, and equipment manufacturers that are provided by Transmission Provider to perform such work. The Transmission Provider will provide the Interconnection Customer with a list of contractors, vendors, and manufacturers that have done business with the Transmission Provider upon request. If a contractor, vendor, or manufacturer desired to be used by the Interconnection Customer is not on the list, the Interconnection Customer shall inform the Transmission Provider. Transmission Provider will undertake additional oversight of activities performed by contractors and vendors that do not have demonstrated experience and past performance in high-voltage projects, which may result in higher direct assigned costs to the Interconnection Customer. Interconnection Customer shall consult with Transmission Provider before entering into any engineering service contracts related to constructing any Transmission Provider Interconnection Facilities and/or Stand Alone Network Upgrades. Interconnection Customer shall provide Transmission Provider with all bids received from contractors, vendors, or equipment manufacturers proposing to construct Transmission Provider Interconnection Facilities or Stand Alone Network Upgrades.

The Interconnection Customer is responsible for obtaining all necessary permits, authorizations, and land rights for the construction and installation of the facilities that it is building. The Transmission Provider shall provide reasonable assistance to the Interconnection Customer in acquiring such necessary permits, authorizations, and land rights if requested by the Interconnection Customer. Such assistance shall not include the exercise of eminent domain authority by the Transmission Provider. The Transmission Provider will include costs associated with this assistance in its cost recovery required in Section 5.2.12 of the LGIA.

At least 90 days prior to commencing construction, the Interconnection Customer shall submit to the Transmission Provider specifications and drawings that are "Suitable for Construction", demonstrating the final design, certified by a registered professional engineer, of the Transmission Provider Interconnection Facilities and the Stand Alone Network Facilities that the

Interconnection Customer arranges to build under the Option to Build. The Interconnection customer shall also provide a detailed construction schedule for all Interconnection Facilities and Stand Alone Upgrades. If the Interconnection Customer requires a non-standard, accelerated schedule, all costs associated with acceleration shall be borne by the Interconnection Customer and considered Direct Assigned. The Transmission Provider will review and provide comments on such drawings and schedule to the Interconnection Customer within 60 Calendar Days after its receipt thereof, after which time any drawings not subject to comment shall be deemed to be approved. All drawings submitted are considered Confidential Information by the Transmission Provider.

Interconnection Customer shall ensure that all engineering services providers capture costs separately for each asset location. It is recommended that the Interconnection Customer coordinate with the Transmission Provider to ensure Transmission Provider's asset classifications are understood by the Interconnection Customer and its selected engineering services providers. Failure to capture costs accurately will result in Transmission Provider categorizing unassigned or inaccurately assigned costs as Direct Assigned to the Interconnection Customer. Interconnection Customer shall also ensure that all engineering services providers capture costs separately for Transmission Provider Interconnection Facilities and/or Stand Alone Network Upgrades. Failure to separate the costs between these two categories will result in all costs being categorized as Transmission Provider Interconnection Facilities and Directly Assigned to the Interconnection Customer, accordingly. Interconnection Customer shall provide Transmission Provider a detailed cost summary for all engineering services for Transmission Provider Interconnection Facilities and/or Stand Alone Network Upgrades. This shall include detailed bills of material.

The Interconnection Customer shall issue reports to the Transmission Provider on a monthly basis regarding the status of the construction and installation of the Transmission Provider Interconnection Facilities and Stand Alone Network Upgrades being constructed by Interconnection Customer including, but not limited to, the following information: (1) progress to date; (2) a description of the activities since the last report; (3) a description of the action items for the next period; and (4) the delivery status of equipment ordered. The Interconnection Customer shall promptly identify and shall notify the Transmission Provider as soon as practicable of any event that may delay completion or may significantly increase the cost of the Transmission Provider Interconnection Facilities and Stand Alone Network Upgrades being constructed by Interconnection Customer.

Interconnection Customer and the Transmission Provider shall coordinate the timing and schedule of all inspection and testing of the Transmission Provider Interconnection Facilities and Stand Alone Network Upgrades being constructed by Interconnection Customer. Transmission Provider reserves the right to delineate additional testing requirements and/or retests prior to full operational energization. If inspection or testing identifies any defects or

failures to comply with applicable standards, the Transmission Provider shall notify the Interconnection Customer of such defects or failures within 20 Business Days after receipt of the results of such inspection or testing. The Transmission Provider shall have the ability and authority to inspect all construction activities, locations and Facilities at any time. If the Interconnection Customer or Transmission Provider discover at any time during construction that any aspect of the engineering, equipment procurement or construction of the Interconnection Facilities and Stand Alone Network Upgrades does not meet the standards of the Transmission Provider, the Interconnection Customer must promptly notify the Transmission Provider and remedy such deficiencies as soon as practicable and prior to full operational energization.

Upon completion of the construction and installation of the Transmission Provider Interconnection Facilities and Stand Alone Network Upgrades constructed by Interconnection Customer, and prior to full operational energization, the Interconnection Customer must have the constructed facilities inspected and tested by an authorized electric inspection agency or qualified third party acceptable to the Transmission Provider. The Transmission Provider has the right to attend, observe, and obtain written results of such tests.

Transmission Provider's Environmental Review requirements must be completed before Transmission Provider Interconnection Facilities and Stand Alone Network Upgrades constructed by Interconnection Customer can be energized from Transmission Provider's Transmission System.

Notification of inspection/testing results: Within 10 Business Days after satisfactory inspection and/or testing of the Transmission Provider Interconnection Facilities and Stand Alone Network Upgrades built by the Interconnection Customer, the Transmission Provider shall confirm in writing to the Interconnection Customer that the successfully inspected and tested facilities are acceptable for full operational energization.

Transfer of operational control: Prior to full operational energization, the Interconnection Customer shall have delivered to the Transmission Provider a written notice transferring to the Transmission Provider operational control over any Transmission Provider Interconnection Facilities and Stand Alone Network Upgrades that Interconnection Customer has constructed.

As-Built Drawings and Other Documents: Interconnection Customer shall deliver to Transmission Provider "as-built" drawings, information, and any other documents that are reasonably required by Transmission Provider to assure that the Interconnection Facilities and Stand-Alone Network Upgrades are built to the standards and specifications required by Transmission Provider prior to release for operation. This includes, but not limited to, any manufacturer or design warranties, test reports, and associated documentation.

Acceptance of facilities: Within 5 Business Days after determining that the facilities have been successfully energized, the Transmission Provider shall issue a written notice to the Interconnection Customer accepting the facilities built by the Interconnection Customer that were successfully energized for full operational function.

Transfer of title documentation: Within 30 Calendar Days after the Interconnection Customer's receipt of notice of acceptance of the Interconnection Facilities, the Interconnection Customer shall deliver to the Transmission Provider, for the Transmission Provider's review and approval, all of the documents and filings necessary to transfer to the Transmission Provider title to any Transmission Provider Interconnection Facilities and Stand Alone Network Upgrades constructed by the Interconnection Customer, and to convey to the Transmission Provider any easements and other land rights to be granted by the Interconnection Customer that have not by then already been conveyed. Ownership documents shall be on forms provided by, and in terms acceptable to Transmission Provider. Warrantees shall also be transferred to the Transmission Provider. Transmission Provider shall review and approve such documentation, such approval not to be unreasonably withheld, delayed or conditioned.

Within 30 Calendar Days after its receipt of the Transmission Provider's written notice of approval of the documentation, the Interconnection Customer, in coordination and consultation with the Transmission Provider, shall make any necessary filings for regulatory approval of the transfer of title.

Within 20 Business Days after the issuance of the last order granting a necessary regulatory approval becomes final, the Interconnection Customer shall execute all necessary documentation and shall make all necessary filings to record and perfect the Transmission Provider's title in such facilities and in the easements and other land rights to be conveyed to the Transmission Provider.

Interconnection Customer shall adhere to WAPA's currently effective General Requirements for Interconnection (GRI) which are hereby incorporated by reference into this Business Practice. The GRI are posted on WAPA's Open Access Same-time Information System (OASIS) at: <http://www.oasis.oati.com/woa/docs/WAPA/WAPAdocs/Western-Common-Business-Practices.html>.