

Integrated System (IS) Facility Additions

What facilities qualify as Network? What is included in the IS?

This document is intended to describe the basic philosophy of the IS owners for determining IS facilities and amount of IS participation for new facilities. It is not intended to provide information on the transmission request or queue process nor get into all the details of making this determination, but provides a high level picture of the process. Western, as the IS administrator, evaluates each unique circumstance according to the basic philosophy outlined herein. This document also does not outline the background and philosophy regarding the present boundaries of the IS, and future expansion of the IS footprint.

1) Transmission Bus

A transmission bus is a bus in a facility, included in the IS rate, that has at least one transmission lines, included in the IS rate, attached to it.

2) New Facilities Needed for Point to Point Service

If the point to point service requires new interconnections to the IS, the interconnection facilities will be handled as described below in the appropriate Interconnection Section.

Upgrades or additions to IS facilities needed to provide the requested IS transmission services are the responsibility of the IS, pursuant to the terms of Western's Open Access Transmission Tariff (OATT), and will be considered new IS facilities. However, only upgrades or additional transformers, in IS facilities, that are needed to connect two transmission busses, or other eligible transmission additions such as shunt reactive equipment required to support the bulk transmission system, will be considered as IS facilities.

Costs associated with upgrades or additions to third party systems needed to provide the point to point service are the responsibility of the transmission customer. The cost of any assistance the IS provides to the transmission customer in obtaining approvals from the third party will also be the responsibility of the transmission customer.

The cost of IS facilities are to be recovered by the IS rates, therefore the IS is responsible for the cost of building IS facilities. The IS follows FERC's "or pricing" policy. This means the IS will look at the total costs, not just construction cost, of new IS facilities and compare it to the amount of revenue the new service will provide. If the total cost of the new facilities are less than the estimated revenue, the facilities will be

embedded into the IS and the transmission customer will pay the IS rate for the term of the service agreement. If the total cost of the new facilities exceed the estimated revenue, an incremental rate will be established, that covers the total cost of the new facilities. The transmission customer will be charged this incremental rate for the term of the original service agreement. Any new similar service requested beyond the original term, which can be accommodated without further IS additions, will be charged at the IS rate.

3) Facilities needed for Network Load Growth

Network upgrades or additions needed to meet network load requirements, that are not new generation or load interconnections are considered IS facilities and will be embedded in the IS rate. This includes any mitigation that may need to be provided to third party transmission systems. New interconnection facilities will be handled as described below in the appropriate Interconnection Section. Also see Planning of Facilities Needed for Network Service.

4) Interconnections

a) New Load Interconnections to the IS to Serve Network Load

For facilities at the point of interconnection to the IS, the determinant will be whether the point of interconnection is to a transmission bus. If the bus is a transmission bus all the network bay equipment needed to connect to the IS bus will be IS facilities. This provides a consistent treatment to OATT network service related interconnections, since this is the treatment FERC policy requires for generator interconnections. This also allows the IS to determine and not negotiate, the appropriate type of bus configuration to ensure reliable system operations.

Lines connecting to the IS need to be evaluated to determine if they provide an enhancement to the availability and reliability of the transmission service provided by the IS. The fact that a line may connect two or more IS busses does not automatically qualify it for inclusion in the IS. If the line does increase the ATC of the IS or enhances the reliability of service the line will be included in the IS.

The cost of the IS facilities will be imbedded in the IS rate, since the facilities are needed to provide IS network service. Also see Planning of Facilities Needed for Network Service.

b) New Generation Interconnections

For facilities at the point of interconnection to the IS, the determinant will be whether the point of interconnection is to a transmission bus, or to an IS transmission line. If the new or existing bus is a transmission bus all the network bay equipment needed to connect to the IS bus will be IS facilities.

Lines connecting to the IS need to be evaluated to determine if they provide an enhancement to the availability and reliability of the transmission service provided by the IS. The fact that the line may connect two or more IS busses does not automatically qualify it for inclusion in the IS. If the line does increase the ATC of the IS or enhances the reliability of service and the IS owners determine that the line is needed to accommodate the generation interconnection, or the increased ATC is needed by the IS, the line will be included in the IS. Unless a transformer connects two or more transmission busses it will not be included in the IS.

According to FERC guidance, network additions and network enhancements needed for the interconnection are considered network facilities and as such would be included in the IS.

In accordance with Western's LGIP or SGIP, the generation interconnection requestor will be asked to advance fund the construction cost of all IS facilities needed for the generation interconnection. The advanced funds will be repaid by applying credits to any transmission service taken by the interconnection requestor in accordance with Western's LGIP or SGIP. According to FERC guidance, the minimum credit that will be applied to the transmission bill is the smaller of the amount of the advance, with interest, left to be repaid, or if for point to point transmission service the amount being billed for the point to point service from the generator interconnection, or if for network service an amount equivalent to the capacity of the generator(s) being connected with the interconnection request.

c) Other Interconnections

If an interconnection is requested outside of Western's LGIP or SGIP, or is not needed to serve network load, the terms and conditions of the interconnection will be negotiated, based on the parties' need for the interconnection. The IS will evaluate the benefits to the IS and participate in the interconnection cost based on the results of this evaluation. The IS desires to own any new facilities within its existing facilities. The party that will pay for the construction and maintenance of the new facilities will be determined during negotiations and this determination may be different than ownership.

5) Planning of Facilities Needed for Network Service

Facilities used to meet the needs of IS network transmission customers need to be planned in a coordinated manner that looks at the most effective and efficient way to develop the IS transmission system to meet all network customer needs. Improvements that are requested, but can't be justified as needed or are not the most effective and efficient way to meet the request may not have its cost included in the IS rate. If the requestor still desires the new facilities to be built, the IS will determine what would have been the most effective and efficient way, preferred facilities, to provide the service. The IS will be willing to include in the IS facilities equal to the amount that would have been spent on installing the preferred facilities. The IS will periodically conduct reviews

to determine if the IS network customer needs have changed, such that the facilities installed at the customer's cost should become part of the IS (i.e. load growth is such that the new delivery is needed or that load in a geographic area has developed such that having a new substation to serve the area is the most effective and efficient method).

6) Funding Issues – Other than Generator Interconnections

Due to the budgeting process and financial limitations of Western, it is likely that Western will not have funds available to cover the construction cost of the new IS facilities installed in Western's substations or interconnected to Western's transmission lines. If the result of the FERC "or pricing" determination is to embed the cost in the IS rate, Western will determine if it has funds available to cover the construction costs. If Western does not have the funds and another IS owner is not providing the funding, Western will seek funding from Western States Power Corporation, Inc. If the IS facilities are installed in other IS owners' substations or interconnected to other IS owner's transmission lines, the respective IS owner will address the funding issues.

7) Direct Assignment Facilities

Any facilities not identified, above, as an IS facility, will be considered direct assignment facilities and cost of these facilities will be the responsibility of the transmission customer. If these facilities are located in IS facilities, the appropriate IS owner will maintain the direct assigned facilities at the transmission customers expense.