

107 FERC ¶ 61,257
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Pat Wood, III, Chairman;
Nora Mead Brownell, Joseph T. Kelliher,
and Suedeen G. Kelly.

Arizona Public Service Company

Docket No. ER04-723-000

ORDER REJECTING PROPOSED TARIFF PROVISIONS
RELATED TO ORDER NOS. 2003 AND 2003-A

(Issued June 4, 2004)

I. Introduction

1. Arizona Public Service Company (APS) filed proposed variations from the pro forma Large Generator Interconnection Procedures (LGIP) and Large Generator Interconnection Agreement (LGIA) that the Commission adopted in Order No. 2003.¹ APS proposes over 170 substantive variations from the pro forma LGIP and LGIA and a number of other non-substantive, stylistic and/or typographical variations (i.e., editorial changes). In this order, we reject the proposed substantive variations, determining that

¹ Standardization of Generator Interconnection Agreements and Procedures, Order No. 2003, 68 Fed. Reg. 49,845 (Aug. 19, 2003), FERC Stats. & Regs., Regulations Preambles ¶ 31,146 (2003) (Order No. 2003), order on reh'g, Order No. 2003-A, 106 FERC ¶ 61,220 (2004) (Order No. 2003-A), reh'g pending; see also Notice Clarifying Compliance Procedures, 106 FERC ¶ 61,009 (2004). The Commission is currently reviewing comments to a proposed rule for interconnection procedures and an agreement applicable to small generators. See Standardization of Small Generator Interconnection Agreements and Procedures, Notice of Proposed Rulemaking, 68 Fed. Reg. 49,974 (Aug. 19, 2003), FERC Stats. & Regs. ¶ 32,572 (2003). In the meantime, a transmission provider's existing procedures (i.e., those procedures in effect prior to its Order No. 2003 compliance filing) should remain in effect and be applicable only to interconnections to small generators (any energy resource having a capacity of no larger than 20 MW, or the owner of such a resource) that seek to interconnect to the transmission provider.

they have not been shown to be “consistent with or superior to” the pro forma LGIP and LGIA. We also reject, without prejudice, the proposed editorial changes, determining that editorial changes to the pro forma LGIP and LGIA are more appropriately addressed on rehearing of Order No. 2003-A. This order will benefit customers by ensuring that APS has just and reasonable terms and conditions for interconnection service, thus encouraging more competitive markets while ensuring that reliability is protected.

II. Background

2. In Order No. 2003, pursuant to its responsibility under sections 205 and 206 of the Federal Power Act (FPA)² to remedy undue discrimination, the Commission required all public utilities that own, control, or operate facilities for transmitting electric energy in interstate commerce to append to their open access transmission tariffs (OATT) a pro forma LGIP and pro forma LGIA. In order to achieve greater standardization of interconnection terms and conditions, Order No. 2003 required such public utilities to file revised OATTs containing the pro forma LGIP and LGIA by January 20, 2004.³

3. On April 8, 2004, APS filed a revised LGIA and revised LGIP pursuant to Order No. 2003. It proposes variations from the pro forma LGIP and LGIA that were adopted in Order No. 2003. It points out that non-independent Transmission Providers,⁴ such as APS, are permitted to propose variations to the pro forma LGIP and LGIA, if the

² 16 U.S.C. §§ 824d, 824e (2000).

³ See Notice Clarifying Compliance Procedures, supra note 1 (clarifying that the Commission will deem OATTs of non-independent Transmission Providers to be revised as of January 20, 2004).

⁴ The "Transmission Provider" is the entity with which the Generating Facility is interconnecting. The term "Generating Facility" means the specific device (having a capacity of more than 20 megawatts) for which the Interconnection Customer has requested interconnection. The owner of the Generating Facility is referred to as the "Interconnection Customer." Additionally, any capitalized terms used in this order have the meaning specified in the definitions section of the LGIP and LGIA.

variations are based on existing regional reliability requirements that are justified through established regional reliability standards.⁵

4. Transmission Providers are permitted to seek variations from the pro forma LGIP and LGIA not made in response to recognized regional reliability requirements. Such requests for variation are FPA section 205 filings (rather than compliance filings) and will be approved only if the Transmission Provider demonstrates that they are “consistent with or superior to” the terms of the pro forma LGIP and LGIA.⁶

5. In the April 8, 2004 filing, APS asserts that its proposed variations from the pro forma LGIP and LGIA are based on the “consistent with or superior to” standard of Order No. 2003. The proposed variations are summarized in the Appendix to this order.

6. APS states that it and several other jurisdictional and non-jurisdictional entities in the Western Area engaged in a collaborative process to review Order Nos. 2003 and 2003-A. According to APS, one of the primary goals of the Western Area participants in the collaborative process was to develop a standardized methodology among the Western Area transmission providers in processing, evaluating and treating interconnection requests. As a result of the participants’ review of the pro forma LGIP and LGIA, APS contends that several provisions of the pro forma LGIP and LGIA are inconsistent with the Western Area participants’ individual OATTs and/or the Commission’s practices, contain methods that could be approached differently and benefit Transmission Providers and Interconnection Customers alike, should be revised to make them more equitable, and contain several typographical errors and/or inadvertent omissions. It requests an effective date of June 7, 2004, 60 days from the date of the filing.

III. Notice and Responsive Pleadings

7. Notice of APS’s filing was published in the Federal Register,⁷ with motions to intervene and protests due on or before April 29, 2004. Motions to intervene, raising no substantive issues, were filed by the City of Los Angeles Department of Water and

⁵ APS also submitted proposed variations from the pro forma LGIP and LGIA, based upon established regional reliability standards, in Docket No. ER04-442-000. They have incorporated those proposed variations into the instant filing.

⁶ Order No. 2003 at P 825.

⁷ 69 Fed. Reg. 21,523 (April 21, 2004).

Power, El Paso Electric Company, the Navajo Tribal Utility Authority, and the Southwest Transmission Dependent Utility Group. Salt River Project Agricultural Improvement and Power District (Salt River) and Duke Energy North America LLC (DENA) filed motions to intervene and protests.

8. DENA makes several protests arguing that: (1) the proposed revisions should be rejected in their entirety because APS has not provided support for a significant unilateral rewriting of the pro forma LGIP and LGIA; (2) few of the proposed revisions can be justified as reconciling a specific LGIP or LGIA term to its company-specific situation; and (3) most of the proposed revisions are either editorial, material modifications to terms and conditions that are neither consistent with or superior to the pro forma LGIP and LGIA, or major changes to the Commission's cost allocation and pricing policies that are nothing more than a collateral attack on Order No. 2003. DENA contends that APS's proposed revisions are inconsistent with the Commission's goal of standardization in Order No. 2003.

9. Salt River opposes the proposed revisions which relate to interconnection requests to transmission facilities jointly owned by Commission-jurisdictional entities, such as the APS, and non-jurisdictional entities, such as Salt River. Salt River argues that the pro forma LGIP and LGIA do not address the situation in which a public utility and a non-public utility jointly own an undivided interest in transmission facilities. It also argues that the Commission lacks jurisdiction to accept an OATT purporting to extend Commission authority over transmission facilities in which non-public utilities hold undivided interests. It further asserts that acceptance of the proposed provisions could cause APS to violate the underlying ownership and operating agreements (participation agreements) among the co-owners of transmission facilities. According to Salt River, the Commission should require that interconnection to jointly-owned transmission facilities be under terms and conditions consistent with the participation agreements or, failing that, under an interconnection order pursuant to sections 210, 211 and 212 of the FPA.⁸

⁸ Salt River cites Order No. 2003-A at P 742, which states: "If a non-public utility does not wish to voluntarily provide Interconnection Service for fear of losing its non-public utility status, persons seeking an interconnection from the non-public utility may file an application under Sections 210, 211 and 212 of the FPA."

IV. Discussion

A. Procedural Matters

10. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2003), the timely, unopposed motions to intervene serve to make those who filed them parties to this proceeding.

B. Substantive Matters

1. APS's Filing

11. APS's filing is substantially similar to another "consistent with or superior to" filing by the Nevada Companies which the Commission is addressing contemporaneously in Docket No. ER04-722-000. APS proposes very extensive revisions of the pro forma LGIP and LGIA, which may be broadly grouped into several issues. First, APS asserts that several provisions of the pro forma LGIP and LGIA are inconsistent with the Western Area participants' individual OATTs and/or the Commission's practices. For example, APS proposes to insert a new Article 2.2.1, entitled Material Adverse Change. The proposed provision would state that in the event of a material change in law or regulation that would adversely affect either Party's performance under the LGIA, the Parties will negotiate in good faith any amendment necessary to adapt the LGIA to that change. In addition, should the negotiations fail, APS shall be able to make a filing, unilaterally, with the Commission under section 205 of the FPA, or any other Commission rule or regulation, as necessary. APS states that this provision was on file in its OATT prior to Order No. 2003.⁹

12. Second, APS asserts that the pro forma LGIP and LGIA contain methods that it believes could be approached differently in order to benefit both Transmission Providers and Interconnection Customers. For example, APS proposes to revise the definition of "Environmental Law" to provide greater detail. The revisions would include tribal authority rules and specific laws and regulations such as human health and safety requirements.¹⁰

13. Third, APS proposes several variations from the pro forma LGIP and LGIA that it believes would make the LGIP and LGIA more equitable. For example, Article 5.16 of

⁹ See infra Appendix at P 92.

¹⁰ See infra Appendix at P 9.

the pro forma LGIA allows the Interconnection Customer to notify the Transmission Provider to suspend, for up to three years, all work being done regarding the installation of Transmission Provider's Interconnection Facilities and Network Upgrades. In addition, the Interconnection Customer is responsible for all costs incurred by the Transmission Provider for work already performed prior to the suspension and all costs incurred in suspending such work. APS states that since a suspension request is initiated entirely by the Interconnection Customer, as a matter of equity, the Interconnection Customer should not be entitled to accrual of interest on monies that the Interconnection Customer may have advanced to a Transmission Provider for Network Upgrades.¹¹

14. Fourth, APS proposes numerous editorial revisions such as corrections to typographical errors and what it characterizes as corrections of inadvertent omissions in the pro forma LGIP and LGIA. For example, APS proposes to revise section 11.1 of the LGIA. It states that it is incumbent on the Transmission Provider, and not the Interconnection Customer, to tender a draft LGIA to the Interconnection Customer. APS believes that the Commission inadvertently used the term Interconnection Customer when it actually meant for Transmission Provider to be inserted.

15. We reject the proffered justification that various pro forma provisions are inconsistent with APS's OATT as an impermissible collateral attack on Order Nos. 2003 and 2003-A.¹² In Order No. 2003, the Commission determined that:

there is a pressing need for a single set of procedures for jurisdictional Transmission Providers and a single, uniformly applicable interconnection agreement for Large Generators. A standard set of procedures as part of the OATT for all jurisdictional transmission facilities will minimize opportunities for undue discrimination and expedite the development of new generation, while protecting reliability and ensuring that rates are just and reasonable.¹³

The Commission further determined that standard interconnection procedures and a standard agreement applicable to Large Generators will limit opportunities for Transmission Providers to favor their own generation, facilitate market entry for

¹¹ See infra Appendix at P 116.

¹² See, e.g., Dighton Power Associates Limited Partnership v. ISO New England, Inc., 95 FERC ¶ 61,251 at 61,873, reh'g denied, 96 FERC ¶ 61,091 (2001).

¹³ Order No. 2003 at P 11.

generation by reducing interconnection costs and time, and encourage needed investment in generator and transmission infrastructure.¹⁴ Further, Order No. 2003 does not allow for regional variations except those based on regional reliability standards.¹⁵

16. Further, a mere statement that a proposed modification is intended to clarify a pro forma provision does not meet the burden of demonstrating that the proposed variation is “consistent with or superior to” Order No. 2003.¹⁶ Similarly, APS’s arguments that certain of their proposed variations would benefit Transmission Providers and Interconnection Customers or would be more equitable are really collateral attacks on Order No. 2003. Therefore, we reject APS’s substantive revisions to the pro forma LGIP and LGIA.

17. With respect to APS’s proposed editorial revisions, we agree that revisions would be appropriate where some provisions of the pro forma LGIP and LGIA could be open to misinterpretation without the revisions. While we accepted one minor typographical change in VEPCO, we now believe that proposed typographical and other editorial changes are more appropriately addressed in the rulemaking proceeding where they may be considered in a single proceeding and applied generically. Accordingly, we reject APS’s proposed editorial revisions without prejudice to the outcome of the order on rehearing of Order No. 2003-A.

18. With respect to APS’s proposed revision to Article 5.4 to allow for revisions upon joining an RTO, we find that such conditions are unnecessary. Once a Transmission Provider joins an RTO, its transmission facilities generally will be subject to the RTO's own Commission-approved LGIP and LGIA. Any facilities not under the operational control of the RTO would remain subject to the non-independent Transmission Provider's

¹⁴ Id. at P 12.

¹⁵ Pursuant to Order No. 2003, APS, in Docket Nos. ER04-442-000 and ER04-442-002, filed a revised OATT containing the pro forma LGIP and LGIA. In that filing, it proposed variations to the pro forma LGIP and LGIA based on regional reliability standards. In an order being issued contemporaneously, the Commission accepts in part and rejects in part APS’s proposed regional reliability variations. See Arizona Public Service Co., et al., 107 FERC ¶ 61,255 (2004) (Western Utilities Regional Reliability Order).

¹⁶ Virginia Electric and Power Co., 107 FERC ¶ 61,010 at P22 (2004), reh’g pending (VEPCO).

own LGIP and LGIA. Should APS join an RTO, the Commission will consider any necessary changes to its own LGIP and LGIA at that time.

19. The Commission also rejects APS's proposal to modify the security requirements in pro forma LGIA Article 11.5 to better protect the Transmission Provider and its customers. The language in the pro forma LGIA already grants the Transmission Provider the flexibility to determine whether a form of security is "reasonably acceptable," including whether the issuing entity is acceptable to the Transmission Provider. Thus, at this time we do not see the need for the more restrictive language that APS proposes. We note that APS should administer the security provisions in a just and reasonable, and not unduly discriminatory manner.

2. Other Issues

20. Salt River argues that the Commission lacks jurisdiction to authorize APS's filing where facilities are jointly owned by a non-jurisdictional entity. We reject that argument as an impermissible collateral attack on Order No. 2003-A. Order No. 2003-A provides:

As the Commission required in Order No. 888, should the joint ownership agreement prohibit or restrict the right of the public utility to offer interconnection service to third parties, the public utility must make a section 206 compliance filing containing proposed revisions (mutually agreeable or unilateral) to its contracts with the non-jurisdictional co-owners to remove those restrictions.[¹⁷]

Thus, APS is required to make a compliance filing. However, since this situation involves only those two parties, the compliance filing should consist of a proposed agreement or revised agreement between the public utility and the non-jurisdictional co-owner rather than an amendment to the public utility's OATT.

3. Conclusion

21. As discussed above, we will reject APS's proposed tariff revisions concerning their LGIP and LGIA. As noted above, APS's proposed regional reliability variations to the pro forma LGIP and LGIA are addressed in the Western Utilities Regional Reliability Order.¹⁸

¹⁷ Order No. 2003-A at P 754.

¹⁸ See supra note 15.

The Commission orders:

APS's proposed tariff revisions are hereby rejected, as discussed in the body of this order.

By the Commission.

(S E A L)

Linda Mitry,
Acting Secretary.

Appendix**A. APS's Proposed Modifications to the LGIP and LGIA**

1. APS seeks to number each term, and corresponding definition, in section 1.0 and Article 1 of the pro forma LGIP and LGIA. APS states that this proposed change is consistent with the format of the Definition Section in APS's OATT.
2. APS proposes to add a new term "Affected System Upgrades" to the pro forma LGIA and LGIP. APS states that it has developed this term in response to the number of references to upgrades required for Affected Systems in the pro forma LGIA and LGIP. The proposed definition states that these are "additions, modifications, and upgrades to any Affected System required to accommodate the interconnection of the Large Generating Facilities to Transmission System". APS asserts that this proposed change better clarifies the language and intent of the LGIA and LGIP, and therefore, is superior to that which is in the pro forma LGIA and LGIP.
3. APS proposes to modify the definition of "Business Day" to exclude North American Electric Reliability Council (NERC) holidays and the day after Thanksgiving Day. APS asserts that many utilities throughout the West observe the NERC holidays. Further, it asserts that this revision is required because certain functions may be impacted if a normal business day fell on one of these holidays.
4. APS proposes to modify the definition of "Calendar Day" to include the day after Thanksgiving and NERC holidays. APS states that this revision is required for the same reasons used in the modification of Business Day.
5. APS proposes to revise the definition for "Confidential Information" in Section 1. APS asserts that this proposed modification provides more detail and clarity, and therefore, it is superior to the definition provided in the pro forma LGIP and LGIA.
6. APS proposes to modify the definition of "Dispute Resolution" so that it conforms to what is prescribed in APS's (OATT). APS states that this revision will provide consistency across the LGIP, LGIA, and OATT. It further asserts that this modification reduces confusion, and therefore, it is superior to the definition provided in the pro forma LGIP and LGIA.
7. APS proposes to revise the definition for "Effective Date". It states that the definition in the pro forma LGIP and LGIA suggests that all standard LGIAs must be filed with and accepted by the Commission. APS states that Order No. 2001 requires

only unexecuted or non-conforming agreements to be filed with the Commission. APS asserts that this revision more succinctly sets forth the present Commission policy regarding which agreements are required to be filed, and therefore, this revision is superior to that which is provided in the pro forma LGIP and LGIA.

8. APS proposes to modify the definition of “Emergency Condition” to include any detrimental condition that might affect the distribution system resulting from the operation of a Large Generating Facility. APS states that this revision is required to recognize the fact that unwanted disturbances may be created on the distribution system if the Large Generating Facility is interconnected to the distribution system which is not precluded under the Commission’s pro forma LGIP and LGIA. APS asserts that this change is consistent with the intent of the pro forma LGIP and LGIA.

9. APS proposes to revise the definition for “Environmental Law”. The revisions would include tribal authority rules and specific laws and regulations such as human health and safety requirements. APS asserts that the proposed revisions are consistent with, and in some ways superior to, the pro forma LGIP and LGIA.

10. APS propose to modify the definition of “Force Majeure” so that it conforms to APS’s OATT. APS states that the definition of Force Majeure in the OATT offers greater detail and clarity. It states that, therefore, the proposed change is consistent with the Commission’s intent and superior to the definition provided in the pro forma LGIP and LGIA.

11. APS proposes to revise the definition for “Generating Facility”. This modification clarifies that the LGIP and LGIA apply only to generating facilities greater than 20MW. APS contends that this revision is consistent with the pro forma definition of Generating Facility.

12. APS proposes to revise the definition for “Interconnection Customer”. The revised definition would include references to wholly owned and jointly owned transmission systems. Specifically, the following language replaces “Transmission Provider’s System” and it states “wholly owned by APS or with any jointly owned transmission facilities in which APS has an ownership share”.¹⁹ APS states that this is necessary because a significant portion of its integrated Transmission System is

¹⁹ APS has replaced Transmission Provider with APS throughout the LGIP and LGIA text.

comprised of transmission facilities jointly owned with other jurisdictional and non-jurisdictional entities. Further, it states that as a result of this joint arrangement, any Interconnection Request affecting such facilities requires different treatment pursuant to the participation agreement governing the maintenance and operation of those facilities. Finally, APS asserts that while this revision would impact how it would process requests affecting jointly owned facilities, the revision is consistent with the Commission's intent regarding interconnection to such facilities.

13. In addition, APS has inserted the language referencing joint facilities, as discussed in the previous paragraph, into the definition of the following terms: 1) "Interconnection Customer's Interconnection Facilities" 2) "Interconnection Facility Study" 3) "Interconnection Feasibility Study" 4) "Interconnection Request" 5) "Interconnection Service" and 6) "Interconnection System Impact Study". APS proposes these modifications based upon the same rationale and justification as discussed in the previous paragraph.

14. APS proposes to modify the definition for "Joint Operating Committee". The revision would specifically provide that the other owners of jointly owned transmission facilities that may be impacted by an Interconnection Request should be included in the Joint Operating Committee. APS asserts that this modification is required as a result of the configuration of APS's Transmission System. In addition, it asserts that this modification is consistent with the Commission's intent regarding the processing of Interconnection Requests.

15. APS proposes to modify the definition for "Metering Equipment" to include interval data recorders. It states that interval data recorders are widely used by utilities to measure transmission services by a Transmission Provider, and therefore, should be included in the definition of Metering Equipment. APS asserts that this revision is superior to the pro forma definition because it is more accurate and inclusive.

16. APS proposes a new definition "Must Run Generation". APS states that Must Run Generation resources are generators located in specific areas of a utility's service area that are required to operate, generally when congestion occurs, in order to meet the load requirements within the congested area. APS's proposed Article 9.5 of the LGIA sets forth the details concerning potential Must Run implementation.

17. APS proposes a new definition "Points of Delivery related to Large Generating Facility". APS defines it as "point(s) on the Transmission System where capacity and energy emanating from the Large Generating Facility is to be transmitted by Transmission Provider and made available to a receiving party". APS states that this

definition is required because the Commission's pro forma LGIP and LGIA make references to the Point of Delivery in sections 3.2.1.1 and 3.2.2.2 of the LGIP and Article 4.4 of the LGIA. APS asserts that this revision is consistent with the Commission's references to Point of Delivery within the pro forma LGIP and LGIA. Further, it states that defining this term, a term which is already used in the bodies of the LGIP and LGIA, provides clarity and is therefore superior to the pro forma LGIP and LGIA.

18. APS proposes a new definition "Power System Stabilizer (PSS)". APS defines it as "a control system applied at a generator that monitors generator variables such as current, voltage, and shaft speed and sends the appropriate control signals to the voltage regulator to damp oscillations". APS asserts that this definition is required because the pro forma LGIA contains a reference to Power System Stabilizers in Article 5.4. Further, it states that defining this term, a term which is already used in the bodies of the pro forma LGIP and LGIA, provides clarity and is therefore superior to the pro forma LGIP and LGIA.

19. APS proposes a new definition "Regional Transmission Organization (RTO)". APS defines it as "an independent entity having operational control over the transmission facilities of participating transmission providers with a defined geographical/regional area". APS asserts that this definition is required because the pro forma LGIA contains a reference to a RTO in several places and some of the APS's proposed revisions also reference a RTO. APS states that this definition provides clarity and is superior to the present provisions within the pro forma LGIP and LGIA.

20. APS proposes to modify the definition for "System Protection Facilities". APS states that in addition to facilities required to protect a Transmission Provider's Transmission System, in certain cases protection equipment is required to protect a utility's Transmission System from potential disturbances to service provided to other utility customers that may result from the interconnection of the Generating Facility. It states that this proposed revision is consistent with the Commission's intent with respect to defining system protection facilities required as a result of a generator's interconnection to a utility's distribution or transmission system.

21. In addition, APS proposes a second modification to the definition for "System Protection Facilities" to provide protection in the case of a disturbance that arises from indirect connections to the transmission system. APS states that this revision is necessary because it is possible in certain instances for disturbances on another entities transmission system that are not directly interconnected to that of the Transmission Provider to cause a fault or other disturbance on the Transmission System.

22. APS proposes two modifications to the definition for “Transmission Provider’s Interconnection Facilities”. APS states that the pro forma LGIP and LGIA define the Transmission Provider’s Interconnection Facilities as those facilities required to interconnect the Large Generating Facility to the Transmission System. Also, the Transmission Provider’s Interconnection Facilities are Interconnection Facilities and not a part of the Transmission System. APS states that, in addition, the Transmission Provider, because of the close operational nexus between such interconnection and transmission system facilities, must have operational control of both facility types. Further, APS states that it is also both reasonable and likely that the Transmission Provider would assume ownership of all such facilities. APS states that, however, because Transmission Provider’s Interconnection Facilities are not considered part of the integrated network Transmission System, all construction costs, O&M and replacements would remain *directly assignable* to the Interconnection Customer. APS states that this revision is consistent with the Commission’s intended treatment of such facilities and serves to clarify how the cost associated with Transmission Provider Interconnection Facilities will be treated.

B. APS’s Proposed Modifications to the LGIP

23. Section 3.1 of the pro forma LGIP requires an Interconnection Customer to submit a \$10,000 refundable deposit with its Interconnection Request to be applied toward the actual costs to the Transmission Provider in performing the Interconnection Feasibility Study. APS proposes that Transmission Providers be allowed to retain, as a processing fee, \$2,000 of the \$10,000 deposit. APS proposes to assess all Large Generating Facility Interconnection Requests this processing fee to help offset the actual non-study expenses a Transmission Provider incurs in processing an Interconnection Request. APS asserts that considerable amounts of time and resources are expended prior to the time an Interconnection Customer executes the Interconnection Feasibility Study Agreement, as well as after the completion of the Interconnection Feasibility Study. Additionally, APS states that the Commission has previously recognized that the Transmission Provider incurs “processing costs” through its NOPR addressing Small Generating Facility Interconnection Requests that expressly permits the charging of processing fees.

24. Section 3.1 of the pro forma LGIP requires the Interconnection Customer to select the definitive Point(s) of Interconnection to be studied no later than the execution of the Interconnection Feasibility Study Agreement. APS proposes that should the Interconnection Customer elect to change the Point(s) of Interconnection after the execution of the Interconnection Feasibility Study Agreement, it will be required to submit a new Interconnection Request. APS asserts that this revision is consistent with, and clarifies the Commission’s intent.

25. Section 3.2.1.1 of the pro forma LGIP discusses the product Energy Resource Interconnection Service (ERIS). APS proposes to revise this provision and delete “Point of Delivery” and replace it with “Points of Delivery related to Large Generating Facility” as defined in the proposed changes for section 1 of the LGIP.

26. Section 3.2.2.1 of the pro forma LGIP describes how a Transmission Provider must conduct the necessary studies and construct the Network Upgrades to integrate a Large Generating Facility for Network Resource Interconnection Service (NRIS). Additionally, it states that NRIS allows the Large Generating Facility to be designated as a Network Resource up to the Large Generating Facility’s full output. APS proposes to conduct the studies based upon the net output of the Large Generating Facility. APS asserts that in most instances the Generating Facility would be utilizing some of the output from its generators for station use purposes, and therefore, only the net output would be input into the Transmission System.

27. Section 3.2.2.2 of the pro forma LGIP sets forth the study process for NRIS. The Transmission System must be tested at Peak Load under a variety of severely stressed conditions. APS proposes to delete the reference to “at peak load”. APS asserts that many transmission paths within the WECC can only be stressed under light load conditions and so a peak load requirement is not possible. APS states that this revision is consistent with those allowed by the Commission in recognition of the unique operating characteristics of a particular utility and region. In addition, APS proposes to revise this provision and delete “Point of Delivery” and replace it with “Points of Delivery related to Large Generating Facility” as defined in the proposed changes for Section 1 of the LGIP.

28. Section 3.3.1 of the pro forma LGIP sets forth the process by which an Interconnection Customer may initiate an Interconnection Request. APS proposes multiple changes to reflect the proposed revision in Section 3.1, whereby the Interconnection Customer would pay a \$2,000 non-refundable processing fee.

29. Additionally, in Section 3.3.1, APS proposes additional language regarding joint ownership of transmission facilities. The proposed language reflects the revisions to the definition of “Interconnection Customer” in the context of Initiating an Interconnection Request. The proposed language would require that, in the case of jointly owned facilities, the Transmission Provider must process Interconnection Requests in accordance with the provisions of any agreements and practices followed by the owners of such facilities as long as the agreements do not restrict or preclude third party interconnections. In addition, in the case of jointly owned facilities that include non-jurisdictional owners who have safe harbor reciprocity tariffs on file at the Commission, the Transmission Provider and the other owners shall decide which utility shall process

the Interconnection Request. Finally, in the case of jointly owned facilities that include non-jurisdictional utilities that do not have a reciprocity tariff on file at the Commission, the Transmission Provider shall work with the non-jurisdictional co-owners to coordinate the study process. APS asserts that this revision is consistent with Order No. 2003-A.²⁰

30. Section 3.3.2 and section 3.3.3 of the pro forma LGIP sets forth the process by which the Transmission Provider may acknowledge receipt of an Interconnection Request and notify the Interconnection Customer of deficiencies in its Interconnection Request. The pro forma LGIP provides for hard copy written communications to be delivered by mail or another alternative delivery system in the case of notices and other formal communications. APS proposes to include electronic messaging such as e-mail as an acceptable form of formal communication. In addition, APS states that this provision is superior to the pro forma LGIA because it: 1) recognizes a widely used means of communication, practiced by virtually everyone in today's business world and, 2) if allowed would actually expedite the delivery of some notices and other types of communications between parties.

31. In addition, section 3.3.4 of the pro forma LGIP states that the established date for the Scoping Meeting shall be no more than thirty Calendar Days from receipt of the valid Interconnection Request unless otherwise mutually agreed upon by the Parties. APS proposes to revise the language to state that the date for the Scoping Meeting shall be no more than thirty Calendar Days from the date the Transmission Provider is in receipt of the valid Interconnection Request from the Interconnection Customer, unless otherwise mutually agreed upon by the Parties. APS asserts that this revision is consistent with the pro forma language and provides clarity to the provision.

32. Section 3.5 of the pro forma LGIP sets forth the process by which a Transmission Provider must coordinate studies with Affected Systems. This section states that "a Transmission Provider which may be an Affected System shall cooperate with Transmission Provider with whom interconnection has been requested". APS proposes to revise the language to state "Affected System Operator" as opposed to simply "Affected System". APS asserts that the Affected System may be non-jurisdictional, and therefore, the revision would be consistent with the Commission's intended meaning in this section.

33. Section 3.6 of the pro forma LGIP sets forth the process by which the Interconnection Customer may withdraw its Interconnection Request. The pro forma

²⁰ APS cites Order No. 2003-A, paragraphs 752-755.

LGIP requires that the Interconnection Customer provide written notice of withdrawal to the Transmission Provider. APS proposes to revise this section to allow notice to be given through electronic means pursuant to APS's proposed section 3.3.2.

34. Section 3.6 of the pro forma LGIP also details the financial consequences of withdrawing an Interconnection Request. The provision states that an Interconnection Customer that withdraws or is deemed to have withdrawn an Interconnection Request will be responsible for prudently incurred expenses by the Transmission Provider up to the time that the Transmission Provider receives a notice of the withdrawal. APS proposes to delete "or is deemed to have withdrawn" from the provision. In addition, APS proposes to insert additional language to reference the processing fee of \$2,000 as proposed in section 3.1.

35. APS also proposes to insert language into Section 3.6 of the LGIP that references the proposed revisions in section 3.3.1 relating to the non-refundable portion of an Interconnection Request. The additional language would state that when an Interconnection Request is deemed to have been withdrawn due to the Interconnection Customer's failure to cure a deficiency in the Interconnection Request, certain payments would be non-refundable pursuant to section 3.3.1.

36. Section 4.4.3 of the pro forma LGIP specifies that when an Interconnection Customer requires modification to an Interconnection Request, the Transmission Provider shall evaluate the modification and determine whether or not it is a Material Modification. The Transmission Provider must then notify the Interconnection Customer, in writing, of its finding. APS proposes to revise the language to allow the Transmission Provider to notify the Interconnection Customer by electronic communication. This revision is a result of the APS's proposed revisions to section 3.3.2 which, if accepted, would allow the parties to participate in formal communications through e-mail.

37. Section 4.4.4 of the pro forma LGIP specifies that a Transmission Provider must commence, within 30 days from the date it receives the Interconnection Customers request for modification, any additional studies that may be required as a result of the modification. APS proposes to revise the provision to allow additional time when clustering is being performed pursuant to section 4.2. APS asserts that without modification, this provision may be at odds with the studies performed under clustering. APS contends that this revision is superior to the pro forma provision because it recognizes the Transmission Provider's option to elect to study Interconnection Requests under the clustering methodology.

38. Section 5.1.2 of the pro forma LGIP requires the Transmission Provider and Interconnection Customer to transition from an outstanding interconnection request to the LGIA. APS proposes to revise the meaning of “outstanding interconnection request” as defined within section 5.1.2 of the pro forma LGIP. The proposed revision would exclude executed conforming agreements from the definition provided. APS asserts that this revision is consistent with FERC’s new reporting requirements under Order No. 2001 whereby a jurisdictional Transmission Provider is not required to file a fully executed “conforming” LGIA. Additionally, it asserts that in Order No. 2003, paragraph 915, under FERC’s revised reporting requirements, only a non-conforming LGIA or an unexecuted LGIA needs to be filed. Further, APS contends that this proposed change is superior to the pro forma LGIP because it more succinctly reflects the Commission’s present policy regarding which agreements are required to be filed with the Commission.

39. Section 5.2 of the pro forma LGIP sets forth the process by which deposits or payments should be refunded to the Interconnection Customer when a Transmission Provider transfers control of its Transmission System to a successor Transmission Provider while an Interconnection Request is pending. APS proposes to revise this section to reference the \$2,000 processing fee proposed in section 3.1. In addition, the second sentence in this section states that certain funds will be refunded “to the Interconnection, as appropriate”. APS proposes to delete “the” before Interconnection, and insert “Customer” after Interconnection.

40. Section 6.1 of the pro forma LGIP sets forth provisions for conducting the Interconnection Feasibility Study. Specifically, one provision states that the Transmission Provider must provide the Interconnection Customer with a good faith estimate of the cost for completing the Interconnection Feasibility Study. APS proposes to revise this provision to clarify that its estimate of the cost for completing the Interconnection Feasibility Study in a “non-binding” good faith estimate only. APS asserts that this proposed change is consistent with the intent of the Commission that such study cost estimates are non-binding.

41. Section 6.1 of the pro forma LGIP also requires the Interconnection Customer to execute and deliver to the Transmission Provider the Interconnection Feasibility Study Agreement no later than thirty Calendar Days after its receipt. APS proposes to remove the requirement to submit a \$10,000 payment along with an executed Interconnection Feasibility Study Agreement. It states that the Transmission Provider is already in receipt of the \$8,000 study deposit because this was required along with the initial Interconnection Request as set forth in Section 3.3 of the LGIP.

42. Section 6.3.1 of the pro forma LGIP requires the Transmission Provider and Interconnection Customer to meet to discuss the results of the Interconnection Feasibility Study within ten days of the Interconnection Customer receiving a copy of the report. APS proposes that either party should be allowed to recommend some other mutually agreed upon date. APS asserts that this proposed revision would be beneficial to all parties and is consistent with the Commission's intent on determination of a meeting date that would be both timely and agreeable to both the Interconnection Customer and the Transmission Provider.

43. Section 6.4 of the pro forma LGIP requires the Transmission Provider to notify the Interconnection Customer in writing if a Re-Study of the Interconnection Feasibility Study is required. APS proposes to revise this provision to allow the communications to take place through electronic means. This revision is a result of APS's proposed revisions to section 3.3.2 which would allow the parties to participate in formal communications through e-mail.

44. Section 7.4 of the pro forma LGIP sets forth the Interconnection System Impact Study Procedures. This provision requires the Transmission Provider to provide the Interconnection Customer with various types of information upon the request by the Interconnection Customer, subject to the confidentiality provisions in section 13.1. APS proposes to revise this section so that the information would be provided consistent with section 2.3, which sets forth the manner in which Base Case Data may be developed. APS asserts that the proposed change is consistent with the Commission's pro forma LGIP.

45. Section 7.5 of the pro forma LGIP requires the Transmission Provider and Interconnection Customer to meet to discuss the results of the Interconnection System Impact Study report within ten days of the Transmission Provider providing a copy of the report. APS proposes that either party be allowed to recommend some other mutually agreed upon date. APS believes that this proposed revision would be beneficial to all parties and is consistent with the Commission's intent on determination of a meeting date that would be both timely and agreeable to both the Interconnection Customer and the Transmission Provider.

46. Section 7.6 of the pro forma LGIP sets forth provisions governing the Re-Study of the Interconnection System Impact Study. The provision states that a Re-Study may be necessary if the Point of Interconnection is re-designated pursuant to the Interconnection Feasibility Study, which allows for re-designation, should unexpected results arise during the Interconnection Feasibility Study. APS proposes to revise this section to state that a Re-Study may be necessary if the Point of Interconnection is re-designated pursuant to

the Interconnection Feasibility Study or pursuant to the Interconnection System Impact Study.

47. In addition, section 7.6 of the pro forma LGIP states that should a Re-Study become necessary; the Transmission Provider must notify the Interconnection Customer of this situation in writing. APS proposes to allow the Transmission Provider the option to provide this information through electronic communication. This revision is a result of APS's proposed revisions to section 3.3.2 which, if accepted, would allow the parties to participate in formal communications through e-mail.

48. Section 8.1.1 of the pro forma LGIP states that the Transmission Provider shall invoice the Interconnection Customer on a monthly basis for the work to be conducted on the Interconnection Facilities Study each month. APS proposes to revise the language so that the invoice will reflect the estimated cost of the work conducted and upon the completion of the study; there will be a final invoice that will "true-up" any work or overpayments made by the Interconnection Customer.

49. Section 8.4 of the pro forma LGIP requires the Transmission Provider and Interconnection Customer to meet to discuss the results of the Interconnection Facilities Study report within ten days of the Transmission Provider providing a copy of the draft report. APS proposes that either party be allowed to recommend some other mutually agreed upon date. APS believes that this proposed revision would be beneficial to all parties and is consistent with the Commission's intent on determination of a meeting date that would be both timely and agreeable to both the Interconnection Customer and the Transmission Provider.

50. Section 10.3 of the pro forma LGIP states that the Interconnection Customer shall submit a prepayment with the Optional Study Interconnection Agreement. Additionally, the provision states that any difference between the study payment and the actual cost shall be paid by the Customer as appropriate. APS proposes to revise the language to state that the Interconnection Customer agrees that any difference between the study payment and the actual cost shall be paid by the Customer as appropriate. APS asserts that the proposed revision is merely intended to better clarify the intent of the Commission's pro forma language in section 10.3 of the LGIP.

51. Section 11.1 of the pro forma LGIP provides guidance on tendering the Standard Large Generator Interconnection Agreement. It states that "within thirty Calendar Days after the comments are submitted, Interconnection Customer shall tender a draft LGIA, together with draft appendices completed to the extent practicable". APS proposes to revise the provision to state that the Transmission Provider shall tender the draft LGIA

because it is incumbent on the Transmission Provider, and not the Interconnection Customer to tender a draft LGIA to the Interconnection Customer. APS believes the Commission inadvertently used the term Interconnection Customer when it actually meant for Transmission Provider to be inserted. In addition, APS proposes to insert additional language regarding joint ownership of transmission facilities. This language is the same language proposed in section 3.3.1.

52. Section 11.3 of the pro forma LGIP states that “Within fifteen Business Days after receipt of the final LGIA, Interconnection Customer shall provide Transmission Provider (A) reasonable evidence that continued Site Control or (B) posting of \$250,000 non-refundable additional security, which shall be applied toward future construction costs”. APS proposes revising the provision to state that the “Interconnection Customer has continued Site Control”. APS asserts that this change is consistent with or superior to the Commission’s intent within section 11.3 of the pro forma LGIP.

53. Section 11.4 of the pro forma LGIP requires that upon submission of an unexecuted LGIA, the Interconnection Customer and the Transmission Provider shall promptly comply with the unexecuted LGIA, subject to modification by FERC. APS proposes to revise the provision so that both parties shall implement the agreed upon provisions in the unexecuted LGIA, upon acceptance of and subject to modification by FERC.

54. In support of its revisions to section 11.4, APS asserts that a Transmission Provider should not commit itself to obligations to construct facilities for which a contractual agreement has not been executed. Additionally, APS asserts that without acceptance of the unexecuted LGIA by the Commission, and the Interconnection Customer’s subsequent execution of the LGIA, there is no legal instrument that binds the Interconnection Customer to reimburse APS for any expenditure for facilities needed to interconnect the Generating Facility to APS’s Transmission System or for required Network Upgrades. APS states that this proposed revision is consistent with the Commission’s intent regarding treatment of unexecuted LGIAs and mitigates the Transmission Provider’s risk of incurring significant costs that may not be recoverable from a potential Interconnection Customer should such customer ultimately elect to not execute the LGIA.

55. Section 12.2.4 of the pro forma LGIP describes the process of amending an Interconnection System Impact Study in the context of construction sequencing. APS proposes to revise this Section to state that the Interconnection Customer shall be responsible for any costs associated with amending any Interconnection System Impact

Study (ies). APS asserts that this clarification is consistent with the Commission's allowed recovery of study costs as stated within the pro forma LGIP.

56. Sections 13.1.9, 13.1.10 and 13.1.11 of the pro forma LGIP do not have Section headers. APS proposes to provide headers to maintain consistency throughout the LGIP. APS proposes to label sections 13.1.9, 13.1.10, and 13.1.11 Competitively Sensitive Information, Exceptions, and Destruction or Return of Confidential Data, respectively.

57. Section 13.3 of the pro forma LGIP sets forth the processes by which parties should charge, pay, and offset study costs. APS proposes to revise the language to reflect the \$2,000 processing fee APS has proposed in Section 3.1 of the LGIP.

58. Section 13.3 of the pro forma LGIP specifies that a third party consultant may be utilized when conducting studies. APS proposes to delete "as soon" from the language in this section. APS states that this phrase is repeated two times consecutively.

59. Appendix 1 to the LGIP identifies information required when an Interconnection Customer submits a request to interconnect its Large Generating Facility (Facility) to a Transmission Provider's system. There are ten (10) sections for which information must be provided.

60. In Section 1 of the pro forma Appendix 1 the Interconnection Customer has the option to have the Transmission Provider study either Energy Resource Interconnection Service or Network Resource Service. APS proposes wording that will provide the Interconnection Customer with the option to have both types of service studied. APS states that the revision is consistent with the Interconnection Customer's provisions in section 3.2 of the LGIP.

61. Section 5b of the pro forma Appendix 1 specifies the maximum summer and winter electrical output of the proposed new Facility or the increase in capacity of an existing Generating Facility. APS proposes wording that would make provisions for information pertaining to various phases of completion of new generators within a Facility. APS states that the information requirement is consistent with the other information the Commission has detailed in the pro forma LGIP.

62. APS proposes an additional subsection under section 5 of the pro forma Appendix 1 which identifies the date(s) that a Facility plans to test operations of generating units within the Facility. APS states that it is important to know when testing will occur and that the information is consistent with other similar types of information the Commission requires the Interconnection Customer to furnish to the Transmission Provider. The

revised subsection will be identified as Section 5d and all subsequent subsections will be renumbered in sequence.

63. Section 5d of the pro forma Appendix 1 identifies the date of commercial operation of the Facility. The proposed revision by APS requires the identification of the commercial operation date for each generating unit within the Facility. APS states that the information is consistent with other similar types of information the Commission requires the Interconnection Customer to furnish to the Transmission Provider. The revised section will be identified as section 5e.

64. APS proposes the addition of section 5i to the pro forma Appendix 1. Section 5i allows APS to request any additional information that would be reasonably needed to evaluate an Interconnection Request. APS states that the proposed revision is consistent with the Commission's intent regarding access to needed information to fully analyze and act upon Interconnection Requests.

65. Section 6 of the pro forma Appendix 1 requests a deposit as specified in the LGIP. APS proposes to revise this section by adding wording that specifies a payment amount that includes a \$2,000 processing fee and the costs associated with performing the Interconnection Feasibility Study. Also included is a requirement for the Interconnection Customer to be responsible for incremental study costs that exceed \$10,000. APS asserts that considerable amounts of time and resources are expended prior to the time an Interconnection Customer executes the Interconnection Feasibility Study Agreement, as well as after the completion of the Interconnection Feasibility Study. Additionally, APS states that FERC has previously recognized that the Transmission Provider incurs processing costs through its NOPR addressing Small Generating Facility Interconnection Requests that expressly permits the charging of processing fees.

66. Section 8 and section 9 of the pro forma Appendix 1 identify the representative designated to receive the Interconnection Request and a representative of the Interconnection Customer to contact, respectively. APS proposes a revision that directs the Interconnection Customer to refer to Appendix 2, section 8 of the LGIP, in both sections 8 and 9. APS states that the purpose of the proposed revision is to clarify the contact information provided in Appendix 2, section 8 of the LGIP.

67. Attachment A to the pro forma Appendix 1 identifies the specific data to be provided for each Facility. APS proposes to revise the information by requiring inclusion of the same data for each individual generating unit within the Facility. APS asserts that new generating units are completed in various phases and that the information

requirement is consistent with the other information the Commission has detailed in the pro forma LGIP.

68. Appendix 2 to the pro forma LGIP refers to the term “Agreement”. APS proposes a revision that designates “Interconnection Feasibility Agreement” as the specific agreement in Appendix 2. APS states that designation of a specific and different agreement name will help clarify for all parties what agreement is being referenced.

69. APS proposes a revision to the WHEREAS clauses of Appendix 2 that would take into consideration the impact of the Large Generators Interconnection to the Transmission System on any Affected Systems. APS asserts that this will clarify the Commission’s intent and is consistent with the pro forma text in Appendix 2 to the Commission’s pro forma LGIP.

70. Sections 1.0 and 3.0 of Appendix 2 to the pro forma LGIP refer to the term “Agreement”. APS proposes to identify a specific agreement designated as Feasibility Study Agreement. APS states that designation of a specific and different agreement name will help clarify for all parties what agreement is being referenced.

71. Section 6.0 of Appendix 2 to the pro forma LGIP requires a \$10,000 deposit by the Interconnection Customer for the performance of the Interconnection Feasibility Study. It further specifies how the deposit is applied to the actual costs of the Interconnection Feasibility Study and the disposition of any difference between the deposit and the actual costs. APS proposes to revise this section to include a \$2,000 processing fee as part of the \$10,000 payment and the remainder to be applied towards the costs of the Interconnection Feasibility Study. APS asserts that considerable amounts of time and resources are expended prior to the time an Interconnection Customer executes the Interconnection Feasibility Study Agreement, as well as after the completion of the Interconnection Feasibility Study. Additionally, APS states that FERC has previously recognized that the Transmission Provider incurs processing costs through its NOPR addressing Small Generating Facility Interconnection Requests that expressly permits the charging of processing fees.

72. APS proposes to add an additional section, to be designated as section 8.0, to Appendix 2 to the pro forma LGIP. Section 8.0 designates representatives of the parties to which all communications should be directed. APS states that this proposed addition is to clarify the specific contact personnel for both parties.

73. Attachment A to Appendix 2 to the pro forma LGIP identifies assumptions to be used by the Transmission Provider in conducting the Interconnection Feasibility Study.

APS proposes a revision that identifies the specific type of interconnection service the Interconnection Customer wants studied. APS asserts that it is incumbent upon the Transmission Provider to be clear as to what specific type(s) of interconnection service is to be studied and that the proposed revision is consistent with the Commission requirements within the LGIP.

74. Appendix 3 to the pro forma LGIP refers to the term “Agreement”. APS proposes a revision that designates “Interconnection System Impact Study Agreement” as the specific agreement in Appendix 3. APS states that designation of a specific and different agreement name will help clarify for all parties what agreement is being referenced. APS further asserts that this revision is superior to the Commission’s designations for the various LGIP and LGIA agreements inasmuch as it clearly designates what agreement is being referenced.

75. APS proposes revisions to the WHEREAS clauses of Appendix 3 that include proposals to add generating capacity to an existing Facility and the impact on any Affected Systems. APS asserts that this will clarify the Commission’s intent and is consistent with the pro forma text in Appendix 3 to the Commission’s pro forma LGIP.

76. Sections 1.0 and 3.0 of Appendix 3 to the pro forma LGIP refer to the term “Agreement”. APS proposes to identify a specific agreement designated as Impact Study Agreement. APS states that designation of a specific and different agreement name will help clarify for all parties what agreement is being referenced. APS further asserts that this revision is superior to the Commission’s designations for the various LGIP and LGIA agreements inasmuch as it clearly designates what agreement is being referenced.

77. APS proposes to add an additional section, to be designated as section 8.0, to Appendix 3 to the pro forma LGIP. Section 8.0 designates representatives of the parties to which all communications should be directed. APS states that this proposed addition is to clarify the specific contact personnel for both parties.

78. Attachment A to Appendix 3 to the pro forma LGIP identifies assumptions to be used by the Transmission Provider in conducting the Interconnection System Impact Study. APS proposes a revision that identifies the specific type of interconnection service the Interconnection Customer wants studied. APS asserts that it is incumbent upon the Transmission Provider to be clear as to what specific type(s) of interconnection service is to be studied and that the proposed revision is consistent with the Commission requirements within the LGIP.

79. Appendix 4 to the pro forma LGIP refers to the term “Agreement”. APS proposes a revision that designates “Interconnection Facilities Study Agreement” as the specific agreement in Appendix 4. APS states that designation of a specific and different agreement name will help clarify for all parties what agreement is being referenced. APS further asserts that this revision is superior to the Commission’s designations for the various LGIP and LGIA agreements inasmuch as it clearly designates what agreement is being referenced.

80. APS proposes a revision to the WHEREAS clause of Appendix 4 that include proposals to add generating capacity to an existing Facility. APS asserts that this will clarify the Commission’s intent and is consistent with the pro forma text in Appendix 4 to the Commission’s pro forma LGIP.

81. Sections 1.0 and 3.0 of Appendix 4 to the pro forma LGIP refer to the term “Agreement”. APS proposes to identify a specific agreement designated as Facilities Study Agreement. APS states that designation of a specific and different agreement name will help clarify for all parties what agreement is being referenced. APS further asserts that this revision is superior to the Commission’s designations for the various LGIP and LGIA agreements inasmuch as it clearly designates what agreement is being referenced.

82. Section 4.0 of Appendix 4 to the pro forma LGIP specifies in part that the Interconnection Facilities Study report shall provide a description, estimated costs and a schedule for required facilities to interconnect the Facility to the Transmission System. APS proposes a revision that includes, in the required schedule, the acquisition of equipment and construction of facilities required for interconnection. APS states that the proposed revision is to clarify the language in section 4.0 consistent with Commission requirements within the LGIP.

83. Section 5.0 of Appendix 4 to the pro forma LGIP requires a \$100,000 deposit by the Interconnection Customer for the performance of the Interconnection Facilities Study and the designation of a time for completion of the study. The proposed revision would insert “estimated” before designation. APS asserts that the proposed change clarifies the pro forma language and is consistent with the Commission’s intent.

84. APS proposes to add an additional section, to be designated as section 7.0, to Appendix 4 to the pro forma LGIP. Section 7.0 designates representatives of the parties to which all communications should be directed. APS states that this proposed addition is to clarify the specific contact personnel for both parties.

85. Attachment B to Appendix 4 to the pro forma LGIP requires in part the specification of whether or not an alternate source of auxiliary power will be available during CT/PT maintenance. APS proposes to delete the section dealing with CT/PT maintenance in its entirety. APS proposes to revise and replace this section with provisions providing more detail. The revision requires disclosure of the Interconnection Customer's intent to obtain all or part of its auxiliary power from the Transmission Provider, and a detailed description of how and what portion of the Facility's auxiliary power requirements will be met during CT/PT maintenance and various operational conditions of the Facility. APS asserts that it is necessary to know this information at the time the Interconnection Facilities Study is being developed in order for APS to know whether the Facility's auxiliary power requirements are being provided by APS or some other third party. APS further states that the additional information that is being proposed in Attachment B is consistent with other similar type information that the Commission intends to be made available to the Transmission Provider if so requested and required.

86. Appendix 5 to the pro forma LGIP refers to the term "Agreement". APS proposes a revision that designates "Optional Interconnection Study Agreement" as the specific agreement in Appendix 5. APS states that designation of a specific and different agreement name will help clarify for all parties what agreement is being referenced. APS further asserts that this revision is superior to the Commission's designations for the various LGIP and LGIA agreements inasmuch as it clearly designates what agreement is being referenced.

87. APS proposes a revision to the WHEREAS clause of Appendix 5 that include proposals to add generating capacity to an existing Facility. APS asserts that this will clarify the Commission's intent and is consistent with the pro forma text in Appendix 5 to the Commission's pro forma LGIP.

88. Sections 1.0, 3.0 and 5.0 of Appendix 5 to the pro forma LGIP refer to the term "Agreement". APS proposes to identify a specific agreement designated as Optional Interconnection Study Agreement. APS states that designation of a specific and different agreement name will help clarify for all parties what agreement is being referenced. APS further asserts that this revision is superior to the Commission's designations for the various LGIP and LGIA agreements inasmuch as it clearly designates what agreement is being referenced.

89. APS proposes to add an additional section, to be designated as section 8.0, to Appendix 5 to the pro forma LGIP. Section 8.0 designates representatives of the parties

to which all communications should be directed. APS states that this proposed addition is to clarify the specific contact personnel for both parties.

90. APS proposes to add an attachment, to be designated as Attachment A, to Appendix 5 to the pro forma LGIP. The proposed Attachment A identifies assumptions to be used by the Transmission Provider in conducting the Optional Interconnection Study and is to be completed by the Interconnection Customer consistent with Section 10 of the LGIP. APS states that although this attachment was included in the Commission's original pro forma LGIP pursuant to Order No. 2003, it was omitted in the pro forma LGIP published pursuant to FERC Order 2003-A.

C. APS's Proposed Modifications to the LGIA

91. Article 2.2 of the pro forma LGIA states that the LGIA shall remain in effect for ten years from the Effective Date or longer if the Interconnection Customer requests a longer term. The term shall be specified in the individual agreements and shall automatically be renewed for each successive one year period thereafter. APS proposes to add language that requires the LGIA to remain in effect if the Generating Facility is operated, or intended to be operated, synchronously with the Transmission System, or if the Interconnection Facilities are required to remain in place for purposes of delivering auxiliary power to the Generating Facility complex.

92. APS proposes to insert a new Article 2.2.1, entitled Material Adverse Change. The proposed provision would state that in the event of a material change in law or regulation that would adversely affect either Party's performance under the LGIA, the Party's will negotiate in good faith any amendment necessary to adapt the LGIA to that change. In addition, should the negotiations fail, APS shall be able to make a filing, unilaterally, with FERC under section 205, the Federal Power Act, or any other FERC rule or regulation, as necessary.

93. Article 2.3.1 of the pro forma LGIA allows the Interconnection Customer to terminate the LGIA after providing the Transmission Provider with ninety Calendar Days advance written notice. APS proposes to insert language stating that this provision would not apply if the Generating Facility is operated, or intended to be operated, synchronously with the Transmission System, or if the Interconnection Facilities are required to remain in place for purposes of delivering auxiliary power to the Generating Facility complex.

94. Article 4.1 of the pro forma LGIA entitled Interconnection Product Options states that the Interconnection Customer has selected the following types of service, with the two choices being Energy Resource Interconnection Service (ERIS) and Network

Resource Interconnection Service (NRIS). APS proposes to limit the Customer to selecting one of those options as identified in Appendix A.

95. Article 4.1.1.1 of the pro forma LGIA describes the product ERIS. APS proposes to revise a portion of the provision that states the “Transmission Provider shall construct facilities identified in Attachment” to “Transmission Provider shall construct or have constructed facilities identified in Appendix A”. APS asserts that the Transmission Provider may opt to contract to have such facilities constructed. APS contends that this revision is consistent with the Commission’s allowed policy for any construction obligations incumbent on a Transmission Provider pursuant to the LGIA.

96. Article 4.1.1.2 of the pro forma LGIA sets forth the implication of Transmission Delivery Service under ERIS. APS proposes to revise this provision to add language that clarifies that before the Interconnection Customer can inject power from its Large Generating Facility, it must first request transmission services into the Transmission System from Transmission Provider under a separate agreement. APS asserts that this revision is clearly consistent with the Commission’s policy on this issue.

97. Additionally, in Article 4.1.1.2, the pro forma LGIA states that under certain conditions an Interconnection Customer may obtain secondary network transmission service. APS proposes to delete the word “network” from this provision since there are no provisions for any type of “secondary” transmission service in the Tariff regarding network transmission service. However, secondary transmission service is allowed for Point-to-Point transmission service. APS asserts that in order to be consistent with the provisions in the Tariff, this proposed revision is required and superior to the present LGIA because it eliminates an inconsistency between the terms in the Tariff and the terms in the LGIA.

98. Article 4.1.2.1 of the pro forma LGIA describes the product NRIS and states that the Transmission Provider must construct the Network Upgrades needed to integrate the Large Generating Facility into the system. APS proposes to insert language that clarifies that the Transmission Provider may construct Network Upgrades or contract to have such facilities constructed.

99. Article 4.1.2.2 of the pro forma LGIA specifies that NRIS allows the Interconnection Customer’s Large Generating Facility to be designated by any Network Customer under the Tariff on the Transmission Provider’s Transmission System as a Network Resource. APS proposes to revise this provision to state that any customer taking retail access transmission service may designate the Large Generating Facility as a Network Resource. APS asserts that this proposed revision is needed as a result of the

Public Utilities Commission of Nevada's implementation of Retail Access, which requires Transmission Provider to provide transmission service to Retail Access Transmission Service customers in accordance with Part 4 of Transmission Provider's Tariff.

100. Additionally, in Article 4.1.2.2, APS proposes to add clarifying language which would require the Interconnection Customer to also subscribe to transmission service under Transmission Provider's OATT if it was eligible and intended to make deliveries of ancillary services. APS asserts that this revision is consistent with the Commission's policy of requiring an Interconnection Customer to first acquire transmission service under an agreement that is separate and apart from the LGIA prior to it being allowed to input any electric power emanating from its Large Generating Facility in Transmission Provider's Transmission System. APS also proposes to add language to clarify that the Interconnection Customer shall be responsible for any additional studies described in this article. APS asserts that this is consistent with the Commission's policy of cost responsibility for studies.

101. Article 4.3 of the pro forma LGIA sets forth that the parties to the LGIA shall perform obligations under the LGIA in accordance applicable reliability standards, good utility practices, and applicable laws and regulations. Also, should a party be prevented from fulfilling these obligations by the regulations or standards previously identified, an amended LGIA may be submitted to FERC for approval. APS proposes to revise this provision to state that should a party be legally precluded from performing its obligations within this LGIA, the parties shall develop alternate provisions and file them with the Commission as a non-conforming service agreement.

102. APS asserts that the proposed revision to Article 4.3 of the LGIA is necessary to recognize certain rights that a Transmission Provider should be entitled to under a bilateral agreement such as this LGIA. APS asserts that the current provision might present a problem to a Transmission Provider seeking recovery of costs due it in the event the Interconnection Customer fails to pay what it owes, or fails to operate as it is required claiming it is not required because of some legal requirement. In that situation a Transmission Provider may be required to continue to provide the service for which it had no recourse to collect costs incurred by such actions. APS states that this proposed revision is an equitable solution to the concerns of both the Transmission Provider and the Interconnection Customer, and is superior to the present pro forma requirements pertaining to this section of the LGIA.

103. Article 4.4 of the pro forma LGIA specifies that the execution of an LGIA does not constitute a request for delivery service under the Tariff, nor does it convey any right

to deliver electricity to any specific customer or points of delivery. APS states that the term Point of Delivery is defined in its Tariff, however, it has a somewhat different meaning than what the Commission intended for purposes of the LGIP/LGIA. APS proposes to re-designate this to become a new term “Point(s) of Delivery related to Large Generating Facilities” for use in the LGIP/LGIA so no conflict exists with a similar term used in the Tariff. APS asserts that this proposed revision is superior to the LGIA for the reasons discussed above.

104. Article 5.1.1 of the pro forma LGIA states that the Transmission Provider should provide written notification to the Interconnection Customer if the Interconnection Facilities and Network Upgrades will not be completed by the specified date. APS proposes to revise this section to allow notice to be given through electronic means pursuant to APS’s proposed section 3.3.2 of the LGIP.

105. APS is proposing to add a new subsection, Article 5.2 (8), to the pro forma LGIA subsection of General Conditions Applicable to Option to Build. This new subsection would require the Interconnection Customer to negotiate an agreement with all Affected System Operators regarding remedies that may be needed should an entity interconnecting to Transmission Provider’s Transmission System cause disturbances on or affect the reliability of an Affected System. APS asserts that this is consistent with other similar obligations the Commission imposes on the Interconnection Customer that result in modifications being required on Affected Systems.

106. Article 5.2 (13) of the pro forma LGIA is a subsection of General Conditions Applicable to Option to Build. Article 5.2 requires the Transmission Provider to expend certain resources reviewing and commenting on submissions the Interconnection Customer must provide to the Transmission Provider. APS proposes to revise this provision to allow the Transmission Provider to recover all its costs incurred in performance of the Companies’ responsibilities set forth in Article 5.2. APS asserts that this proposed revision for cost recovery is consistent with other Commission allowed cost recoveries inherent with obligations required be taken by a Transmission Provider in accordance with LGIA requirements.

107. Article 5.3 of the pro forma LGIA sets forth provisions that dictate when liquidated damages are and are not required. APS proposes to revise this provision so that it may not be subject to any claim if the delays in the performance of its obligations were a result of completing Affected System Upgrades. APS asserts that this proposed revision is consistent with the Commission’s intentions of similar notice in other parts of the LGIA.

108. Article 5.4 of the pro forma LGIA states that the Interconnection Customer shall procure, install, maintain and operate Power System Stabilizers in accordance with the procedures established by the Applicable Reliability Council. APS proposes adding language to this section to recognize that should APS join an RTO; the RTO will likely set forth criteria for installation, maintenance and operation of Power System Stabilizers. APS asserts that this revision is consistent with other provisions within this LGIA where the Commission has deferred judgment on a particular operating issue to the RTO/ISO.

109. Article 5.5 of the pro forma LGIA states that the Transmission Provider must commence the design of the Interconnection Facilities or Network Upgrades as soon as certain conditions are satisfied. Specifically, the condition listed in Article 5.5.1 is that the Transmission Provider must complete the Facilities Study pursuant to the Facilities Study Agreement. APS proposes that the word “Interconnection” be inserted before “Facilities Study” and “Facilities Study Agreement”. APS believes the Commission inadvertently failed to include it.

110. Article 5.7 of the pro forma LGIA specifies that if the Interconnection Customer determines that the completion of the Interconnection Facilities will not be required until after the specified in-service date, it must notify the Transmission Provider of such date. APS proposes adding language to include a reference to Network Upgrades in addition to the Transmission Provider’s Interconnection Facilities. APS states that Network Upgrades should have been included in the Commission’s pro forma LGIA but the Commission may have been inadvertently omitted it.

111. Article 5.9 of the pro forma LGIA states that an operating study may be performed to determine to what extent a Large Generating Facility or an Interconnection Customer’s Interconnection Facilities may be operated in the case that a Transmission Provider has not completed the Transmission Provider’s Interconnection Facilities or Network Upgrade construction on the specified Commercial Operation Date. APS proposes adding language to recognize that the impact on Affected Systems might also be a consideration in determining to what degree a Large Generating Facility can operate prior to completion of the Transmission Provider’s Interconnection Facilities or Network Upgrades. APS asserts that this proposed revision is consistent with other similar types of allowances considering impacts on Affected System that the Commission has allowed in other parts of the LGIA. Also, APS proposes to revise the language to reflect that, as proposed in Article 4.1.1.1, it may not actually perform the study, instead opting to contract it out.

112. Additionally, in Article 5.9 of the pro forma LGIA, APS proposes to revise the language to allow Large Generating Facilities to begin operation prior to completion of Transmission Provider's Interconnection Facilities, Network Upgrades or Affected System Upgrades in accordance with the results of studies conducted discussed in Article 5.9, and as long as operation of such generators was also consistent with Transmission Provider's operational policies and those of any Affected System. APS asserts that this proposed requirement is needed to protect the reliability of the integrated Transmission System and is consistent with other Commission LGIA requirements intended to protect system reliability.

113. Article 5.10.3 of the pro forma LGIA specifies that, in connection with the construction of an Interconnection Customer's Interconnection Facilities (ICIF), the Interconnection Customer must provide to Transmission Provider specifications for the excitation system, automatic voltage regulator, Large Generating Facility control and protection settings, transformer tap settings and communications, if applicable. APS proposes that in addition, the Interconnection Customer must also provide information on the location of metering equipment. APS asserts that this is necessary to ensure that all meters are appropriately situated in order to accurately meter for all services that are being provided by Transmission Provider and that all output of the Generating Facility is being accurately metered. APS asserts that this proposed revision is consistent with the Commission's requirements in this Article.

114. Article 5.14 of the pro forma LGIA states that the Interconnection Customer and the Transmission Owner/Transmission Provider must cooperate with one another when attempting to obtain the necessary permits, authorizations, and licenses necessary to accomplish the interconnection in compliance with applicable laws and regulations. APS proposes to revise this provision to clarify that APS's responsibilities are limited to those that pertain only to transmission lines and related facilities. In addition, APS proposes that all expenses that APS might incur in assisting the Interconnection Customer in obtaining all required permits, licenses and other authorizations needed to interconnect its Generating Facility to Transmission Provider's Transmission System will be at the Customer's expense. Finally, APS proposes to add language to the end of Article 5.14 clarifying that any permitting assistance lent the Interconnection Customer shall be consistent with Applicable Laws and Regulations. APS asserts that these revisions are consistent with the Commission's intent in this section of the LGIA.

115. Article 5.15 of the pro forma LGIA specifies each party's obligation in connection with the early construction of Base Case Facilities. APS proposes adding clarifying language that would state that it is the Interconnection Customer's responsibility to fund the cost of any requested early construction of Base Case facilities. APS also states that

all applicable refunds for such customer advances shall be made in accordance with Commission policies and practices.

116. Article 5.16 of the pro forma LGIA allows the Interconnection Customer to notify the Transmission Provider to suspend, for up to three years, all work being done regarding the installation of Transmission Provider's Interconnection Facilities and Network Upgrades. In addition, the Interconnection Customer is responsible for all costs incurred by the Transmission Provider for work already performed prior to the suspension and all costs incurred in suspending such work. APS states that since a suspension request is initiated entirely by the Interconnection Customer, as a matter of equity, the Interconnection Customer should not be entitled to accrual of interest on monies that the Interconnection Customer may have advanced to a Transmission Provider for Network Upgrades.

117. APS proposes to allow the Transmission Provider to stop accruing any interest during the suspension period that would otherwise be due the Interconnection Customer for payments already made for Network Upgrades. APS asserts that this would serve as an incentive for the Interconnection Customer to resume completion of the project as quickly as possible and could potentially reduce transmission rates to Transmission Provider's customers because the transmission rate base would include transmission credits paid to Interconnection Customers, but would not include interest amounts discussed herein. Additionally, APS proposes to add clarifying language that would more succinctly state how the Transmission Provider would bill the Interconnection Customer for costs incurred during the suspension. APS asserts that these revisions are consistent with the Commission's overall intentions in the LGIA.

118. Article 5.17.4 of the pro forma LGIA sets forth provisions relating to an Interconnection Customer's liability for the tax gross up amounts due on certain facilities and upgrades. In addition, this Article references Appendix A of the LGIA. APS proposes to modify this Article to simply reflect a proposed change to the title of Appendix A.

119. APS proposes to revise Article 5.17.8 of the pro forma LGIA to add language that clarifies that a Transmission Provider's refund obligation is limited to any amounts refunded to the Transmission Provider by a taxing authority. However, this would not apply in situations where the Transmission Provider has not submitted to a taxing authority monies collected from the Interconnection Customer which in such cases would be refunded with all applicable interest. APS asserts that this revision is consistent with the Commission's intent concerning such refund obligations as stated in Order No. 2003-A. Additionally, APS proposes additional language to clarify how interest on certain

refund obligations would be calculated in accordance with the Commission's instructions in this section of the LGIA. APS asserts that this revision is also consistent with Commission's intent.

120. Article 5.17.10 of the pro forma LGIA sets forth specific provisions in the instance that the Transmission Provider is not the Transmission Owner. APS proposes to delete this Article asserting that APS is both a Transmission Owner and Transmission Provider, and therefore, this particular Article is not applicable.

121. APS proposes multiple text additions to Article 5.19 of the pro forma LGIA. APS has modified the language in an effort to clarify the Commission's intent with regard to certain responsibilities associated with modifications that either Transmission Provider or an Interconnection Customer proposes to make to its facilities.

122. APS proposes to add a new Article 5.20, entitled Other Interconnection Costs which details proposed recovery of costs that APS will incur as a result of interconnecting a Large Generating Facility to APS's Transmission Systems.²¹ APS asserts that, due to the configuration of its system, an Interconnection Customer may choose to use APS's Transmission Systems to interconnect and gain access to a major trading hub or to another interconnection point where many other systems are interconnected. APS further asserts that, as a result, transmission facilities must be taken out of service for certain periods until the work associated with interconnection is completed. Additionally, APS and other neighboring utilities are forced to re-dispatch their respective systems. Finally, APS contends that replacement power can amount to millions of dollars even when line outages are reasonable in duration. APS believes that the proposed revision is reasonable and is consistent with the Commission's pronouncements in Order No. 2003-A for consideration of allowing recovery of such expenses and therefore, should be allowed.

123. APS proposes to add a new Article 5.21, entitled Upgrades on Affected Systems containing Articles 5.21.1 and 5.21.2, entitled Coordination of Timing and Condition of Interconnection, respectively. Article 5.21 would set forth that the Transmission Provider

²¹ APS asserts that Order No. 2003 did not include any provisions for a Transmission Provider to recover any increased costs it may incur as a result of taking transmission facilities out of service for purposes of interconnecting a new Generating Facility. However, this issue was addressed in paragraph 647 of FERC Order No. 2003-A.

and Interconnection Customer must coordinate the timing and construction of Affected System Upgrades, Network Upgrades, and Interconnection Facilities to protect the reliability of the Affected System. In addition, when the interconnection endangers the reliability of the Affected System, the Transmission Provider may delay the Initial Synchronization Date until the Affected System can operate safely and reliably.

124. In support of this revision, APS asserts that APS and most transmission systems in the Western region of the United States are inter-dependent on neighboring utilities' systems and may be interconnected to any number of adjacent utility's systems. As a result, an interconnection of a new Large Generating Facility may cause disturbances or affect the reliability of other Affected Systems. APS asserts that this proposed revision would address the coordination of any potential Affected System Upgrades that may be required as a result of a Generating Facility interconnecting to the Transmission System. APS further asserts that this revision is consistent with the Commission's policy that Large Generator Interconnections should not affect the reliability of Affected Systems.

125. APS proposes to add a new Article 5.22, entitled Requests on Jointly Owned Facilities which would address how Interconnection Requests affecting jointly owned transmission facilities will be processed. The language is similar to that which has been proposed for section 3.3.1 of the LGIP. The provision would require that, in the case of jointly owned facilities, the Transmission Provider must process Interconnection Requests in accordance with the provisions of any agreements and practices followed by the owners of such facilities as long as the agreements do not restrict or preclude third party interconnections. In addition, in the case of jointly owned facilities that include non-jurisdictional owners who have safe harbor reciprocity tariffs on file at the FERC, the Transmission Provider and the others owners shall decide which utility shall process the Interconnection Request. Finally, in the case of jointly owned facilities that include non-jurisdictional utilities that do not have a reciprocity tariff on file at FERC, the Transmission Provider shall work with the non-jurisdictional co-owners to coordinate the study process.

126. Article 6.2 of the pro forma LGIA specifies that each party shall, at its own expense, perform routine inspection and testing of it own Facilities and equipment to ensure continued safe and reliable interconnection of the Large Generating Facility and the Transmission System. APS proposes to revise this provision so that inspection and testing would be performed at the Interconnection Customer's expense. APS asserts that the Transmission Provider and/or its other transmission customers should not be subsidizing the costs associated with inspections and tests on facilities used to interconnect a Generating Facility to Transmission Provider's Transmission System.

127. Article 8.2 of the pro forma LGIA specifies that prior to the Initial Synchronization Date of the Large Generating Facility a Remote Terminal Unit should be installed by the Interconnection Customer. APS proposes to modify the term “Remote Terminal Unit” to lower case since it is not a defined term.

128. APS proposes a new Article 9.5. It states that should the Transmission Provider require the generator to implement Must Run Generation, the Transmission Provider must negotiate the service and the Parties shall file the agreement with the Commission.

129. Article 9.7.1.1 of the pro forma LGIA sets forth that each party may, in coordination with the other party and Good Utility Practice, remove Interconnection Facilities or Network Upgrades from service for the purpose of testing, replacing, or performing maintenance. APS proposes to replace “Network Facilities” with “Transmission System facilities” and delete “in coordination with the other party”. APS asserts that situations may occur where it is forced to curtail the capacity (or take out of service) of certain transmission facilities. The facilities may not be Network Upgrades associated with a particular Generating Facility; however, that action may impact the normal operation of a Large Generating Facility during the time that restrictions on the operation of such transmission facilities remain in effect. APS proposes to revise this Article because it is too restrictive as discussed above. APS contends that this proposed revision is consistent with Good Utility Practices and, therefore, is consistent with the Commission’s intent regarding this Article of the LGIA.

130. Article 9.7.1.2 of the pro forma LGIA 9.7.1.2 requires the Transmission Provider to post transmission facility outages on its Open Access Same Time Information System (OASIS) and requires the Interconnection Customer to schedule its maintenance on a rolling 24 month basis. The Transmission Provider may ask the Interconnection Customer to reschedule its maintenance as necessary to maintain the reliability of the Transmission System, but that adequacy of generation supply shall not be a criterion in determining Transmission System reliability. The Transmission Provider must pay the Interconnection Customer for any direct costs that the Interconnection Customer incurs as a result of having to reschedule maintenance.

131. APS proposes to delete “adequacy of generation supply shall not be a criterion in determining Transmission System reliability” and insert “Transmission Provider shall not require Interconnection Customer to take actions Interconnection Customer would not otherwise take unless Emergency Conditions exist”. APS asserts that this revised provision would allow the Transmission Provider to request the Interconnection Customer to provide needed power to the system only during emergency conditions.

132. APS asserts that if generation resources supplying the power and ancillary services needed by a Transmission Provider to meet its load requirements suddenly goes out of service the reliability of the Transmission System will be compromised even though all “wire facilities” remain in good working order. If such situations occur on a Transmission Provider’s Transmission System, its options are generally limited to either curtailing load or activating replacement generator supply to fill the void of the generation resources that were curtailed. APS contends that due to the operational realities described above, a portion of the Commission’s requirements in Article 9.7.1.2 seems to be inconsistent with how utilities normally operate their systems. The Article states: “[p]rovided, however, adequacy of generation supply shall not be a criterion in determining Transmission System reliability.” APS submits that, during an emergency situation, such as that described above, the Transmission Provider may be forced to request a Large Generating Facility to start up or ramp up its output in order to protect the reliability integrity of the Transmission System. APS asserts that this proposed revision is consistent with the Commission’s stated intent in that Transmission System reliability would be a principle consideration in establishing LGIP and LGIA practices.

133. Article 9.7.1.3 of the pro forma LGIA specifies that if an outage on a Party’s Interconnection Facilities or Network Upgrades adversely affects another Party’s operations or facilities, the Party that owns or controls those facilities that are out of service should promptly restore them. APS proposes deleting “Network Upgrades” and inserting “APS’s Transmission System”. APS asserts that outages on parts of Transmission Provider’s system other than Interconnection Facilities or Network Upgrades associated with a particular Large Generating Facility, may affect the operation of the Large Generating Facility. APS contends that similarly, curtailed operations of a Large Generating Facility may affect the capabilities of APS’s Transmission Facilities that are not interconnected facilities or Network Upgrades associated with that Generating Facility. APS contends that this revision broadens the Transmission Provider’s responsibilities to restore an outage on APS’s Transmission Systems; and therefore, this proposed revision is superior to the Commission’s pro forma section of the LGIA addressing this matter.

134. Article 9.7.3 of the pro forma LGIA sets forth that a Transmission System is designed to automatically activate a load-shed program as required by the Applicable Reliability Council in the event of an under-frequency disturbance. APS proposes to revise this provision to reflect that if a Transmission Provider joins an RTO, it is likely that the RTO will have its own load-shed program or provisions. Additionally, APS proposes to insert “or over-frequency” between “under-frequency” and “disturbance”. APS states that this was omitted in the pro forma LGIA.

135. APS proposes a new Article 9.8.7 to the LGIA. APS states that this proposed revision would clearly identify the rights that the Transmission Provider must have in order to safely and reliably operate the Transmission System. APS asserts that this addition is pertinent to the Commission's version regarding the responsibilities among parties under their LGIA and thus is consistent with the intent of the Commission's pro forma LGIA.

136. APS proposes to revise Article 9.9.2 of the pro forma LGIA to reflect how costs associated with third party users of the Transmission Provider's Interconnection Facilities would be allocated among the Interconnection Customer and any third-party users. These proposed revisions set forth in detail the determination of a third party user's share of any capital costs and O&M costs associated with its use of existing Transmission Provider Interconnection Facilities that have been funded by an Interconnection Customer. APS asserts the following: 1) the proposed formula methodologies essentially allocate applicable costs on pro rata use of the Interconnection Facilities, 2) the formula methodology for determining the allocation of such costs is fair and reasonable and 3) the revision will serve to mitigate potential protracted negotiations and litigation over the allocation of such costs. In support of this provision, APS states that these provisions were previously accepted by the Commission in numerous interconnection agreements submitted by APS.

137. Article 9.10 of the pro forma LGIA specifies that parties will cooperate with one another in the analysis of disturbances. APS proposes to revise the language to narrow the scope of the analysis and require the Parties to cooperate with one another in analyzing only disturbances on Transmission Provider's Transmission System that have an affect on the operation of the Large Generating Facility. APS asserts that this article, as set forth in the pro forma LGIA, would require a Transmission Provider to analyze all disturbances of a Transmission Provider's integrated Transmission System. Additionally, APS contends that most large utilities in the Western region of the United States have extensive and widely dispersed Transmission Systems, of varying voltage levels, therefore, most disturbances on a Transmission Provider's Transmission System will have little or no impact on the operation of a Large Generating Facility. APS asserts that analyzing all disturbances on the Transmission Systems, as Article 9.10 presently requires, would be time consuming and an inefficient use of resources.

138. Article 10.5 of the pro forma LGIA sets forth provisions governing which Party is responsible for Operating and Maintenance Expenses of the Interconnection Facilities. APS proposes to revise this Article to reference APS's proposed revisions to the pro forma Article 9.9.2.

139. Article 11 of the pro forma LGIA sets forth specific Performance Obligations for the Transmission Provider and the Interconnection Customer. APS proposes revisions to Articles 11.1, 11.2 and 11.3 that would add language to reference the proposed revision to include Affected System Upgrades in the header of Appendix A.

140. Article 11.3 of the pro forma LGIA sets forth Performance Obligations relating to Network Upgrades and Distribution Upgrades. The provision states that the Interconnection Customer is responsible for all costs related to Distribution Upgrades. APS proposes to revise the provision to clarify that the Interconnection Customer is also responsible for replacement facilities to Distribution Upgrades. APS asserts that this proposed revision is superior to the existing pro forma text because it identifies, more specifically, the cost responsibilities of the Interconnection Customer.

141. APS proposes a new Article 11.4, entitled Affected System Upgrades, to the LGIA. APS asserts that this is necessary because the Commission's existing references to "Network Upgrades" to Affected Systems is technically incorrect because the definition of Network Upgrades in this LGIP and LIGA refers to upgrades made to the Transmission Provider's Transmission System and not upgrades that would be made to an Affected System. APS contends that this proposed revision is superior to the Commission's present references within the LGIP/LGIA to upgrades needed to be made to Affected Systems for the reasons mentioned above.

142. APS proposes to substantially revise the language in the pro forma Article 11.4.1.²² The pro forma Article 11.4.1 sets forth that the Interconnection Customer is entitled to refunds for payments it has made to a Transmission Provider or Affected System Operator. APS asserts that improvements made to an Affected System will be performed in accordance with a separate bilateral agreement between the Interconnection Customer and the Affected System Operator. Therefore, APS proposes to delete references incumbent on the Affected System Operator for refunds of Affected System Upgrades funded by the Interconnection Customer in this LGIA.

143. The pro forma Article 11.4.1 also sets forth from what date the Transmission Provider is required to begin calculating interest. The pro forma provision states that interest shall be calculated according to the FERC regulations at 18 C.F.R

²² APS proposes to re-number Article 11.4 of the pro forma LGIA, entitled Transmission Credits, to Article 11.5. In addition, Articles 11.4.1, 11.4.2, and 11.4.3 have been revised to Articles 11.5.1, 11.5.2, and 11.5.3, respectively.

§ 35.19a(a)(2)(ii) from the date of any payment for Network Upgrades through the date on which the Interconnection Customer receives repayment. APS proposes to revise the statement so that interest shall be calculated from the date the Transmission Provider receives any payment. APS asserts that this proposed revision is consistent with the Commission's current regulations and should be allowed.

144. Additionally, in pro forma Article 11.4.1, APS proposes to modify the provision to set forth that the Interconnection Customer would not be eligible for any interest that would otherwise accrue for the period after the agreed upon Commercial Operation Date, or as otherwise provided for in this LGIA and LGIP. APS asserts that this proposed revision would serve as an incentive to the Interconnection Customer to complete construction of its Large Generating Facility as planned. APS asserts that this proposal would benefit the Transmission Provider's other customers since the amount of such Network Upgrades reflected in Transmission Provider booked transmission plant used for ratemaking purposes would be lower than otherwise allowed under the Commission's current rules.

145. Also, in pro forma Article 11.4.1, APS proposes to limit the timeframe Transmission Provider is obligated to reimburse an Interconnection Customer for amounts it advanced for Network Upgrades. The revised language states that if a proposed Large Generating Facility does not attain commercial operation within seven (7) years of its planned Commercial Operation Date, or some extension of that date mutually agreed to, it should not be eligible for any refunds for Network Upgrade advances it may have made to Transmission Provider. APS contends that this proposal would be an incentive for the Interconnection Customer to complete its Large Generating Facility Project within such a prescribed time and avoid protracted delays.

146. APS proposes to revise pro forma Article 11.4.2 of the LGIA to clarify that an Interconnection Customer would be granted similar treatment as the parties, although not formally a party to the agreement, regarding refunds and transmission credits for Affected System Upgrades made to an Affected System that have been funded by the Interconnection Customer. In addition, the revision would clarify that all arrangements related to Affected System Upgrades will be pursuant to a separate agreement between the Interconnection Customer and the Affected System Operator.

147. APS proposes to revise pro forma Article 11.5 of the LGIA and designate it with a header so that it conforms to remainder of the LGIA. APS proposes to entitle it "Interconnection Customer's Entitlements under Other Agreements".

148. APS proposes to re-number and revise Articles 11.5, 11.5.1, 11.5.2, and 11.5.3 of the pro forma LGIA. Pro forma Articles 11.5, 11.5.1, and 11.5.2 have been re-numbered to 11.6, 11.6.1 and 11.6.2. In addition, pro forma Article 11.5.3 has been deleted.

149. Pro forma Article 11.5 specifies that at least 30 days before the start of procurement, installation, or construction of a discrete portion of the Transmission Provider's Interconnection Facilities, Network Upgrades, or Distribution Upgrades, the Interconnection Customer must provide the Transmission Provider with (at the Interconnection Customer's option) a guarantee, a surety bond, a letter of credit, or another form of security, sufficient to cover the costs of the procurement, installation, or construction of that facility. The security required is then reduced on a dollar-for-dollar basis as the Interconnection Customer pays off its bill.

150. APS proposes two changes to this Article. APS asserts that the Transmission Provider should determine what form of security it is willing to accept from the IC. APS states that currently, the Interconnection Customer (IC) is required to supply some form of security regardless of the IC's credit worthiness, which it states, puts near bankrupt ICs on the same level with financially sound ICs. In addition, APS asserts that building transmission to benefit a single IC is comparable to making a loan, essentially an unsecured loan, to the IC for O & M services performed on behalf of the IC. APS contends that the Transmission Provider must be able to approve both the form of the security as well as the issuer of the security, which would increase the probability that the security instrument will perform as expected if the IC defaults on its obligations to the Transmission Provider.

151. Second, APS proposes that it not be required to accept a parental guarantee or surety bond as a security investment. APS asserts that the reason for not accepting either of these as an acceptable form of collateral is the difficulty, uncertainty and length of time involved in collecting on a claim. Specifically, APS contends that surety bonds are a form of insurance that require the filing of a claim, an investigation, a review of underlying commodity contracts, and various other processes and complexities which make the actual collection on the claim lengthy and difficult. Also, in regard to parental guarantees, APS contends that if an IC meets the creditworthiness to provide the parental guarantee, an economic hardship can make the guarantee worthless. APS asserts that these proposed revisions are superior because the revisions protect the Transmission Provider's customers from paying for the unsecured costs of a non-performing customer.

152. APS proposes to revise pro forma Article 11.5.1 to set forth specific standards with regards to credit ratings. APS has inserted language that states that specific debt ratings are satisfactory when performed by Standard & Poor or Moody's. Additionally,

the revisions include provisions that set forth the process by which APS may require additional guarantees should the creditworthiness of the Guarantor fall below a certain threshold.

153. Pro forma Article 11.5.2 in the LGIA specifies that a letter of credit must be issued by a financial institution reasonably acceptable to the Transmission Provider and must specify a reasonable expiration date. APS proposes to revise this Article to state that in addition, the letter of credit must in a form reasonably acceptable to the Transmission Provider.

154. APS proposes to re-number and revise pro forma Articles 11.6 and 11.6.1. APS is proposing to re-number the Articles to 11.7 and 11.7.1 and insert non-substantive language changes to reflect that APS presently is not participating in an operational RTO.

155. Article 12.1 of the pro forma LGIA specifies that each party shall submit to the other Party, on a monthly basis, invoices of amounts due for the preceding month. APS proposes to add language to allow the Parties to agree to some other alternative than that which is required in Article 12.1. APS asserts that this proposed change is reasonable and consistent with the Commission's allowed practices in other sections of the LGIA.

156. Articles 12.2, 12.3 and 12.4 of the pro forma LGIA set forth certain provisions governing invoices, payments, and disputes. APS proposes that the payment period be revised from thirty days to twenty days which is consistent with the payment period in the APS's Tariff, Section 7.1. APS asserts that this LGIA is part of the Tariff and the revisions are necessary so that similar provisions within the body of the Tariff are consistent with such provisions within the LGIP/LGIA.

157. In addition, APS proposes to insert language that would clarify each Party's responsibility when overpayment or underpayment occurs in the context of payments for Interconnection Facilities and Network Upgrades. The provision states that, in the case of underpayment by the Interconnection Customer, the Interconnection Customer must submit payment within 30 days of issuance of the final construction invoice to true-up the difference between the actual costs and the estimated costs. In the case that the Interconnection Customer has overpaid, and the actual costs are less than the estimated costs, APS will issue a refund including interest within 30 days of determining the actual construction cost of the project.

158. Article 13 of the pro forma LGIA sets forth provisions governing Emergencies. APS states that the pro forma LGIA contains a definition for Emergency Conditions in the LGIA which is the same as that which was stated in Article 13 of the pro forma

LGIA. The proposed revision would delete the definition in Article 13 and make reference to the definition contained in the LGIA.

159. Articles 15.1, 15.3, and 15.4 of the pro forma LGIA specify how notices may be delivered. APS proposes to revise the language in these provisions to recognize the revisions to section 3.3.2 of the LGIP concerning electronic communications and contact information.

160. Article 16.1.2 of the pro forma LGIA specifies that the Parties will not be considered in Default with respect to any obligation, excluding monetary obligations when due, if they are prevented from performing the obligations by Force Majeure. Additionally, the party affected with the disability shall exercise due diligence to remove the disability with reasonable dispatch. APS proposes to delete “reasonable dispatch” and replace it with the defined term “Reasonable Efforts.” APS assert that this proposed revision is consistent with use of the term within the LGIA.

161. APS states that its proposed revisions in Article 17 are the same as those proposed by EEI in its Request for Rehearing of Order No. 2003. APS asserts that the defined terms Breach and Default are used interchangeably in the Commission’s pro forma text which makes the text confusing. APS proposes to revise the provision to eliminate this confusion and asserts that its revisions are superior to the Commission’s present pro forma text.

162. Article 24.2 of the pro forma LGIA sets forth that the initial information submission by the Transmission Provider shall occur no later than 180 Calendar Days prior to Trial Operation and shall include the information necessary for the Interconnection Customer to select equipment and meet any system protection and stability requirements, unless otherwise agreed to by the Parties. APS proposes to limit this provision further by including that the 180 days apply unless the Interconnection Customer initially submits the Interconnection Request on a date that precludes that all required studies can be completed within the 180 Calendar Days prior to the date of Trial Operation. APS asserts that this proposed revision is superior to the requirements in the pro forma LGIA inasmuch as it addresses an issue overlooked by the Commission in the development of the pro forma LGIA.

163. Article 24.3 of the pro forma LGIA specifies that if the Interconnection submits updated information that is materially different from that which was provided to the Transmission Provider pursuant to the Interconnection Study Agreement, then the Transmission Provider shall conduct the appropriate studies to determine the impact on the Transmission Provider’s Transmission System based on the revised data. APS

proposes to revise the language to clarify that the cost of those appropriate studies will be performed at the Interconnection Customer's expense.

164. APS proposes a new Article 24.5 to the LGIA. The provision states that nothing in the LGIA or LGIP obligates the Transmission Provider to provide the Interconnection Customer with any information that would violate the Tariff, FERC Orders No. 888 and 889, or any other applicable laws and regulations. APS asserts that this provision would clarify APS's obligations in regard to what information it can supply to the Large Generating Facility.

165. APS proposes a new Article 25.3 to the LGIA, entitled Information Reporting. As proposed, Article 25.3 would specify that the Interconnection Customer must provide to the Transmission Provider all information requested by NERC, the WECC or a RTO in a timely manner, otherwise, the Interconnection Customer would be responsible for paying the applicable penalty as set forth by NERC, the WECC or the RTO. APS asserts that as a Control Area operator within WECC, it is required to submit various data to the WECC regarding generators located within the Transmission Provider's Control Area. In addition, untimely submittals and failure to comply can result in Transmission Provider incurring monetary penalties imposed by the WECC. APS states that this proposed Article would obligate the Interconnection Customer to provide the Transmission Provider with all the information the Transmission Provider must submit in compliance with such reporting requirements or else pay the penalties that are associated with such noncompliance. APS asserts that these proposed revisions codify information reporting requirements that may have been overlooked by the Commission in its development of the pro forma LGIA. In addition, APS proposes to revise the header of Article 25 to reflect the proposed new Article 25.3.

166. Article 29.1 of the pro forma LGIA sets forth provisions concerning the Joint Operating Committee. APS proposes to revise the provision to state that when the Point of Interconnection is on jointly owned facilities, the Joint Operating Committee shall include co-owners of those jointly owned facilities.

167. Article 29.1.4 of the pro forma LGIA sets forth that the Joint Operating Committee shall coordinate the scheduling of maintenance of various facilities. APS proposes to add language that would recognize that Affected Systems must also be taken into consideration in scheduling of maintenance and planned outages of the facilities described in this Article. APS asserts that this proposed revision is superior to the pro forma LGIA because this revision recognizes a requirement that the Commission's pro forma LGIA failed to recognize.

168. Article 30.2 of the pro forma LGIA specifies that in the event of a conflict between the body of this LGIA and any attachment, appendix, or exhibit to the LGIA, the terms and provision of the body of the LGIA shall prevail. APS proposes to revise this provision to state that the body of the LGIA would prevail unless explicitly stated otherwise in such attachment, appendix or exhibit to the LGIA.

169. APS proposes to revise Article 30.4 of the pro forma LGIA to recognize that the LGIA is an attachment to APS's Tariff. APS asserts that the proposed revision clarifies that the LGIA, consistent with all applicable provisions within the Tariff, shall constitute the entire agreement.

170. APS proposes to include a new Article 30.13 entitled "Succession Upon Membership in an RTO". APS states that this addition recognizes that its eventual participation in an RTO will require the provisions within this LGIA to be superceded by the RTO's requirements governing such existing interconnection agreements. APS asserts that this provision is consistent with the Commission's allowed practices in such instances.

171. APS proposes to include a new Article 30.14 entitled "Attorney's Fees and Costs". APS states that this proposed provision would set forth that should litigation arise in connection to this LGIA, the prevailing party should be reimbursed by the other party for these costs. APS asserts that this provision is not precluded in the Commission's LGIA.

172. APS proposes to include a new Article 30.15 entitled "Contact Personnel". APS asserts that this provision is set forth as a result of the proposed revision to section 3.3.2 of the LGIP. This provision simply reflects the proposed changes that would allow formal notices to be delivered by electronic communications such as email.

173. Appendix A of the pro forma LGIA will be used by the Parties to describe the Interconnection Facilities, Network Upgrades, and Distribution Upgrades to which the LGIA applies. Appendix A of the pro forma LGIA provides no further specific requirements with regards to the previously mentioned three headings. These areas are intentionally left blank for the Parties. APS proposes to insert additional section headings such as: 1) Ownership 2) Affected System Upgrades 3) Operation and Maintenance Responsibilities 4) Cost Responsibilities and 5) Replacements. In addition, APS proposes to require specific detailed information in Appendix A that APS asserts is required in order to evaluate and study Interconnection Requests such as: 1) diagrams 2) which Party will own specific facilities and 3) which Party will be responsible for construction costs of certain facilities. APS asserts that all of the requested data covers information regarding facility additions that have been identified by the Commission in

its LGIA as required facilities needed to accommodate the interconnection of Large Generator Facilities. APS further asserts that the proposed revisions are superior to the present Appendix A because it contains information that is omitted by the pro forma Appendix A.

174. Appendix B to the pro forma LGIA is entitled Milestones and was left blank for the Parties to describe relevant dates for completing an Interconnection Facility and related Network Upgrades. APS proposes 15 specific Milestones to be negotiated on a case by case basis with the Interconnection Customer. Some of the proposed requirements include requiring the Interconnection Customer to provide proof of site control for construction, proof that the Interconnection Customer has obtained financing, documentation of orders placed with vendors for principle construction components and documentation of vendors estimated delivery dates. APS asserts that the proposed milestones lay out a timeline for the Interconnection Customer to demonstrate it has met the required obligations, thus mitigating potential litigation over such issues.

175. Appendix E to the pro forma LGIA contains the standard form that the Interconnection Customer will use to notify the Transmission Provider that Trial Operation has been completed and to announce the date of Commercial Operation. APS proposes to include an additional form letter that memorializes the date that all Interconnection Facilities have been completed and the agreed upon date that the Generating Unit would be energized in parallel operation with Transmission System in order to begin test operations. The form would be entitled Trial Operation Date – Sample Letter. In addition, APS has inserted into both forms a statement that electronic communications may be used to serve official notice.

176. Appendix F to the pro forma LGIA sets forth the format for providing addresses for delivery of notices and billings. APS proposes revise Appendix F to require additional information that is needed in order to accommodate APS's proposal to allow for notices and other communications to be permitted via email in addition to written communication sent by mail. APS asserts that this proposal will allow for more efficient and speedier forms of communications between the Parties. APS contends that this proposed revision to Appendix F is superior to that which is currently in the pro forma LGIA.

177. Appendix G to the pro forma LGIA relates to the requirements of generators relying on newer technologies. APS proposes to move this Appendix so that it becomes Appendix H. APS inserted the WECC's Reliability Management System Agreement (RMSA) into revised Appendix G. APS states that it filed the RMSA as part of the regional reliability changes that the Commission required to be filed in Order No. 2003.