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December 22, 1997

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Docket Control  
Arizona Corporation Commission  
1500 West Washington Avenue  
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Re: Arizona Electric Power Cooperative, Inc. (AEP  
Filing regarding System Benefits Charges  
(R14-2-1608) and Unbundled Service Tariffs  
(R14-2-1606.C); Docket No. U-1773

Dear Sir/Madam:

Pursuant to A.A.C. R14-2-1608 and R14-2-1606.C, AEP  
submits the following information concerning System Benefits  
Charges and Unbundled Service Tariffs.

R14-2-1608 allows a filing for rates or related  
mechanisms to fund "present Commission-approved low income,  
demand side management, environmental, renewable, and nuclear  
power plant decommissioning programs." AEP  
approved low income programs and it is not involved in a nuclear  
power plant.

As to demand side management, renewables and environ-  
mental programs, AEP  
resource planning process throughout this decade. As a result,  
it does have DSM programs which have been approved. However,  
unlike other utilities, AEP  
of these programs through its purchased power and fuel adjustment  
clause. See, for example Decision No. 58405, p. 36, ll. 23-26.

Given the relatively small amount of costs involved and  
the fact that a System Benefits Charge would entail corresponding  
adjustments and modifications to AEP  
elects not to file a System Benefits Charge at this time. This

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situation obviously could change in the future and AEPCO, of course, will be pleased to discuss the issue further with the Commission or its Staff.

As to R14-2-1606.C, AEPCO has no retail customers and therefore does not supply distribution, metering and meter reading, billing and collection and information services at retail. In relation to open access transmission and other ancillary services, for informational purposes, enclosed is a copy of AEPCO's Open Access Transmission Tariff dated September 22, 1997. As an RUS borrower, AEPCO is not subject to FERC jurisdiction but it has elected to submit the enclosed tariff to the Southwest Regional Transmission Association consistent with its Bylaws and FERC Order 888.

Should there be questions concerning this filing, please call.

Very truly yours,

GALLAGHER & KENNEDY, P.A.



By  
Michael M. Grant

MMG:kap

cc: Original & 10 copies filed w/Docket Control  
Pat Cooper, w/o encl.

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**Arizona Electric Power Cooperative, Inc.**

P.O. Box 670 • Benson, Arizona 85602-0670 • Phone 520-586-3631

**ARIZONA ELECTRIC POWER  
COOPERATIVE, INC.**

**OPEN ACCESS  
TRANSMISSION TARIFF**

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I. COMMON SERVICE PROVISIONS

1 Definitions

- 1.1 **AEPCO:** The Arizona Electric Power Cooperative, Inc., a not-for-profit electric generation and transmission cooperative corporation, organized under the laws of the State of Arizona, which provides transmission service under this Tariff.
- 1.2 **AEPCO's Monthly Transmission System Peak:** The maximum firm usage of AEPCO's Transmission System in a calendar month.
- 1.3 **Ancillary Services:** Those services that are necessary to support the transmission of capacity and energy from resources to loads while maintaining reliable operation of AEPCO's Transmission System in accordance with Good Utility Practice.
- 1.4 **Annual Transmission Costs:** The total annual cost of the Transmission System for purposes of Network

Integration Transmission Service shall be the amount specified in Attachment H until amended by AEPCO.

- 1.5 **Application:** A request by an Eligible Customer for transmission service pursuant to the provisions of this Tariff.
- 1.6 **Commission:** The Federal Energy Regulatory Commission.
- 1.7 **Completed Application:** An Application that satisfies all of the information and other requirements of this Tariff, including any required deposit.
- 1.8 **Control Area:** An electric power system or combination of electric power systems to which a common automatic generation control scheme is applied in order to:
- (1) match, at all times, the power output of the generators within the electric power system(s) and capacity and energy purchased from entities outside the electric power system(s), with the load within the electric power system(s);
  - (2) maintain scheduled interchange with other Control Areas, within the limits of Good Utility Practice;

- (3) maintain the frequency of the electric power system(s) within reasonable limits in accordance with Good Utility Practice; and
- (4) provide sufficient generating capacity to maintain operating reserves in accordance with Good Utility Practice.

- 1.9 Curtailment:** A reduction in firm or non-firm transmission service in response to a transmission capacity shortage as a result of system reliability conditions.
- 1.10 Delivering Party:** The entity supplying capacity and energy to be transmitted at Point(s) of Receipt.
- 1.11 Designated Agent:** Any entity that performs actions or functions on behalf of AEPCO, an Eligible Customer, or the Transmission Customer required under this Tariff.
- 1.12 Direct Assignment Facilities:** Facilities or portions of facilities that are constructed by AEPCO for the sole use/benefit of a particular Transmission Customer or Network Customer requesting service under this

Tariff. Direct Assignment Facilities shall be specified in the Service Agreement that governs service to the Transmission Customer or Network Customer.

- 1.13 Eligible Customer:** (i) Any electric utility (including AEPCO and any power marketer), Federal power marketing agency, or any person generating electric energy for sale for resale is an Eligible Customer under the Tariff. Electric energy sold or produced by such entity may be electric energy produced in the United States, Canada or Mexico. However, with respect to transmission service that the Commission is prohibited from ordering by Section 212(h) of the Federal Power Act, such entity is eligible only if the service is provided pursuant to a state requirement that AEPCO offer the unbundled transmission service, or pursuant to a voluntary offer of such service by AEPCO. (ii) Any retail customer taking unbundled Transmission Service pursuant to a state requirement that AEPCO offer the transmission service, or pursuant to a voluntary offer of such

AEPCO

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service by AEPCO, is an Eligible Customer under this Tariff.

**1.14 Facilities Study:** An engineering study conducted by

AEPCO to determine the required modifications to AEPCO's Transmission System, including the cost and scheduled completion date for such modifications, that will be required to provide the requested transmission service.

**1.15 Firm Point-To-Point Transmission Service:** Transmission

Service under this Tariff that is reserved and/or scheduled between specified Points of Receipt and Delivery pursuant to Part II of this Tariff.

**1.16 Good Utility Practice:** Those practices, methods and

acts, including levels of reserves and provisions for contingencies, as may be modified from time to time, that are commonly used in the Western United States to i) operate electric systems dependably, and in accordance with all applicable laws and governmental rules, regulations and orders; ii) Serve customers; and

iii) prevent adverse effects on interconnected electric systems and Control Areas.

**1.17 Interruption:** A reduction in Non-Firm Point-to-Point Transmission service due to economic reasons pursuant to Section 13.7 of this Tariff.

**1.18 Load Ratio Share:** Ratio of a Network Customer's Network Load to AEPCO's total load computed in accordance with Sections 34.2 and 34.3 of the Network Integration Transmission Service under Part III of this Tariff and calculated on a rolling twelve month basis.

**1.19 Load Shedding:** The systematic reduction of system demand by temporarily decreasing load in response to transmission system or area capacity shortages, system instability, or voltage control considerations under Part III of this Tariff.

**1.20 Long-Term Firm Point-To-Point Transmission Service:** Firm Point-To-Point Transmission Service under Part II of this Tariff with a term of one year or more.

- 1.21 Native Load Customers:** The wholesale power customers of AEPCO on whose behalf AEPCO, by statute, franchise, regulatory requirement, or contract, has undertaken an obligation to construct and operate AEPCO's system to meet the reliable electric needs of such customers.
- 1.22 Network Customer:** An entity receiving Transmission Service pursuant to the terms of AEPCO's Network Integration Transmission Service under Part III of this Tariff.
- 1.23 Network Integration Transmission Service:** The Transmission Service provided under Part III of this Tariff.
- 1.24 Network Load:** The load that a Network Customer designates for Network Integration Transmission Service under Part III of this Tariff. The Network Customer's Network Load shall include all load served by the output of any Network Resources designated by the Network Customer. A Network Customer may elect to designate less than its total load as Network Load but

may not designate only part of the load at a discrete Point of Delivery. Where an Eligible Customer has elected not to designate a particular load at discrete points of delivery as Network Load, the Eligible Customer is responsible for making separate arrangements under Part II of this Tariff for any Point-To-Point Transmission Service that may be necessary for such non-designated load.

- 1.25 Network Operating Agreement:** An executed agreement that contains the terms and conditions under which the Network Customer shall operate its facilities and the technical and operational matters associated with the implementation of Network Integration Transmission Service under Part III of this Tariff.
- 1.26 Network Operating Committee:** A group made up of representatives from the Network Customer(s) and AEPCO established to coordinate operating criteria and other technical considerations required for implementation of

Network Integration Transmission Service under Part III of this Tariff.

**1.27 Network Resource:** Any designated generating resource owned, purchased or leased by a Network Customer under the Network Integration Transmission Service Tariff. Network Resources do not include any resource, or any portion thereof, that is committed for sale to third parties or otherwise cannot be called upon to meet the Network Customer's Network Load on a non-interruptible basis.

**1.28 Network Upgrades:** Modifications or additions to transmission-related facilities that are integrated with and support AEPCO's overall Transmission System for the general benefit of all users of such Transmission System.

**1.29 Non-Firm Point-To-Point Transmission Service:** Point-To-Point Transmission Service under this Tariff that is reserved and scheduled on an as-available basis and is subject to Curtailment or Interruption as set forth in

Section 14.7 under Part II of this Tariff. Non-Firm Point-To-Point Transmission Service is available on a stand-alone basis for periods ranging from one hour to one month.

**1.30 Open Access Same-Time Information System (OASIS):** The information system and standards of conduct contained in Part 37 of the Commission's regulations and all additional requirements implemented by subsequent Commission orders dealing with OASIS.

**1.31 Part I: Tariff Definitions and Common Service**  
Provisions contained in Sections 1 through 12.

**1.32 Part II: Tariff Sections 13 through 27** pertaining to Point-To-Point Transmission Service in conjunction with the applicable Common Service Provisions of Part I and appropriate Schedules and Attachments.

**1.33 Part III: Tariff Sections 28 through 35** pertaining to Network Integration Transmission Service in conjunction with the applicable Common Service Provisions of Part I and appropriate Schedules and Attachments.

- 1.34 **Parties:** AEPCO and the Transmission Customer or Network Customer receiving service under this Tariff.
- 1.35 **Point(s) of Delivery:** Point(s) on AEPCO's Transmission System where capacity and energy transmitted by AEPCO will be made available to the Receiving Party under Part II of this Tariff. The Point(s) of Delivery shall be specified in the Service Agreement for Long-Term Firm Point-To-Point Transmission Service.
- 1.36 **Point(s) of Receipt:** Point(s) of interconnection on AEPCO's Transmission System where capacity and energy will be made available to AEPCO by the Delivering Party under Part II of Tariff. The Point(s) of Receipt shall be specified in the Service Agreement for Long-Term Firm Point-To-Point Transmission Service.
- 1.37 **Point-To-Point Transmission Service:** The reservation and transmission of capacity and energy on either a firm or non-firm basis from the Point(s) of Receipt to the Point(s) of Delivery under Part II of this Tariff.

- 1.38 **Power Purchaser:** The entity that is purchasing the capacity and energy to be transmitted under this Tariff.
- 1.39 **Receiving Party:** The entity receiving the capacity and energy transmitted by AEPCO to Point(s) of Delivery.
- 1.40 **Regional Transmission Group (RTG):** A voluntary organization of transmission owners, transmission users and other entities approved by the Commission to efficiently coordinate transmission planning (and expansion), operation and use on a regional (and interregional) basis.
- 1.41 **Reserved Capacity:** The maximum amount of capacity and energy that AEPCO agrees to transmit for the Transmission Customer over AEPCO's Transmission System between the Point(s) of Receipt and the Point(s) of Delivery under Part II of this Tariff. Reserved Capacity shall be expressed in terms of whole megawatts on a sixty (60) minute interval (commencing on the clock hour) basis.

- 1.42 Service Agreement:** The initial agreement and any amendments or supplements thereto entered into by the Transmission Customer or Network Customer and AEPCO for service under this Tariff.
- 1.43 Service Commencement Date:** The date AEPCO begins to provide service pursuant to the terms of an executed Service Agreement, or the date AEPCO begins to provide service in accordance with Section 15.3 or Section 29.5 under this Tariff.
- 1.44 Short-Term Firm Point-To-Point Transmission Service:** Firm Point-To-Point Transmission Service under Part II of this Tariff with a term of less than one year.
- 1.45 SWRTA:** The Southwest Regional Transmission Association, an RTG approved by the Commission on October 25, 1995, of which AEPCO is affiliated through the Arizona Power Pooling Association Membership.
- 1.46 System Impact Study:** An assessment by AEPCO of (i) the adequacy of the Transmission System to accommodate a request for either Firm Point-To-Point Transmission

Service or Network Integration Transmission Service and  
(ii) whether any additional costs may be incurred in  
order to provide transmission service.

**1.47 Third-Party Sale:** Any sale for resale in interstate  
commerce to a Power Purchaser that is not designated as  
part of Network Load under the Network Integration  
Transmission Service.

**1.48 Transmission Customer:** Any Eligible Customer (or its  
Designated Agent) that (i) executes a Service  
Agreement, or (ii) requests in writing that AEPCO file  
with the Commission, a proposed unexecuted Service  
Agreement to receive transmission service under Part II  
of this Tariff.

**1.49 Transmission Service:** Point-To-Point Transmission  
Service provided under Part II of this Tariff on a firm  
and non-firm basis.

**1.50 Transmission System:** The facilities owned, controlled  
or operated by AEPCO that are used to provide

transmission service under Part II and Part III of this Tariff.

**2 Initial Allocation and Renewal Procedures**

**2.1 Initial Allocation of Available Transmission**

**Capability:** For purposes of determining whether existing capability on AEPCO's Transmission System is adequate to accommodate a request for firm service under this Tariff, all Completed Applications for new firm transmission service received during the initial sixty (60) day period commencing with the effective date of Tariff will be deemed to have been filed simultaneously. A lottery system conducted by an independent party shall be used to assign priorities for Completed Applications filed simultaneously. All Completed Applications for firm transmission service received after the initial sixty (60) day period shall be assigned a priority pursuant to Section 13.2.

2.2 Reservation Priority For Existing Firm Service

**Customers:** Existing firm service customers (wholesale requirements and transmission-only, with a contract term of one-year or more), have the right to continue to take transmission service from AEPCO when the contract expires, rolls over or is renewed. This transmission reservation priority is independent of whether the existing customer continues to purchase capacity and energy from AEPCO or elects to purchase capacity and energy from another supplier. If, at the end of the contract term, AEPCO's Transmission System cannot accommodate all of the requests for transmission service, the existing firm service customer must agree to accept a contract term at least equal to a competing request by any new Eligible Customer and to pay the current just and reasonable rate, as approved by AEPCO's Board of Directors in accordance with Commission's applicable published decisions, policies, and regulations, for such service. This transmission reservation priority for existing firm service

customers is an ongoing right that may be exercised at the end of all firm contract terms of one-year or longer.

### 3 Ancillary Services

Ancillary Services are needed with transmission service to maintain reliability within and among the Control Areas affected by the transmission service. AEPCO is required to provide (or arrange with the local Control Area operator to provide ), and the Transmission Customer is required to purchase from AEPCO or the Control Area operator as arranged by AEPCO, the following Ancillary Services: (i) Scheduling, System Control and Dispatch (see Schedule 1), and (ii) Reactive Supply and Voltage Control from Generation Sources (see Schedule 2). AEPCO is required to offer to provide (or offer to arrange with the local Control Area operator as discussed below) the following Ancillary Services only to the Transmission Customer serving load within AEPCO's portion of the Control Area: (iii) Regulation and Frequency

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Response (see Schedule 3), (iv) Energy Imbalance (see Schedule 4), (v) Operating Reserve - Spinning (see Schedule 5), and (vi) Operating Reserve - Supplemental (see Schedule 6).

The Transmission Customer or Network Customer serving load within AEPCO's portion of the Control Area is required to acquire all of these Ancillary Services, whether from AEPCO, from a third party, or by self-supply. The Transmission Customer or Network Customer may not decline AEPCO's offer of the Ancillary Services of Schedules 1 and 2; nor may it decline AEPCO's offer of the Ancillary Services of Schedules 3, 4, 5 and 6, unless it demonstrates that it has acquired the Ancillary Services from another source. The Transmission Customer or Network Customer must list in its Application which Ancillary Services it will purchase from AEPCO. AEPCO is capable of providing transmission service and certain Ancillary Services, but is not a Control Area operator. In the event AEPCO is unable to provide some Ancillary Services, it will fulfill its obligation to

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provide Ancillary Services by acting as the Transmission Customer or Network Customer's agent to secure these Ancillary Services from the Control Area operator. For those Ancillary Services AEPCO is unable to provide, the Transmission Customer or Network Customer may elect to (i) have AEPCO act as its agent, (ii) secure the Ancillary Services directly from the Control Area operator, or (iii) secure the Ancillary Services (discussed in Schedules 3, 4, 5 and 6) from a third party or by self-supply when technically feasible.

AEPCO shall specify the rate treatment and all related terms and conditions in the event of an unauthorized use of Ancillary Services by the Transmission Customer or Network Customer.

The specific Ancillary Services, prices and/or compensation methods are described on Schedules 1 through 6 that are attached to and made a part of this Tariff. Three principal requirements apply to discounts for Ancillary Services

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provided by AEPCO in conjunction with its provision of transmission service as follows: (1) any offer of a discount made by AEPCO must be announced to all Eligible Customers solely by posting on the OASIS, (2) any customer-initiated requests for discounts (including requests for one's wholesale merchant or an affiliate's use) must occur solely by posting on the OASIS, and (3) once a discount is negotiated, details must be immediately posted on the OASIS. A discount agreed upon for an Ancillary Service must be offered for the same period to all Eligible Customers on AEPCO's system. Sections 3.1 through 3.6 below list the six Ancillary Services.

- 3.1 Scheduling, System Control and Dispatch Service:** The rates and/or methodology are described in Schedule 1.
- 3.2 Reactive Supply and Voltage Control from Generation Sources Service:** The rates and/or methodology are described in Schedule 2.

- 3.3 **Regulation and Frequency Response Service:** Where applicable, the rates and/or methodology are described in Schedule 3.
- 3.4 **Energy Imbalance Service:** Where applicable, the rates and/or methodology are described in Schedule 4.
- 3.5 **Operating Reserve - Spinning Reserve Service:** Where applicable, the rates and/or methodology are described in Schedule 5.
- 3.6 **Operating Reserve - Supplemental Reserve Service:** Where applicable, the rates and/or methodology are described in Schedule 6.

**4 Open Access Same-Time Information System (OASIS)**

Terms and conditions regarding Open Access Same-Time Information System and standards of conduct are set forth in 18 CFR § 37 of the Commission's regulations (Open Access Same-Time Information System and Standards of Conduct for Public Utilities). In the event available transmission capability as posted on the OASIS is insufficient to

accommodate a request for firm transmission service,  
additional studies may be required as provided by this  
Tariff pursuant to Sections 19 and 32.

**5 Tax Exempt Status**

- 5.1** Under Internal Revenue Code, AEPCO is exempt from paying income tax as a § 501 (c) (12) organization so long as at least eighty-five percent (85%) of its income is received from its members. Notwithstanding any other provision of this Tariff, AEPCO shall not be required to provide transmission service to an Eligible Customer under this Tariff if, in AEPCO's opinion, providing such transmission service would jeopardize or cause AEPCO to lose its tax exempt status.
- 5.2** If AEPCO determines that provisions of transmission service requested by an Eligible Customer would appear to cause AEPCO to lose its tax exempt status, it shall advise the Eligible Customer within thirty (30) days of the receipt of the Completed Application.

6 Reciprocity

A Transmission Customer or Network Customer receiving transmission service under this Tariff agrees to provide comparable transmission service that it is capable of providing to AEPCO on similar terms and conditions over facilities used for the transmission of electric energy owned, controlled or operated by the Transmission Customer or Network Customer and over facilities used for the transmission of electric energy owned, controlled or operated by the Transmission Customer or Network Customer's corporate affiliates. A Transmission Customer or Network Customer that is a member of a power pool or Regional Transmission Group also agrees to provide comparable transmission service to the members of such power pool and Regional Transmission Group on similar terms and conditions over facilities used for the transmission of electric energy owned, controlled or operated by the Transmission Customer or Network Customer and over facilities used for the transmission of electric energy owned, controlled or

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operated by the Transmission Customer or Network Customer's corporate affiliates.

This reciprocity requirement applies to the Transmission Customer or Network Customer that obtains transmission service under this Tariff, but also to all parties to a transaction that involves the use of transmission service under this Tariff, including the power seller, buyer and any intermediary, such as a power marketer. This reciprocity requirement also applies to any Eligible Customer that owns, controls or operates transmission facilities that uses an intermediary, such as a power marketer, to request transmission service under this Tariff. If the Transmission Customer or Network Customer does not own, control or operate transmission facilities, it must include in its Application a sworn statement of one of its duly authorized officers or other representatives that the purpose of its Application is not to assist an Eligible Customer to avoid the requirements of this provision.

7 **Billing and Payment**

7.1 **Billing Procedure:** Within a reasonable time after the first day of each month, AEPCO shall submit an invoice to the Transmission Customer or Network Customer for the charges for all services furnished under this Tariff during the preceding month. The invoice shall be paid by the Transmission Customer or Network Customer within twenty (20) days of receipt. All payments shall be made in immediately available funds payable to AEPCO or by wire transfer to a bank named by AEPCO.

7.2 **Interest on Unpaid Balances:** Interest on any unpaid amounts (including amounts placed in escrow) shall be calculated in accordance with the methodology specified for interest on refunds in the Commission's regulations at 18 C.F.R. § 35.19a(a)(2)(iii). Interest on delinquent amounts shall be calculated from the due date of the bill to the date of payment. When payments

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are made by mail, bills shall be considered as having been paid on the date of receipt by AEPCO.

- 7.3 **Customer Default:** In the event the Transmission Customer or Network Customer fails, for any reason other than a billing dispute as described below, to make payment to AEPCO on or before the due date as described above, and such failure of payment is not corrected within thirty (30) calendar days after AEPCO notifies the Transmission Customer or Network Customer to cure such failure, a default by the Transmission Customer or Network Customer shall be deemed to exist. Upon the occurrence of a default, AEPCO may provide written notice to the Transmission Customer or Network Customer of its intent to terminate service sixty (60) calendar days from the written notice of termination. If within seven (7) calendar days of the Transmission Customer or Network Customer's receipt of AEPCO's notice of termination, the Transmission Customer or Network Customer does not submit a written request to

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AEPCO to commence the dispute resolution procedures of Section 12 of this Tariff, then AEPCO may terminate service to the Transmission Customer or Network Customer on the date specified in AEPCO's written notice of termination. If the Transmission Customer or Network Customer does make a timely written request to commence such dispute resolution procedures, then Section 12 of this Tariff shall apply. In the event of a billing dispute between AEPCO and the Transmission Customer or Network Customer, AEPCO will continue to provide service under the Service Agreement as long as the Transmission Customer or Network Customer (i) continues to make all payments not in dispute, and (ii) pays into an independent escrow account the portion of the invoice in dispute, pending resolution of such dispute. If the Transmission Customer or Network Customer fails to meet these two requirements for continuation of service, then AEPCO may provide notice to the Transmission Customer or Network Customer of its

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intention to suspend service in sixty (60) days, in accordance with Commission policy.

**8 Accounting for AEPCO's Use of this Tariff**

AEPCO shall account for uses of this Tariff as follows:

**8.1 Transmission Revenues:** Include in a separate operating revenue account or subaccount the revenues it receives from Transmission Service when making Third-Party Sales under Part II of this Tariff.

**8.2 Study Costs and Revenues:** Include in a separate transmission operating expense account or subaccount, costs properly chargeable to expenses that are incurred to perform any System Impact Studies or Facilities Studies which AEPCO conducts to determine if it must construct new transmission facilities or upgrades necessary for its own uses, including making Third-Party Sales under this Tariff; and include in a separate operating revenue account or subaccount the revenues received for System Impact Studies or

Facilities Studies performed when such amounts are separately stated and identified in the Transmission Customer or Network Customer's billing under this Tariff.

**9 Regulatory Filings**

(This space is being left blank until the question of RUS involvement is answered - There are no FERC requirements since AEPCO is not FERC jurisdictional)

**10 Force Majeure and Indemnification**

**10.1 Force Majeure:** An event of Force Majeure means any act of God, labor disturbance, act of the public enemy, war, insurrection, riot, fire, storm or flood, explosion, breakage or accident to machinery or equipment, any Curtailment, order, regulation or restriction imposed by governmental military or lawfully established civilian authorities, or any other cause beyond a Party's control. A Force Majeure event does not include an act of negligence or intentional

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wrongdoing. Neither AEPCO nor the Transmission Customer or Network Customer will be considered in default as to any obligation under this Tariff if prevented from fulfilling the obligation due to an event of Force Majeure. However, a Party whose performance under this Tariff is hindered by an event of Force Majeure shall make all reasonable efforts to perform its obligations under this Tariff.

**10.2 Indemnification:** The Transmission Customer or Network Customer shall at all times indemnify, defend, and save AEPCO harmless from, any and all damages, losses, claims, including claims and actions relating to injury to or death of any person or damage to property, demands, suits, recoveries, costs and expenses, court costs, attorney fees, and all other obligations by or to third parties, arising out of or resulting from AEPCO's performance of its obligations under this Tariff on behalf of the Transmission Customer or

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Network Customer, except in cases of gross negligence or intentional wrongdoing by AEPCO.

**11 Creditworthiness:**

For the purpose of determining the ability of the Transmission Customer or Network Customer to meet its obligations related to service hereunder, AEPCO may require reasonable credit review procedures. This review shall be made in accordance with standard commercial practices. In addition, AEPCO may require the Transmission Customer or Network Customer to provide and maintain in effect during the term of the Service Agreement, an unconditional and irrevocable letter of credit as security to meet its responsibilities and obligations under this Tariff, or an alternative form of security proposed by the Transmission Customer or Network Customer and acceptable to AEPCO and consistent with commercial practices established by the Uniform Commercial Code that protects AEPCO against the risk of non-payment.

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**12 Dispute Resolution Process**

**12.1 Applicability:** Except as provided in Section 5 of this Tariff, all disputes between a Transmission Customer or Network Customer or an Eligible Customer ("Disputing Customer") and AEPCO arising out of this Tariff shall be subject to the dispute resolution provisions of this Section 12. AEPCO and the Disputing Customer shall use best efforts to settle all disputes arising out of the application of this Tariff through negotiation. In the event any such dispute is not settled through negotiations, AEPCO and the Disputing Customer shall utilize the following dispute resolution procedures. Failure by AEPCO or the Disputing Customer to comply with the provisions of this Section 12 shall entitle the other disputing Party to recover all reasonable costs and reasonable attorneys' fees incurred in any proceeding which, by intent or consequence, circumvents the dispute resolution provisions of this Section 12. AEPCO intends that there be no conflict between this

Tariff and the Administrative Dispute Resolution Act (5 U.S.C. §580 (c)) and recognizes that Disputing Customers subject to the Administrative Dispute Resolution Act can submit to binding arbitration only in accordance with the provisions of the Administrative Dispute Resolution Act.

**12.2 Peer Review or Mediation:**

12.2.1 Either or both disputing Parties shall submit a written request for peer review or mediation, including a written description of the matter under dispute, to the President of the Board of Directors of SWRTA. If the dispute involves AEPCO and another SWRTA member, then the SWRTA President shall notify all SWRTA members of the matter under dispute.

12.2.2 Within ten (10) working days of receipt of the request, the SWRTA President shall appoint one (1) or more persons selected from the list maintained by the SWRTA Board of Directors pursuant to Section 15.9 of the SWRTA Bylaws to act as facilitators to provide peer

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review or mediation. If AEPCO and the Disputing Customer do not agree whether to follow a peer review or mediation process, the SWRTA President shall select the appropriate process.

12.2.2.1 Generally, a peer review process will be followed for disputes regarding technical or engineering matters. The SWRTA President shall appoint from a list of qualified facilitators maintained by the SWRTA Board of Directors pursuant to Section 15.9 of the SWRTA Bylaws one (1) or more members of the SWRTA Planning Committee or other qualified individuals with expertise relating to the issues under dispute and the affected transmission system to provide impartial peer review and to facilitate a resolution of the issues by AEPCO and the Disputing Customer.

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12.2.2.2 Generally, a mediation process will be followed for disputes regarding other than technical matters. The SWRTA President shall appoint from a list of qualified facilitators maintained by the SWRTA Board of Directors pursuant to Section 15.9 of the SWRTA Bylaws one (1) or more employees of SWRTA members or other qualified individuals who have received mediation training, or, if requested by AEPCO and the Disputing Customer, a professional mediator outside SWRTA, to facilitate a resolution of the issue by AEPCO and the Disputing Customer.

12.2.3 The facilitator(s) appointed pursuant to Section 12.2.2 of this Tariff shall serve on an ad hoc basis to aid AEPCO and the Disputing Customer in reaching a mutually acceptable resolution of the dispute. The facilitator(s) shall have no authority to impose a resolution upon the disputing Parties.

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12.2.4 Within ten (10) working days of the appointment by the SWRTA President, the facilitator(s), AEPCO, and the Disputing Customer shall meet and attempt to negotiate a resolution of the dispute, following a timetable set out by the facilitator(s). The cost of the peer review or mediation, including the facilitator's reasonable fees and expenses, shall be borne equally by AEPCO and the Disputing Customer.

12.2.5 Settlement positions taken by AEPCO and the Disputing Customer during the course of the negotiations under this Section 12.2 shall be maintained as confidential to the extent permitted by law and shall not be introduced as evidence by the opposing Party in any subsequent arbitration, Commission proceeding or litigation concerning the same or related dispute.

12.2.6 If all the issues involved in the dispute are not resolved pursuant to this Section 11.2 within sixty (60) calendar days, or other mutually agreed to period,

Directors pursuant to Section 15.8 of the SWRTA Bylaws, with one of the disputing Parties, chosen by lot, first striking a name. The last-remaining name not stricken shall be designated as the arbitrator. If that individual is unable, unwilling or ineligible to serve, the individual last stricken from the list shall be designated and the process repeated until an individual is selected who is eligible and willing to serve. No person shall be eligible for appointment as an arbitrator who is or has been an officer, member of the governing body, employee, consultant or shareholder of AEPCO or the Disputing Customer, or is otherwise interested in the matter to be arbitrated, and any individual designated as a potential arbitrator who is ineligible to serve pursuant to these guidelines shall immediately disclose the circumstances affecting his or her impartiality and shall disqualify himself or herself from serving as arbitrator before the arbitration begins.

12.3.4 The arbitrator shall determine procedures for discovery and intervention, how evidence shall be taken, what written submittals may be made, and other such procedural matters, taking into account the complexity of the issues involved, the extent to which factual matters are disputed and the extent to which the credibility of witnesses is relevant to a resolution. Such procedures shall ensure that the arbitrator (i) allows for adequate discovery of the facts, (ii) takes testimony under oath, (iii) transcribes and keeps testimony, (iv) maintains a docket that identifies each document received, and (v) maintains a file of the documents.

12.3.5 The arbitrator shall set a timetable for the arbitration, including setting the date, time and place of each hearing. The arbitrator shall accept relevant and material evidence and hear testimony presented by the disputing Parties and may request additional information and testimony. Such additional information

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after appointment of the facilitator(s), then any unresolved issues will be resolved as follows: (i) upon mutual agreement, AEPCO and the Disputing Customer will follow the arbitration process set forth in Section 12.3 of this Tariff; or, (ii) the complaining Party shall file the dispute with the Commission under FPA for resolution. The provisions of this Section 12.2 are conditions precedent to all other methods of dispute resolution available to AEPCO and the Disputing Customer, including arbitration and the submission of the dispute to the Commission, and the provisions of this Section 12.2 shall be the exclusive means of dispute resolution available to the disputing Parties until such means are exhausted according to their terms.

12.2.7 If the dispute involves AEPCO and another SWRTA member, the facilitator(s) shall report the outcome of the peer review or mediation process to the SWRTA president, who shall then notify all SWRTA members.

12.3 Arbitration:

12.3.1 Within thirty (30) calendar days of the mutual agreement of AEPCO and the Disputing Customer to elect arbitration, each disputing Party shall submit a statement in writing to the other disputing Party, which statement shall set forth in adequate detail the nature of the dispute, the issue to be arbitrated, and the remedy sought through such arbitration proceedings.

12.3.2 Within ten (10) working days following the submission of their statements, authorized representatives of the Disputing Parties shall meet for the purpose of selecting an arbitrator.

12.3.3 Arbitration shall be conducted by a qualified arbitrator selected from a list maintained by the SWRTA Board of Directors pursuant to Section 15.8 of the SWRTA Bylaws. If AEPCO and the Disputing Customer cannot agree upon an arbitrator, each disputing Party shall take turns striking names from a list of ten (10) qualified individuals selected by the SWRTA Board of

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shall be furnished by AEPCO and the Disputing Customer and may be requested from other entities having such information. Other interested entities may request in writing that the arbitrator consider additional information and the arbitrator shall decide whether to consider such additional information.

12.3.6 Not later than thirty (30) calendar days after the date of closing of hearings, AEPCO and the Disputing Customer shall submit their proposed remedies to the arbitrator. Not later than thirty (30) calendar days after receipt of the disputing Parties' proposed remedies, the arbitrator shall determine which proposal best meets the terms and intent of this Tariff and conforms with the Commission's and FPA published decisions, policies and regulations, consistent with Good Utility Practice, and shall state his or her decision in writing. AEPCO and the Disputing Customer agree to be bound by the arbitrator's decision, subject to the provisions of the Administrative Dispute

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Resolution Act. The arbitrator's decision shall not be deemed to be precedential in any other arbitration related to a different dispute.

12.3.7 Immediately upon their receipt of the written decision of the arbitrator, AEPCO and the Disputing Customer shall take whatever action is required to comply with the decision to the extent the decision does not require regulatory action. To the extent the decision requires local, state, federal, or provincial approval, regulatory action, or a Commission filing by a disputing Party, the affected Party shall submit and fully support that portion of the decision in the appropriate regulatory authority. AEPCO and the Disputing Customer shall each bear its own costs and expenses associated with the arbitration. All other verifiable costs and expenses associated with the arbitration, including required travel and other expenses of the arbitrator and witness cost and cost of

proof incurred at the direct request of the arbitrator, shall be borne equally by the disputing Parties.

**12.4 Review:**

12.4.1 Any arbitration decision issued pursuant to this Tariff that affects matters subject to the jurisdiction of the Commission under Section 205 of the FPA shall be filed with the Commission.

12.4.2 On the basis of a protest by a state or provincial commission or on the Commission's own motion, the Commission may investigate any arbitration decision made under this Tariff with respect to matters within its jurisdiction and, after giving substantial deference to such decision, may set it aside if the decision is determined to be inconsistent with the applicable federal law or regulation. A disputing Party may initiate a proceeding at the Commission regarding the arbitration process or decision only (i) if the arbitration process does not result in a decision within a reasonable period of time, or (ii) on

grounds specified in Sections 10 and 11 of Title 9, United States Code, for judicial vacation or modification of an arbitration award.

**II. POINT-TO-POINT TRANSMISSION SERVICE**

**Preamble**

AEPCO will provide Firm and Non-Firm Point-To-Point Transmission Service pursuant to the applicable terms and conditions of this Tariff. Point-To-Point Transmission Service is for the receipt of capacity and energy at designated Point(s) of Receipt and the transmission of such capacity and energy to designated Point(s) of Delivery.

**13 Nature of Firm Point-To-Point Transmission Service**

**13.1 Term:** The minimum term of Firm Point-To-Point

Transmission Service shall be one day and the maximum term shall be specified in the Service Agreement.

**13.2 Reservation Priority:** Long-Term Firm Point-To-Point

Transmission Service shall be available on a first-

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come, first-served basis *i.e.*, in the chronological sequence in which each Transmission Customer has requested service. Reservations for Short-Term Firm Point-To-Point Transmission Service will be conditional based upon the length of the requested transaction. If the Transmission System becomes oversubscribed, requests for longer term service may preempt requests for shorter term service up to the following deadlines: one day before the commencement of daily service, one week before the commencement of weekly service, and one month before the commencement of monthly service. Before the conditional reservation deadline, if available transmission capability is insufficient to satisfy all Applications, an Eligible Customer with a reservation for shorter term service has the right of first refusal to match any longer term reservation before losing its reservation priority. A longer term competing request for Short-Term Firm Point-To-Point Transmission Service will be granted if the Eligible

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Customer with the right of first refusal does not agree to match the competing request within 24 hours (or earlier if necessary to comply with the scheduling deadlines provided in Section 13.8) from being notified by AEPCO of a longer-term competing request for Short-Term Firm Point-To-Point Transmission Service. After the conditional reservation deadline, service will commence pursuant to the terms of Part II of this Tariff. Firm Point-To-Point Transmission Service will always have a reservation priority over Non-Firm Point-To-Point Transmission Service under this Tariff. All Long-Term Firm Point-To-Point Transmission Service will have equal reservation priority with Native Load Customers and Network Customers. Reservation priorities for existing firm service customers are provided in Section 2.2.

**13.3 Use of Firm Transmission Service by AEPCO:** AEPCO will be subject to the rates, terms and conditions of Part II of this Tariff when making Third-Party Sales under

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agreements executed on or after July 9, 1996. AEPCO will maintain separate accounting, pursuant to Section 8 of this Tariff, for any use of the Point-To-Point Transmission Service to make Third-Party Sales.

**13.4 Service Agreements:** AEPCO shall offer a standard form Firm Point-To-Point Transmission Service Agreement (Attachment A) to an Eligible Customer when it submits a Completed Application for Long-Term Firm Point-To-Point Transmission Service. AEPCO shall offer a standard form Firm Point-To-Point Transmission Service Agreement (Attachment A) to an Eligible Customer when it first submits a Completed Application for Short-Term Firm Point-To-Point Transmission Service pursuant to this Tariff.

**13.5 Transmission Customer or Network Customer Obligations for Facility Additions or Redispatch Costs:** In cases where AEPCO determines that the Transmission System is not capable of providing Firm Point-To-Point Transmission Service without (1) degrading or impairing

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the reliability of service to Native Load Customers, Network Customers and other Transmission Customer or Network Customers taking Firm Point-To-Point Transmission Service, or (2) interfering with AEPCO's ability to meet prior firm contractual commitments to others, AEPCO will be obligated to expand or upgrade its Transmission System pursuant to the terms of Section 15.4 of this Tariff. The Transmission Customer must agree to compensate AEPCO for any necessary transmission facility additions pursuant to the terms of Section 27 of this Tariff. To the extent AEPCO can relieve any system constraint more economically by redispatching AEPCO's resources than through constructing Network Upgrades, it shall do so, provided that the Eligible Customer agrees to compensate AEPCO pursuant to the terms of Section 27 of this Tariff. Any redispatch, Network Upgrade or Direct Assignment Facilities costs to be charged to the Transmission Customer on an incremental basis under this Tariff will

be specified in the Service Agreement prior to initiating service.

13.6 **Curtailement of Firm Transmission Service:** In the event that a Curtailement on AEPCO's Transmission System, or a portion thereof, is required to maintain reliable operation of such system, Curtailements will be made on a non-discriminatory basis to the transaction(s) that effectively relieve the constraint. If multiple transactions require Curtailement, to the extent practicable and consistent with Good Utility Practice, AEPCO will curtail service to Network Customers and Transmission Customers taking Firm Point-To-Point Transmission Service on a basis comparable to the curtailment of service to AEPCO's Native Load Customers. All Curtailements will be made on a non-discriminatory basis, however, Non-Firm Point-To-Point Transmission Service shall be subordinate to Firm Transmission Service. When AEPCO determines that an electrical emergency exists on its Transmission System

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and implements emergency procedures to Curtail Firm Transmission Service, the Transmission Customer shall make the required reductions upon request of AEPCO. However, AEPCO reserves the right to Curtail, in whole or in part, any Firm Transmission Service provided under this Tariff when, in AEPCO's sole discretion, an emergency or other unforeseen condition impairs or degrades the reliability of its Transmission System. AEPCO will notify all affected Transmission Customers in a timely manner of any scheduled Curtailments.

**13.7 Classification of Firm Transmission Service:**

- (a) The Transmission Customer taking Firm Point-To-Point Transmission Service may (1) change its Points of Receipt and Points of Delivery to obtain service on a non-firm basis consistent with the terms of Section 22.1 of this Tariff or (2) request a modification of the Points of Receipt or Points of Delivery on a firm basis pursuant to the terms of Section 22.2 of this Tariff.

- (b) The Transmission Customer may purchase transmission service to make sales of capacity and energy from multiple generating units that are on AEPCO's Transmission System. For such a purchase of transmission service, the resources will be designated as multiple Points of Receipt, unless the multiple generating units are at the same generating plant in which case the units would be treated as a single Point of Receipt.
- (c) AEPCO shall provide firm deliveries of capacity and energy from the Point(s) of Receipt to the Point(s) of Delivery. Each Point of Receipt at which firm transmission capacity is reserved by the Transmission Customer shall be set forth in the Firm Point-To-Point Service Agreement for Long-Term Firm Transmission Service along with a corresponding capacity reservation associated with each Point of Receipt. Points of Receipt and corresponding capacity reservations shall be as

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mutually agreed upon by the Parties for Short-Term Firm Transmission. Each Point of Delivery at which firm transmission capacity is reserved by the Transmission Customer shall be set forth in the Firm Point-To-Point Service Agreement for Long-Term Firm Transmission Service along with a corresponding capacity reservation associated with each Point of Delivery. Points of Delivery and corresponding capacity reservations shall be as mutually agreed upon by the Parties for Short-Term Firm Transmission. The greater of either (1) the sum of the capacity reservations at the Point(s) of Receipt, or (2) the sum of the capacity reservations at the Point(s) of Delivery shall be the Transmission Customer's Reserved Capacity. The Transmission Customer will be billed for its Reserved Capacity under the terms of Schedule 7 of this Tariff. The Transmission Customer may not exceed its firm capacity reserved at each Point of

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Receipt and each Point of Delivery except as otherwise specified in Section 22 of this Tariff. AEPCO shall specify the rate treatment and all related terms and conditions applicable in the event that a Transmission Customer (including Third-Party Sales by AEPCO) exceeds its firm reserved capacity at any Point of Receipt or Point of Delivery.

**13.8 Scheduling of Firm Point-To-Point Transmission Service:**

Schedules for the Transmission Customer's Firm Point-To-Point Transmission Service must be submitted to AEPCO no later than the hour ending 10:00 Mountain Standard Time (MST) of the Parties' common workday prior to commencement of such service. Schedules submitted after the hour ending 10:00 will be accommodated, if practicable. Hour-to-hour schedules of any capacity and energy that is to be delivered must be stated in increments of 1,000 kW per hour.

Transmission Customers within AEPCO's service area with

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multiple requests for Transmission Service at a Point of Receipt, each of which is under 1,000 kW per hour, may consolidate their service requests at a common point of receipt into units of 1,000 kW per hour for scheduling and billing purposes. Scheduling changes will be permitted up to twenty (20) minutes before the start of the next clock hour provided that the Delivering Party and Receiving Party also agree to the schedule modification. AEPCO will furnish to the Delivering Party's system operator, hour-to-hour schedules equal to those furnished by the Receiving Party (unless reduced for losses) and shall deliver the capacity and energy provided by such schedules. Should the Transmission Customer, Delivering Party or Receiving Party revise or terminate any schedule, such party shall immediately notify AEPCO, and AEPCO shall have the right to adjust accordingly the schedule for capacity and energy to be received and to be delivered.

**14 Nature of Non-Firm Point-To-Point Transmission Service**

**14.1 Term:** Non-Firm Point-To-Point Transmission Service

will be available for periods ranging from one (1) hour to one (1) month. However, a Purchaser of Non-Firm Point-To-Point Transmission Service will be entitled to reserve a sequential term of service (such as a sequential monthly term without having to wait for the initial term to expire before requesting another monthly term) so that the total time period for which the reservation applies is greater than one month, subject to the requirements of Section 18.3 .

**14.2 Reservation Priority:** Non-Firm Point-To-Point

Transmission Service shall be available from transmission capability in excess of that needed by AEPCO for reliable service to Native Load Customers, Network Customers and other Transmission Customers taking Long-Term and Short-Term Firm Point-To-Point Transmission Service. A higher priority will be assigned to reservations, of Non-Firm Point-to-Point

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Transmission Service with a longer duration of service. In the event the Transmission System is constrained, competing requests of equal duration will be prioritized based on the highest price offered by the Eligible Customer for the Transmission Service. Eligible Customers that have already reserved shorter term service have the right of first refusal to match any longer term reservation before being preempted. A longer term competing request for Non-Firm Point-To-Point Transmission Service will be granted if the Eligible Customer with the right of first refusal does not agree to match the competing request: (a) immediately for hourly Non-Firm Point-To-Point Transmission Service after notification by AEPCO; and, (b) within 24 hours (or earlier if necessary to comply with scheduling deadlines provided in Section 14.6) for Non-Firm Point-To-Point Transmission Service other than hourly transactions after notification by AEPCO. Transmission service for Network Customers from

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resources other than designated Network Resources will have a higher priority than any Non-Firm Point-To-Point Transmission Service. Non-Firm Point-To-Point Transmission Service over secondary Point(s) of Receipt and Point(s) of Delivery will have the lowest reservation priority under this Tariff.

**14.3 Use of Non-Firm Point-To-Point Transmission Service by AEPCO:** AEPCO will be subject to the rates, terms and conditions of Part II of this Tariff when making Third-Party Sales under agreements executed on or after July 9, 1996. AEPCO will maintain separate accounting, pursuant to Section 8 of this Tariff, for any use of Non-Firm Point-To-Point Transmission Service to make Third-Party Sales.

**14.4 Service Agreements:** AEPCO shall offer a standard form Non-Firm Point-To-Point Transmission Service Agreement (Attachment B) to an Eligible Customer when it first submits a Completed Application for Non-Firm Point-To-Point Transmission Service pursuant to this Tariff.

**14.5 Classification of Non-Firm Point-To-Point Transmission**

**Service:** Non-Firm Point-To-Point Transmission Service shall be offered under terms and conditions contained in Part II of this Tariff. AEPCO undertakes no obligation under this Tariff to plan its Transmission System in order to have sufficient capacity for Non-Firm Point-To-Point Transmission Service. Parties requesting Non-Firm Point-To-Point Transmission Service for the transmission of firm power do so with the full realization that such service is subject to availability and to Curtailment or Interruption under the terms of this Tariff. AEPCO shall specify the rate treatment and all related terms and conditions applicable in the event that a Transmission Customer (including Third-Party Sales by AEPCO) exceeds its non-firm capacity reservation. Non-Firm Point-To-Point Transmission Service shall include transmission of energy on an hourly basis and transmission of scheduled short-term capacity and energy on a daily, weekly or

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monthly basis, but not to exceed one month's reservation for any one Application, under Schedule 8.

**14.6 Scheduling of Non-Firm Point-To-Point Transmission**

**Service:** Schedules for Non-Firm Point-To-Point Transmission Service must be submitted to AEPCO no later than the hour ending 10:00 MST of the Parties common workday prior to commencement of such service. Schedules submitted after the hour ending 10:00 MST will be accommodated, if practicable. Hour-to-hour schedules of energy that are to be delivered must be stated in increments of 1,000 kW per hour.

Transmission Customers within AEPCO's service area with multiple requests for Transmission Service at a Point of Receipt, each of which is under 1,000 kW per hour, may consolidate their schedules at a common Point of Receipt into units of 1,000 kW per hour. Scheduling changes will be permitted up to twenty (20) minutes before the start of the next clock hour provided that the Delivering Party and Receiving Party also agree to

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the schedule modification. AEPCO will furnish to the Delivering Party's system operator, hour-to-hour schedules equal to those furnished by the Receiving Party (unless reduced for losses) and shall deliver the capacity and energy provided by such schedules. Should the Transmission Customer, Delivering Party or Receiving Party revise or terminate any schedule, such party shall immediately notify AEPCO, and AEPCO shall have the right to adjust accordingly the schedule for capacity and energy to be received and to be delivered.

**14.7 Curtailment or Interruption of Service:** AEPCO reserves the right to Curtail, in whole or in part, Non-Firm Point-To-Point Transmission Service provided under this Tariff for reliability reasons when, an emergency or other unforeseen condition threatens to impair or degrade the reliability of its Transmission System. AEPCO reserves the right to Interrupt, in whole or in part, Non-Firm Point-To-Point Transmission Service provided under this Tariff for economic reasons in

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order to accommodate (1) a request for Firm Transmission Service, (2) a request for Non-Firm Point-To-Point Transmission Service of greater duration, (3) a request for Non-Firm Point-To-Point Transmission Service of equal duration with a higher price, or (4) transmission service for Network Customers from non-designated resources. AEPCO also will discontinue or reduce service to the Transmission Customer to the extent that deliveries for transmission are discontinued or reduced at the Point(s) of Receipt. Where required, Curtailments or Interruptions will be made on a non-discriminatory basis to the transaction(s) that effectively relieve the constraint, however, Non-Firm Point-To-Point Transmission Service shall be subordinate to Firm Transmission Service. If multiple transactions require Curtailment or Interruption, to the extent practicable and consistent with Good Utility Practice, Curtailments or Interruptions will be made to transactions of the

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shortest term (e.g., hourly non-firm transactions will be Curtailed or Interrupted before daily non-firm transactions and daily non-firm transactions will be Curtailed or Interrupted before weekly non-firm transactions). Transmission service for Network Customers from resources other than designated Network Resources will have a higher priority than any Non-Firm Point-To-Point Transmission Service under this Tariff. Non-Firm Point-To-Point Transmission Service over secondary Point(s) of Receipt and Point(s) of Delivery will have a lower priority than any Non-Firm Point-To-Point Transmission Service under this Tariff. AEPCO will provide advance notice of Curtailment or Interruption where such notice can be provided consistent with Good Utility Practice.

**15 Service Availability**

**15.1 General Conditions:** AEPCO will provide Firm and Non-Firm Point-To-Point Transmission Service over, on or

across its Transmission System to any Transmission Customer that has met the requirements of Section 16 of this Tariff.

**15.2 Determination of Available Transmission Capability:**

A description of AEPCO's specific methodology for assessing available transmission capability posted on AEPCO's OASIS (Section 4 of this Tariff) is contained in Attachment C of this Tariff. In the event sufficient transmission capability may not exist to accommodate a service request, AEPCO will respond by performing a System Impact Study.

**15.3 Initiating Service in the Absence of an Executed Service Agreement:** If AEPCO and the Transmission Customer requesting Firm or Non-Firm Point-To-Point Transmission Service cannot agree on all the terms and conditions of the Point-To-Point Service Agreement, AEPCO and the Transmission Customer shall submit the disputed terms and conditions pursuant to the dispute resolution procedure of Section 12 of this Tariff.

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AEPCO shall commence providing Transmission Service to the Transmission Customer under an unexecuted Point-to-Point service Agreement containing terms and conditions deemed appropriate by AEPCO for such requested Transmission Service, subject to the Transmission Customer agreeing to (i) compensate AEPCO under a rate approved as just and reasonable by AEPCO's Board of Directors, and(ii) comply with the terms and conditions of this Tariff including posting appropriate security deposits in accordance with the terms of Section 17.3.

**15.4 Obligation to Provide Transmission Service that Requires Expansion or Modification of the Transmission System:** If AEPCO determines that it cannot accommodate a Completed Application for Firm Point-To-Point Transmission Service because of insufficient capability on its Transmission System, AEPCO will use due diligence to expand or modify its Transmission System to provide the requested Firm Transmission Service, provided the Transmission Customer agrees to compensate

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AEPCO for such costs pursuant to the terms of Section 27 of this Tariff. AEPCO will conform to Good Utility Practice in determining the need for new facilities and in the design and construction of such facilities. The obligation applies only to those facilities that AEPCO has the right to expand or modify.

**15.5 Deferral of Service:** AEPCO may defer providing service until it completes construction of new transmission facilities or upgrades needed to provide Firm Point-To-Point Transmission Service whenever AEPCO determines that providing the requested service would, without such new facilities or upgrades, impair or degrade reliability to any existing firm services.

**15.6 Other Transmission Service Schedules:** Eligible Customers receiving transmission service from AEPCO under other agreements executed prior to July 9, 1996 may continue to receive transmission service under those agreements until such time as those agreements

may be modified by mutual agreement of AEPCO and the Eligible Customer.

**15.7 Real Power Losses:** Real Power Losses are associated with all transmission service. AEPCO is not obligated to provide Real Power Losses. The Transmission Customer is responsible for replacing losses associated with all transmission service as calculated by AEPCO. Unless otherwise specified in a Service Agreement, AEPCO applicable Real Power Loss factor for its system is 2.97 percent (2.97 %).

**15.8 Power Factor:** Unless AEPCO is compensated by the Transmission Customer pursuant to a Service Agreement, the Transmission Customer shall maintain at all times a power factor between 95% lagging and 95% leading at its Point of Delivery, and AEPCO shall not be obligated to transmit reactive power from the Transmission Customer's Point of Receipt to its Point of Delivery.

## **16 Transmission Customer Responsibilities**

16.1 Conditions Required of Transmission Customers: Point-To-Point Transmission Service shall be provided by AEPCO only if the following conditions are satisfied by the Transmission Customer:

- a. The Transmission Customer has pending a Completed Application for service;
- b. The Transmission Customer meets the creditworthiness criteria set forth in Section 10 of this Tariff.
- c. The Transmission Customer will have arrangements in place for any other transmission service necessary to effect the delivery from the generating source to AEPCO prior to the time service under Part II of this Tariff commences;
- d. The Transmission Customer agrees to pay for any facilities constructed and chargeable to such Transmission Customer under Part II of this Tariff, whether or not the Transmission Customer

takes service for the full term of its reservation; and

- e. The Transmission Customer has executed a Point-To-Point Service Agreement or has agreed to receive service pursuant to Section 15.3 of this Tariff.

**16.2 Transmission Customer Responsibility for Third-Party**

**Arrangements:** Any scheduling arrangements that may be required by other electric systems shall be the responsibility of the Transmission Customer requesting service. The Transmission Customer shall provide, unless waived by AEPCO notification to AEPCO identifying such systems and authorizing them to schedule the capacity and energy to be transmitted by AEPCO pursuant to Part II of this Tariff on behalf of the Receiving Party at the Point of Delivery or the Delivering Party at the Point of Receipt.

However, AEPCO will undertake reasonable efforts to assist the Transmission Customer in making such arrangements, including without limitation, providing

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any information or data required by such other electric system pursuant to Good Utility Practice.

**17 Procedures for Arranging Firm Point-To-Point Transmission Service**

**17.1 Application:** A request for Firm Point-To-Point Transmission Service for periods of one year or longer must contain a written Application to: Mr. James R. Rein, Director of Power Services, AEPCO, P.O. Box 670, Benson, AZ 85602, telephone 520-586-5116, facsimile 520-586-5343, at least sixty (60) days in advance of the calendar month in which service is to commence. AEPCO will consider requests for such firm service on shorter notice when feasible. Requests for firm service for periods of less than one year shall be subject to expedited procedures that shall be negotiated between the Parties within the time constraints provided in Section 17.5 of this Tariff. All Firm Point-To-Point Transmission Service requests

should be submitted by entering the information listed below on AEPCO's OASIS. Prior to implementation of AEPCO's OASIS, a Completed Application may be submitted by (i) transmitting the required information to AEPCO by telefax, or (ii) providing the information by telephone over AEPCO's time recorded telephone line. Each of these methods will provide a time-stamped record for establishing the priority of the Application.

**17.2 Completed Application:** A Completed Application shall provide all of the information included in 18 CFR § 2.20 including but not limited to the following:

- (i) The identity, address, telephone number and facsimile number of the entity requesting service;
- (ii) A statement that the entity requesting service is, or will be upon commencement of service, an Eligible Customer under this Tariff;
- (iii) The location of the Point(s) of Receipt and Point(s) of Delivery and the identities of the Delivering Parties and the Receiving Parties;

- (iv) The location of the generating facility(ies) supplying the capacity and energy and the location of the load ultimately served by the capacity and energy transmitted. AEPCO will treat this information as confidential except to the extent that disclosure of this information is required by this Tariff, by regulatory or judicial order, for reliability purposes pursuant to Good Utility Practice or pursuant to RTG transmission information sharing agreements. AEPCO shall treat this information consistent with the standards of conduct contained in Part 37 of the Commission's regulations;
- (v) A description of the supply characteristics of the capacity and energy to be delivered;
- (vi) An estimate of the capacity and energy expected to be delivered to the Receiving Party;
- (vii) The Service Commencement Date and the term of the requested Transmission Service; and
- (viii) The transmission capacity requested for each Point of Receipt and each Point of Delivery on AEPCO's Transmission System; customers may combine their requests for service in order to satisfy the minimum transmission capacity requirement.

AEPCO shall treat this information consistent with the standards of conduct contained in Part 37 of the Commission's regulations.

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17.3 **Deposit:** A Completed Application for Firm Point-To-Point Transmission Service also shall include a deposit of either one month's charge for Reserved Capacity or the full charge for Reserved Capacity for service requests of less than one month. If the Application is rejected by AEPCO because it does not meet the conditions for service as set forth herein, or in the case of requests for service arising in connection with losing bidders in a Request For Proposals (RFP), said deposit shall be returned with interest less any reasonable costs incurred by AEPCO in connection with the review of the losing bidder's Application. The deposit also will be returned with interest less any reasonable costs incurred by AEPCO if AEPCO is unable to complete new facilities needed to provide the service. If an Application is withdrawn or the Eligible Customer decides not to enter into a Service Agreement for Firm Point-To-Point Transmission Service, the deposit shall be refunded in full, with interest,

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less reasonable costs incurred by AEPCO to the extent such costs have not already been recovered by AEPCO from the Eligible Customer. AEPCO will provide to the Eligible Customer a complete accounting of all costs deducted from the refunded deposit, which the Eligible Customer may contest if there is a dispute concerning the deducted costs. Deposits associated with construction of new facilities are subject to the provisions of Section 19 of this Tariff. If a Service Agreement for Firm Point-To-Point Transmission Service is executed, the deposit, with interest, will be returned to the Transmission Customer upon expiration or termination of the Service Agreement for Firm Point-To-Point Transmission Service. Applicable interest shall be computed in accordance with the Commission's regulations at 18 CFR § 35.19 a(a)(2)(iii), and shall be calculated from the day the deposit check is credited to AEPCO's account.

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**17.4 Notice of Deficient Application:** If an Application fails to meet the requirements of this Tariff, AEPCO shall notify the entity requesting service within fifteen (15) days of receipt of the reasons for such failure. AEPCO will attempt to remedy minor deficiencies in the Application through informal communications with the Eligible Customer. If such efforts are unsuccessful, AEPCO shall return the Application, along with any deposit, with interest. Upon receipt of a new or revised Application that fully complies with the requirements of Part II of this Tariff, the Eligible Customer shall be assigned a new priority consistent with the date of the new or revised Application.

**17.5 Response to a Completed Application:** Following receipt of a Completed Application for Firm Point-To-Point Transmission Service, AEPCO shall make a determination of available transmission capability as required in Section 15.2 of this Tariff. AEPCO shall notify the

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Eligible Customer as soon as practicable, but not later than thirty (30) days after the date of receipt of a Completed Application either (i) if it will be able to provide service without performing a System Impact Study or (ii) if such a study is needed to evaluate the impact of the Application pursuant to Section 19.1 of this Tariff. Responses by AEPCO must be made as soon as practicable to all completed applications (including applications by its own merchant function) and the timing of such responses must be made on a non-discriminatory basis.

**17.6 Execution of Service Agreement:** Whenever AEPCO determines that a System Impact Study is not required and that the service can be provided, it shall notify the Eligible Customer as soon as practicable but no later than thirty (30) days after receipt of the Completed Application. Where a System Impact Study is required, the provisions of Section 19 of this Tariff will govern the execution of a Service Agreement.

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Failure of an Eligible Customer to execute and return the Service Agreement or request the filing of an unexecuted service agreement pursuant to Section 15.3 of this Tariff, within fifteen (15) days after it is tendered by AEPCO will be deemed a withdrawal and termination of the Application and any deposit submitted shall be refunded with interest pursuant to Section 17.3 of this Tariff. Nothing herein limits the right of an Eligible Customer to file another Application after such withdrawal and termination.

**17.7 Extensions for Commencement of Service:** The

Transmission Customer can obtain up to five (5) one-year extensions for the commencement of service. The Transmission Customer may postpone service by paying a non-refundable annual reservation fee equal to one-month's charge for Firm Transmission Service for each year or fraction thereof. If during any extension for the commencement of service an Eligible Customer submits a Completed Application for Firm Transmission

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Service, and such request can be satisfied only by releasing all or part of the Transmission Customer's Reserved Capacity, the original Reserved Capacity will be released unless the following condition is satisfied. Within thirty (30) days, the original Transmission Customer agrees to pay the Firm Point-To-Point transmission rate for its Reserved Capacity concurrent with the new Service Commencement Date. In the event the Transmission Customer elects to release the Reserved Capacity, the reservation fees or portions thereof previously paid will be forfeited.

**18 Procedures for Arranging Non-Firm Point-To-Point  
Transmission Service**

**18.1 Application:** Eligible Customers seeking Non-Firm Point-To-Point Transmission Service must submit a Completed Application to AEPCO. Applications should be submitted by entering the information listed below on AEPCO's OASIS. Prior to implementation of AEPCO's

OASIS, a Completed Application may be submitted by (i) transmitting the required information to AEPCO by facsimile, or (ii) providing the information by telephone over AEPCO's time recorded telephone line. Each of these methods will provide a time-stamped record for establishing the service priority of the Application.

**18.2 Completed Application:** A Completed Application shall provide all of the information included in 18 CFR § 2.20 including but not limited to the following:

- (i) The identity, address, telephone number and facsimile number of the entity requesting service;
- (ii) A statement that the entity requesting service is, or will be upon commencement of service, an Eligible Customer under this Tariff;
- (iii) The Point(s) of Receipt and the Point(s) of Delivery;
- (iv) The maximum amount of capacity requested at each Point of Receipt and Point of Delivery; and
- (v) The proposed dates and hours for initiating and terminating transmission service hereunder.

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In addition to the information specified above, when required to properly evaluate system conditions, AEPCO also may ask the Transmission Customer to provide the following:

- (vi) The electrical location of the initial source of the power to be transmitted pursuant to the Transmission Customer's request for service; and
- (vii) The electrical location of the ultimate load.

AEPCO will treat this information in (vi) and (vii) as confidential at the request of the Transmission Customer except to the extent that disclosure of this information is required by this Tariff, by regulatory or judicial order, for reliability purposes pursuant to Good Utility Practice, or pursuant to SWRTA transmission information sharing agreements. AEPCO shall treat this information consistent with the standards of conduct contained in Part 37 of the Commission's regulations.

**18.3 Reservation of Non-Firm Point-To-Point Transmission**

**Service:** Requests for monthly service shall be

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submitted no earlier than sixty (60) days before service is to commence; requests for weekly service shall be submitted no earlier than fourteen (14) days before service is to commence, requests for daily service shall be submitted no earlier than two (2) days before service is to commence, and requests for hourly service shall be submitted no earlier than noon MST the day before service is to commence. Requests for service received after the hour ending 14:00 MST prior to the day service is scheduled to commence will be accommodated if practicable.

**18.4 Determination of Available Transmission Capability:**

Following receipt of a tendered schedule AEPCO will make a determination on a non-discriminatory basis of available transmission capability pursuant to Section 15.2 of this Tariff. Such determination shall be made as soon as reasonably practicable after receipt, but not later than the following time periods for the following terms of service (i) thirty (30) minutes for

hourly service, (ii) thirty (30) minutes for daily service, (iii) four (4) hours for weekly service, and (iv) two (2) days for monthly service.

**19 Additional Study Procedures For Firm Point-To-Point  
Transmission Service Requests**

**19.1 Notice of Need for System Impact Study: After**

receiving a request for service, AEPCO shall determine on a non-discriminatory basis whether a System Impact Study is needed. A description AEPCO's methodology for completing a System Impact Study is provided in Attachment D. If AEPCO determines that a System Impact Study is necessary to accommodate the requested service, it shall so inform the Eligible Customer, as soon as practicable. In such cases, AEPCO shall within thirty (30) days of receipt of a Completed Application, tender a System Impact Study Agreement pursuant to which the Eligible Customer shall agree to reimburse AEPCO for performing the required System Impact Study.

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For a service request to remain a Completed Application, the Eligible Customer shall execute the System Impact Study Agreement and return it to AEPCO within fifteen (15) days. If the Eligible Customer elects not to execute the System Impact Study Agreement, its application shall be deemed withdrawn and its deposit, pursuant to Section 17.3 of this Tariff, shall be returned with interest.

**19.2 System Impact Study Agreement and Cost Reimbursement:**

- (i) The System Impact Study Agreement will clearly specify AEPCO's estimate of the actual cost, and time for completion of the System Impact Study. The charge shall not exceed the actual cost of the study. In performing the System Impact Study, AEPCO shall rely, to the extent reasonably practicable, on existing transmission planning studies. The Eligible Customer will not be assessed a charge for such existing studies; however, the Eligible Customer will be responsible

for charges associated with any modifications to existing planning studies that are reasonably necessary to evaluate the impact of the Eligible Customer's request for service on the Transmission System.

- (ii) If in response to multiple Eligible Customers requesting service in relation to the same competitive solicitation, a single System Impact Study is sufficient for AEPCO to accommodate the requests for service, the costs of that study shall be pro-rated among the Eligible Customers.
- (iii) For System Impact Studies that AEPCO conducts on its own behalf, AEPCO shall record the cost of the System Impact Studies pursuant to Section 20 of this Tariff.

**19.3 System Impact Study Procedures:** Upon receipt of an executed System Impact Study Agreement, AEPCO will use due diligence to complete the required System Impact Study within a sixty (60) day period. The System

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Impact Study shall identify any system constraints and redispatch options, additional Direct Assignment Facilities or Network Upgrades required to provide the requested service. In the event that AEPCO is unable to complete the required System Impact Study within such time period, it shall so notify the Eligible Customer and provide an estimated completion date along with an explanation of the reasons why additional time is required to complete the required studies. A copy of the completed System Impact Study and related work papers shall be made available to the Eligible Customer. AEPCO will use the same due diligence in completing the System Impact Study for an Eligible Customer as it uses when completing studies for itself. AEPCO shall notify the Eligible Customer immediately upon completion of the System Impact Study if the Transmission System will be adequate to accommodate all or part of a request for service or that no costs are likely to be incurred for new transmission facilities

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or upgrades. In order for a request to remain a Completed Application, within fifteen (15) days of completion of the System Impact Study the Eligible Customer must execute a Firm Point to Point Transmission Service Agreement or request the filing of an unexecuted Service Agreement pursuant to Section 14.3 of this Tariff, or the Application shall be deemed terminated and withdrawn.

**19.4 Facilities Study Procedures:** If a System Impact Study indicates that additions or upgrades to the Transmission System are needed to supply the Eligible Customer's service request, and if the Eligible Customer is a SWRTA member, then AEPCO and the Eligible Customer shall follow the procedures for facilities studies set forth in Sections 4.3.6-4.3.11 of the SWRTA Bylaws. If the Eligible Customer is not a SWRTA member, then within thirty (30) days of the completion of the System Impact Study, AEPCO shall tender to the Eligible Customer a Facilities Study Agreement pursuant

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to which the Eligible Customer shall agree to reimburse AEPCO for performing the required Facilities Study. For a service request to remain a Completed Application, the Eligible Customer shall execute the Facilities Study Agreement and return it to AEPCO within fifteen (15) days. If the Eligible Customer elects not to execute the Facilities Study Agreement, its application shall be deemed withdrawn and its deposit, pursuant to Section 17.3 of this Tariff, shall be returned with interest. Upon receipt of an executed Facilities Study Agreement, AEPCO will use due diligence to complete the required Facilities Study within a sixty (60) day period. If AEPCO is unable to complete the Facilities Study in the allotted time period, AEPCO shall notify the Transmission Customer and provide an estimate of the time needed to reach a final determination along with an explanation of the reasons that additional time is required to complete the study. When completed, the Facilities Study will

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include a good faith estimate of (i) the cost of Direct Assignment Facilities to be charged to the Transmission Customer, (ii) the Transmission Customer's appropriate share of the cost of any required Network Upgrades as determined pursuant to the provisions of Part II of this Tariff, and (iii) the time required to complete such construction and initiate the requested service. The Transmission Customer shall provide AEPCO with a letter of credit or other reasonable form of security acceptable to AEPCO equivalent to the costs of new facilities or upgrades consistent with commercial practices as established by the Uniform Commercial Code. The Transmission Customer shall have thirty (30) days to execute a Service Agreement or request the filing of an unexecuted Service Agreement and provide the required letter of credit or other form of security or the request will no longer be a Completed Application and shall be deemed terminated and withdrawn.

**19.5 Facilities Study Modifications:** Any change in design arising from inability to site or construct facilities as proposed will require development by AEPCO of a revised good faith estimate. New good faith estimates also will be required in the event of new statutory or regulatory requirements that are effective before the completion of construction or other circumstances beyond the control of AEPCO that significantly affect the final cost of new facilities or upgrades to be charged to the Transmission Customer pursuant to the provisions of Part II of this Tariff.

**19.6 Due Diligence in Completing New Facilities:** AEPCO shall use due diligence to add necessary facilities or upgrade its Transmission System within a reasonable time. AEPCO will not upgrade its existing or planned Transmission System in order to provide the requested Firm Point-To-Point Transmission Service if doing so would impair system reliability or otherwise impair or degrade existing firm service.

**19.7 Partial Interim Service:** If AEPCO determines that it will not have adequate transmission capability to satisfy the full amount of a Completed Application for Firm Point-To-Point Transmission Service, AEPCO nonetheless shall be obligated to offer and provide the portion of the requested Firm Point-To-Point Transmission Service that can be accommodated without addition of any facilities and through redispatch. However, AEPCO shall not be obligated to provide the incremental amount of requested Firm Point-To-Point Transmission Service that requires the addition of facilities or upgrades to the Transmission System until such facilities or upgrades have been placed in service.

**19.8 Expedited Procedures for New Facilities:** In lieu of the procedures set forth above, the Eligible Customer shall have the option to expedite the process by requesting AEPCO to tender at one time, together with the results of required studies, an "Expedited Service

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Agreement" pursuant to which the Eligible Customer would agree to compensate AEPCO for all costs incurred pursuant to the terms of this Tariff. In order to exercise this option, the Eligible Customer shall request in writing an expedited Service Agreement covering all of the above-specified items within thirty (30) days of receiving the results of the System Impact Study identifying needed facility additions or upgrades or costs incurred in providing the requested service. While AEPCO agrees to provide the Eligible Customer with its best estimate of the new facility costs and other charges that may be incurred, such estimate shall not be binding and the Eligible Customer must agree in writing to compensate AEPCO for all costs incurred pursuant to the provisions of this Tariff. The Eligible Customer shall execute and return such an Expedited Service Agreement within fifteen (15) days of its receipt or the Eligible Customer's request for

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service will cease to be a Completed Application and will be deemed terminated and withdrawn.

20 Procedures if AEPCO is Unable to Complete New Transmission Facilities for Firm Point-To-Point Transmission Service

20.1 Delays in Construction of New Facilities: If any event occurs that will materially affect the time for completion of new facilities, or the ability to complete them, AEPCO shall promptly notify the Transmission Customer. In such circumstances, AEPCO shall within thirty (30) days of notifying the Transmission Customer of such delays, convene a technical meeting with the Transmission Customer to evaluate the alternatives available to the Transmission Customer. AEPCO also shall make available to the Transmission Customer studies and work papers related to the delay, including all information that is in the possession of AEPCO that is reasonably needed by the Transmission Customer to evaluate any alternatives.

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20.2 Alternatives to the Original Facility Additions: When the review process of Section 20.1 of this Tariff determines that one or more alternatives exist to the originally planned construction project, AEPCO shall present such alternatives for consideration by the Transmission Customer. If, upon review of any alternatives, the Transmission Customer desires to maintain its Completed Application subject to construction of the alternative facilities, it may request AEPCO to submit a revised Service Agreement for Firm Point-To-Point Transmission Service. If the alternative approach solely involves Non-Firm Point-To-Point Transmission Service, AEPCO shall promptly tender a Service Agreement for Non-Firm Point-To-Point Transmission Service providing for the service. In the event AEPCO concludes that no reasonable alternative exists and the Transmission Customer disagrees, the Transmission Customer may seek relief under the dispute

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resolution procedures pursuant to Section 12 of this Tariff.

**20.3 Refund Obligation for Unfinished Facility Additions:**

If AEPCO and the Transmission Customer mutually agree that no other reasonable alternatives exist and the requested service cannot be provided out of existing capability under the conditions of Part II of this Tariff, the obligation to provide the requested Firm Point-To-Point Transmission Service shall terminate and any deposit made by the Transmission Customer shall be returned with interest pursuant to Commission regulations 35.19a(a)(2)(iii). However, the Transmission Customer shall be responsible for all prudently incurred costs by AEPCO through the time construction was suspended.

**21 Provisions Relating to Transmission Construction and Services on the Systems of Other Utilities**

**21.1 Responsibility for Third-Party System Additions:** AEPCO shall not be responsible for making arrangements for

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any necessary engineering, permitting, and construction of transmission or distribution facilities on the system(s) of any other entity or for obtaining any regulatory approval for such facilities. AEPCO will undertake reasonable efforts to assist the Transmission Customer in obtaining such arrangements, including without limitation, providing any information or data required by such other electric system pursuant to Good Utility Practice.

**21.2 Coordination of Third-Party System Additions:** In circumstances where the need for transmission facilities or upgrades is identified pursuant to the provisions of Part II of this Tariff, and if such upgrades further require the addition of transmission facilities on other systems, AEPCO shall have the right to coordinate construction on its own system with the construction required by others. AEPCO, after consultation with the Transmission Customer and representatives of such other systems, may defer

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construction of its new transmission facilities, if the new transmission facilities on another system cannot be completed in a timely manner. AEPCO shall notify the Transmission Customer in writing of the basis for any decision to defer construction and the specific problems which must be resolved before it will initiate or resume construction of new facilities. Within sixty (60) days of receiving written notification by AEPCO of its intent to defer construction pursuant to this section, the Transmission Customer may challenge the decision in accordance with the dispute resolution procedures pursuant to Section 12 of this Tariff.

**22 Changes in Service Specifications**

**22.1 Modifications On a Non-Firm Basis:** The Transmission Customer taking Firm Point-To-Point Transmission Service may request AEPCO to provide transmission service on a non-firm basis over Receipt and Delivery Points other than those specified in the Service Agreement ("Secondary Receipt and Delivery Points"), in

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amounts not to exceed its firm capacity reservation, without incurring an additional Non-Firm Point-To-Point Transmission Service charge or executing a new Service Agreement, subject to the following conditions.

- (a) Service provided over Secondary Receipt and Delivery Points will be non-firm only, on an as-available basis and will not displace any firm or non-firm service reserved or scheduled by third-parties under this Tariff or by AEPCO on behalf of its Native Load Customers.
- (b) The sum of all Firm and Non-Firm Point-To-Point Transmission Service provided to the Transmission Customer at any time pursuant to this section shall not exceed the Reserved Capacity in the relevant Service Agreement under which such services are provided.
- (c) The Transmission Customer shall retain its right to schedule Firm Point-To-Point Transmission Service at the Receipt and Delivery Points

specified in the relevant Service Agreement in the amount of its original capacity reservation.

- (d) Service over Secondary Receipt and Delivery Points on a non-firm basis shall not require the filing of an Application for Non-Firm Point-To-Point Transmission Service under this Tariff. However, all other requirements of Part II of this Tariff (except as to transmission rates) shall apply to transmission service on a non-firm basis over Secondary Receipt and Delivery Points.

**22.2 Modification On a Firm Basis:** Any request by a Transmission Customer to modify Receipt and Delivery Points on a firm basis shall be treated as a new request for service in accordance with Section 17 of this Tariff hereof, except that such Transmission Customer shall not be obligated to pay any additional deposit if the capacity reservation does not exceed the amount reserved in the existing Service Agreement. While such new request is pending, the Transmission

Customer shall retain its priority for service at the existing firm Receipt and Delivery Points specified in its Service Agreement.

**23 Sale or Assignment of Transmission Service**

**23.1 Procedures for Assignment or Transfer of Service:**

Subject to Commission approval of any necessary filings, a Transmission Customer may sell, assign, or transfer all or a portion of its rights under its Service Agreement, but only to another Eligible Customer (the Assignee). The Transmission Customer that sells, assigns or transfers its rights under its Service Agreement is hereafter referred to as the Reseller. Compensation to the Reseller shall not exceed the higher of (i) the original rate paid to AEPCO by the Reseller, (ii) AEPCO's maximum rate on file at the time of the assignment, or (iii) the Reseller's opportunity cost capped at AEPCO's cost of expansion. If the Assignee does not request any change in the Point(s) of Receipt or the Point(s) of Delivery,

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or a change in any other term or condition set forth in the original Service Agreement, the Assignee will receive the same services as did the Reseller and the priority of service for the Assignee will be the same as that of the Reseller. A Reseller should notify AEPCO as soon as possible after any assignment or transfer of service occurs but in any event, notification must be provided prior to any provision of service to the Assignee. The Assignee will be subject to all terms and conditions of this Tariff. If the Assignee requests a change in service, the reservation priority of service will be determined by AEPCO pursuant to Section 13.2 of this Tariff.

**23.2 Limitations on Assignment or Transfer of Service:** If the Assignee requests a change in the Point(s) of Receipt or Point(s) of Delivery, or a change in any other specifications set forth in the original Service Agreement, AEPCO will consent to such change subject to the provisions of this Tariff, provided that the change

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will not impair the operation and reliability of AEPCO's generation or transmission systems. The Assignee shall compensate AEPCO for performing any System Impact Study needed to evaluate the capability of the Transmission System to accommodate the proposed change and any additional costs resulting from such change. The Reseller shall remain liable for the performance of all obligations under the Service Agreement, except as specifically agreed to by the Parties through an amendment to the Service Agreement.

**23.3 Information on Assignment or Transfer of Service:** In accordance with Section 4 of this Tariff, Resellers may use AEPCO's OASIS to post transmission capacity available for resale.

**24 Metering and Power Factor Correction at Receipt and Delivery Points(s)**

**24.1 Transmission Customer Obligations:** Unless otherwise agreed, the Transmission Customer shall be responsible

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for installing and maintaining compatible metering and communications equipment to accurately account for the capacity and energy being transmitted under Part II of this Tariff and to communicate the information to AEPCO. Such equipment shall remain the property of the Transmission Customer.

**24.2 Transmission Provider Access to Metering Data:** AEPCO shall have access to metering data, which may reasonably be required to facilitate measurements and billing under the Service Agreement.

**24.3 Power Factor:** Unless otherwise agreed pursuant to its Service Agreement, the Transmission Customer is required to maintain a power factor within the same range as AEPCO is obligated by its control area agent or pursuant to Good Utility Practice, as applicable, as such power factor requirements may be in effect from time to time pursuant to Good Utility Practice. The power factor requirements as of the effective date of

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this Tariff are set forth in Section 15.8 of this Tariff.

**25 Compensation for Transmission Service**

Rates for Firm and Non-Firm Point-To-Point Transmission Service are provided in the Schedules appended to this Tariff: Firm Point-To-Point Transmission Service (Schedule 7); and Non-Firm Point-To-Point Transmission Service (Schedule 8). AEPCO shall use Part II of this Tariff to make its Third-Party Sales. AEPCO shall account for such use at the applicable Tariff rates, pursuant to Section 8.

**26 Stranded Cost Recovery**

AEPCO may seek to recover stranded costs from the Transmission Customer pursuant to this Tariff in accordance with the terms, conditions and procedures set forth in FERC Order No. 888. AEPCO's proposed stranded cost recovering shall be subject to the dispute resolution provisions of Section 12 of this Tariff.

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**27 Compensation for New Facilities and Redispatch Costs**

Whenever a System Impact Study performed by AEPCO in connection with the provision of Firm Point-To-Point Transmission Service identifies the need for new facilities, the Transmission Customer shall be responsible for such costs to the extent consistent with Commission policy.

Whenever a System Impact Study performed by AEPCO identifies capacity constraints that may be relieved more economically by redispatching AEPCO's resources than by building new facilities or upgrading existing facilities to eliminate such constraints, the Transmission Customer shall be responsible for the redispatch costs to the extent consistent with Commission policy.

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III. NETWORK INTEGRATION TRANSMISSION SERVICE

Preamble

AEPCO will provide Network Integration Transmission Service pursuant to the applicable terms and conditions contained in this Tariff and Service Agreement. Network Integration Transmission Service allows the Network Customer to integrate, economically dispatch and regulate its current and planned Network Resources to serve its Network Load in a manner comparable to that in which AEPCO utilizes its Transmission System to serve its Native Load Customers. Network Integration Transmission Service also may be used by the Network Customer to deliver economy energy purchases to its Network Load from non-designated resources on an as-available basis without additional charge. Transmission service for sales to non-designated loads will be provided pursuant to the applicable terms and conditions of Part II of this Tariff.

28 Nature of Network Integration Transmission Service

28.1 Scope of Service: Network Integration Transmission

Service is a transmission service that allows Network Customers to efficiently and economically utilize their Network Resources (as well as other non-designated generation resources) to serve their Network Load located in AEPCO's quasi Control Area and any additional load that may be designated pursuant to Section 31.3 of this Tariff. The Network Customer taking Network Integration Transmission Service must obtain or provide Ancillary Services pursuant to Section 3 of this Tariff.

28.2 AEPCO's Responsibilities: AEPCO will plan, construct, operate and maintain its Transmission System in accordance with Good Utility Practice in order to provide the Network Customer with Network Integration Transmission Service over AEPCO's Transmission System. AEPCO, on behalf of its Native Load Customers, shall be required to designate resources and loads in the same

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manner as any Network Customer under Part III of this Tariff. This information must be consistent with the information used by AEPCO to calculate available transmission capability. AEPCO shall include the Network Customer's Network Load in its Transmission System planning and shall, consistent with Good Utility Practice, endeavor to construct and place into service sufficient transmission capacity to deliver the Network Customer's Network Resources to serve its Network Load on a basis comparable to AEPCO's delivery of its own generating and purchased resources to its Native Load Customers.

**28.3 Network Integration Transmission Service:** AEPCO will provide firm transmission service over its Transmission System to the Network Customer for the delivery of capacity and energy from its designated Network Resources to service its Network Loads on a basis that is comparable to AEPCO's use of the Transmission System to reliably serve its Native Load Customers.

**28.4 Secondary Service:** The Network Customer may use AEPCO's Transmission System to deliver energy to its Network Loads from resources that have not been designated as Network Resources. Such energy shall be transmitted, on an as-available basis, at no additional charge. Deliveries from resources other than Network Resources will have a higher priority than any Non-Firm Point-To-Point Transmission Service under Part II of this Tariff.

**28.5 Real Power Losses:** Real Power Losses are associated with all transmission service. AEPCO is not obligated to provide Real Power Losses. The Network Customer is responsible for replacing losses associated with all transmission service as calculated by AEPCO. Unless otherwise specified in a Service Agreement, AEPCO's applicable Real Power Loss factor for its system is 2.31 percent (2.31%).

**28.6 Power Factor:** Unless AEPCO is compensated by the Network Customer pursuant to a Service Agreement, the

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Network Customer shall maintain at all times a power factor between 95% lagging and 95% leading at its Point of Delivery, and AEPCO shall not be obligated to transmit reactive power from the Network Customer's Point of Receipt to its Point of Delivery.

**28.7 Restrictions on Use of Service:** The Network Customer shall not use Network Integration Transmission Service for (i) sales of capacity and energy to non-designated loads, or (ii) direct or indirect provision of transmission service by the Network Customer to third parties. All Network Customers taking Network Integration Transmission Service shall use Point-To-Point Transmission Service under Part II of this Tariff for any Third-Party Sale which requires use of AEPCO's Transmission System.

**29 Initiating Service**

**29.1 Condition Precedent for Receiving Service:** Subject to the terms and conditions of Part III of this Tariff,

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AEPCO will provide Network Integration Transmission Service to any Eligible Customer, provided that (i) the Eligible Customer completes an Application for service as provided under Part III of this Tariff, (ii) the Eligible Customer and AEPCO complete the technical arrangements set forth in Sections 29.3 and 29.4 of this Tariff, (iii) the Eligible Customer executes a Service Agreement pursuant to Attachment F for service under Part III of this Tariff or requests in writing that service pursuant to Section 29.5 of this Tariff, and (iv) the Eligible Customer executes a Network Operating Agreement with AEPCO pursuant to Attachment G.

**29.2 Application Procedures:** An Eligible Customer requesting service under Part III of this Tariff must submit an Application, with a deposit approximating the charge for one month of service, to AEPCO as far as possible in advance of the month in which service is to commence. Unless subject to the procedures in Section

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2 of this Tariff, Completed Applications for Network Integration Transmission Service will be assigned a priority according to the date and time the Application is received, with the earliest Application receiving the highest priority. Applications should be submitted by entering the information listed below on AEPCO's OASIS. Prior to implementation of AEPCO's OASIS, a Completed Application may be submitted by (i) transmitting the required information to AEPCO by facsimile, or (ii) providing the information by telephone over AEPCO's time recorded telephone line. Each of these methods will provide a time-stamped record for establishing the service priority of the Application. A Completed Application shall provide all of the information included in 18 CFR § 2.20 including but not limited to the following:

- (i) The identity, address, telephone number and facsimile number of the party requesting service;
- (ii) A statement that the party requesting service is, or will be upon commencement of service, an Eligible Customer under this Tariff;

- (iii) A description of the Network Load at each delivery point. This description should separately identify and provide the Eligible Customer's best estimate of the total loads to be served at each transmission voltage level, and the loads to be served from each AEPCO substation at the same transmission voltage level. The description should include a ten (10) year forecast of summer and winter load and resource requirements beginning with the first year after the service is scheduled to commence;
- (iv) The amount and location of any interruptible loads included in the Network Load. This shall include the summer and winter capacity requirements for each interruptible load (had such load not been interruptible), that portion of the load subject to interruption, the conditions under which an interruption can be implemented and any limitations on the amount and frequency of interruptions. An Eligible Customer should identify the amount of interruptible customer load (if any) included in the 10 year load forecast provided in response to (iii) above;
- (v) A description of Network Resources (current and 10-year projection), which shall include, for each Network Resource:
- Unit size and amount of capacity from that unit to be designated as Network Resource
  - VAR capability (both leading and lagging) of all generators
  - Operating restrictions
    - Any periods of restricted operations throughout the year
    - Maintenance schedules
    - Minimum loading level of unit
    - Normal operating level of unit

- Any must-run unit designations required for system reliability or contract reasons
  - Approximate variable generating cost (\$/MWh) for redispatch computations
  - Arrangements governing sale and delivery of power to third parties from generating facilities located in AEPCO's Service Area, where only a portion of unit output is designated as a Network Resource
  - Description of purchased power designated as a Network Resource including source of supply, Control Area location, transmission arrangements and delivery point(s) to AEPCO's Transmission System;
- (vi) Description of Eligible Customer's transmission system:
- Load flow and stability data, such as real and reactive parts of the load, lines, transformers, reactive devices and load type, including normal and emergency ratings of all transmission equipment in a load flow format compatible with that used by AEPCO
  - Operating restrictions needed for reliability
  - Operating guides employed by system operators
  - Contractual restrictions or committed uses of the Eligible Customer's transmission system, other than the Eligible Customer's Network Loads and Resources
  - Location of Network Resources described in subsection (v) above
  - 10 year projection of system expansions or upgrades
  - Transmission System maps that include any proposed expansions or upgrades

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- Thermal ratings of Eligible Customer's Control Area ties with other Control Areas; and
- (vii) Service Commencement Date and the term of the requested Network Integration Transmission Service. The minimum term for Network Integration Transmission Service is one year.

Unless the Parties agree to a different time frame, AEPCO must acknowledge the request within ten (10) days of receipt. The acknowledgment must include a date by which a response, including a Service Agreement, will be sent to the Eligible Customer. If an Application fails to meet the requirements of this section, AEPCO shall notify the Eligible Customer requesting service within fifteen (15) days of receipt and specify the reasons for such failure. Wherever possible, AEPCO will attempt to remedy deficiencies in the Application through informal communications with the Eligible Customer. If such efforts are unsuccessful, AEPCO shall return the Application without prejudice to the Eligible Customer filing a new or revised Application that fully complies with the requirements of this

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section. The Eligible Customer will be assigned a new priority consistent with the date of the new or revised Application. AEPCO shall treat this information consistent with the standards of conduct contained in Part 37 of the Commission's regulations.

**29.3 Technical Arrangements to be Completed Prior to**

**Commencement of Service: Network Integration**

Transmission Service shall not commence until AEPCO and the Network Customer, or a third party, have completed installation of all equipment specified under the Network Operating Agreement consistent with Good Utility Practice and any additional requirements reasonably and consistently imposed to ensure the reliable operation of the Transmission System. AEPCO shall exercise reasonable efforts, in coordination with the Network Customer, to complete such arrangements as soon as practicable taking into consideration the Service Commencement Date.

**29.4 Network Customer Facilities:** The provision of Network Integration Transmission Service shall be conditioned upon the Network Customer's constructing, maintaining and operating the facilities on its side of each delivery point or interconnection necessary to reliably deliver capacity and energy from AEPCO's Transmission System to the Network Customer. The Network Customer shall be solely responsible for constructing or installing all facilities on the Network Customer's side of each such delivery point or interconnection.

**29.5 Initiating Service in the Absence of an Executed Service Agreement:** If AEPCO and the Eligible Customer requesting Network Integration Transmission Service cannot agree on all the terms and conditions of the Network Integration Transmission Service Agreement, AEPCO or the Eligible Customer shall submit the disputed terms and conditions pursuant to the dispute resolution procedure of Section 12 of this Tariff. AEPCO will commence providing Network Integration

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Transmission Service to the Eligible Customer under an unexecuted Network Integration Transmission Service Agreement containing terms and conditions deemed appropriate by AEPCO for such requested service, subject to the Eligible Customer agreeing to i) compensate AEPCO under rates approval as just and reasonable by AEPCO's Board of Directors, and ii) comply with the terms and conditions of this Tariff, including posting security deposits in accordance with the terms of Section 29.2 of this Tariff.

**30 Network Resources**

**30.1 Designation of Network Resources: Network Resources**

shall include all generation owned, purchased or leased by the Network Customer designated to serve Network Load under this Tariff. Network Resources may not include resources, or any portion thereof, that are committed for sale to non-designated third party load or otherwise cannot be called upon to meet the Network

Customer's Network Load on a non-interruptible basis. Any owned or purchased resources that were serving the Network Customer's loads under firm agreements entered into on or before the Service Commencement Date shall initially be designated as Network Resources until the Network Customer terminates the designation of such resources.

**30.2 Designation of New Network Resources:** The Network

Customer may designate a new Network Resource by providing AEPCO with as much advance notice as practicable. A designation of a new Network Resource must be made by a request for modification of service pursuant to an Application under Section 29 of this Tariff.

**30.3 Termination of Network Resources:** The Network Customer

may terminate the designation of all or part of a generating resource as a Network Resource at any time but should provide notification to AEPCO as soon as reasonably practicable.

**30.4 Operation of Network Resources:** The Network Customer shall not operate its designated Network Resources located in the Network Customer's or AEPCO's quasi Control Area such that the output of those facilities exceeds its designated Network Load, plus non-firm sales delivered pursuant to Part II of this Tariff, plus losses. This limitation shall not apply to changes in the operation of a Transmission Customer's Network Resources at the request of AEPCO to respond to an emergency or unforeseen condition which may impair or degrade the reliability of the Transmission System.

**30.5 Network Customer Redispatch Obligation:** As a condition to receiving Network Integration Transmission Service, the Network Customer agrees to redispatch its Network Resources as requested by AEPCO pursuant to Section 33.2 of this Tariff. To the extent practical, the redispatch of resources pursuant to this section shall

be on a least cost, non-discriminatory basis between all Network Customers and AEPCO.

**30.6 Transmission Arrangements for Network Resources Not Physically Interconnected With AEPCO:** The Network Customer shall be responsible for any arrangements necessary to deliver capacity and energy from a Network Resource not physically interconnected with AEPCO's Transmission System. AEPCO will undertake reasonable efforts to assist the Network Customer in obtaining such arrangements, including without limitation, providing any information or data required by such other entity pursuant to Good Utility Practice.

**30.7 Limitation on Designation of Network Resources:** The Network Customer must demonstrate that it owns or has committed to purchase generation pursuant to an executed contract in order to designate a generating resource as a Network Resource. Alternatively, the Network Customer may establish that execution of a

contract is contingent upon the availability of transmission service under Part III of this Tariff.

**30.8 Use of Interface Capacity by the Network Customer:**

There is no limitation upon a Network Customer's use of AEPCO's Transmission System at any particular interface to integrate the Network Customer's Network Resources (or substitute economy purchases) with its Network Loads. However, a Network Customer's use of AEPCO's total interface capacity with other transmission systems may not exceed the Network Customer's Load.

**30.9 Network Customer Owned Transmission Facilities:** The

Network Customer that owns existing transmission facilities that are integrated with AEPCO's Transmission System may be eligible to receive consideration either through a billing credit or some other mechanism. In order to receive such consideration the Network Customer must demonstrate that its transmission facilities are integrated into the plans or operations of AEPCO to serve its power

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and transmission customers. For facilities constructed by the Network Customer subsequent to the Service Commencement Date under Part III of this Tariff, the Network Customer shall receive credit where such facilities are jointly planned and installed in coordination with AEPCO. Calculation of the credit shall be addressed in either the Network Customer's Service Agreement or any other agreement between the Parties.

**31 Designation of Network Load**

**31.1 Network Load:** The Network Customer must designate the individual Network Loads on whose behalf AEPCO will provide Network Integration Transmission Service. The Network Loads shall be specified in the Service Agreement.

**31.2 New Network Loads Connected With AEPCO:** The Network Customer shall provide AEPCO with as much advance notice as reasonably practicable of the designation of

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new Network Load that will be added to its Transmission System. A designation of new Network Load must be made through a modification of service pursuant to a new Application. AEPCO will use due diligence to install any transmission facilities required to interconnect a new Network Load designated by the Network Customer. The costs of new facilities required to interconnect a new Network Load shall be determined in accordance with the procedures provided in Section 32.4 of this Tariff and shall be charged to the Network Customer in accordance with Commission policies.

**31.3 Network Load Not Physically Interconnected with AEPCO:**

This section applies to both initial designation pursuant to Section 31.1 of this Tariff and the subsequent addition of new Network Load not physically interconnected with AEPCO's Transmission System. To the extent that the Network Customer desires to obtain transmission service for a load outside AEPCO's Transmission System, the Network Customer shall have

the option of (1) electing to include the entire load as Network Load for all purposes under Part III of this Tariff and designating Network Resources in connection with such additional Network Load, or (2) excluding that entire load from its Network Load and purchasing Point-To-Point Transmission Service under Part II of this Tariff. To the extent that the Network Customer gives notice of its intent to add a new Network Load as part of its Network Load pursuant to this Section 31.3, the request must be made through a modification of service pursuant to a new Application.

**31.4 New Interconnection Points:** To the extent the Network Customer desires to add a new Delivery Point or interconnection point between AEPCO's Transmission System and a Network Load, the Network Customer shall provide AEPCO with as much advance notice as reasonably practicable.

**31.5 Changes in Service Requests:** Under no circumstances shall the Network Customer's decision to cancel or

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delay a requested change in Network Integration Transmission Service (e.g. the addition of a new Network Resource or designation of a new Network Load) in any way relieve the Network Customer of its obligation to pay the costs of transmission facilities constructed by AEPCO and charged to the Network Customer as reflected in the Service Agreement. However, AEPCO must treat any requested change in Network Integration Transmission Service in a non-discriminatory manner.

**31.6 Annual Load and Resource Information Updates:** The Network Customer shall provide AEPCO with annual updates of Network Load and Network Resource forecasts consistent with those included in its Application for Network Integration Transmission Service under Part III of this Tariff. The Network Customer also shall provide AEPCO with timely written notice of material changes in any other information provided in its Application relating to the Network Customer's Network

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Load, Network Resources, its transmission system or other aspects of its facilities or operations affecting AEPCO's ability to provide reliable service.

**32 Additional Study Procedures For Network Integration  
Transmission Service Requests**

**32.1 Notice of Need for System Impact Study: After**

receiving a request for service, AEPCO shall determine on a non-discriminatory basis whether a System Impact Study is needed. A description of AEPCO's methodology for completing a System Impact Study is provided in Attachment D. If AEPCO determines that a System Impact Study is necessary to accommodate the requested service, it shall so inform the Eligible Customer, as soon as practicable. In such cases, AEPCO shall within thirty (30) days of receipt of a Completed Application, tender a System Impact Study Agreement pursuant to which the Eligible Customer shall agree to reimburse AEPCO for performing the required System Impact Study.

For a service request to remain a Completed Application, the Eligible Customer shall execute the System Impact Study Agreement and return it to AEPCO within fifteen (15) days. If the Eligible Customer elects not to execute the System Impact Study Agreement, its Application shall be deemed withdrawn and its deposit shall be returned with interest.

**32.2 System Impact Study Agreement and Cost Reimbursement:**

- (i) The System Impact Study Agreement will clearly specify AEPCO's estimate of the actual cost, and time for completion of the System Impact Study. The charge shall not exceed the actual cost of the study. In performing the System Impact Study, AEPCO shall rely, to the extent reasonably practicable, on existing transmission planning studies. The Eligible Customer will not be assessed a charge for such existing studies; however, the Eligible Customer will be responsible for charges associated with any modifications to

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existing planning studies that are reasonably necessary to evaluate the impact of the Eligible Customer's request for service on the Transmission System.

- (ii) If in response to multiple Eligible Customers requesting service in relation to the same competitive solicitation, a single System Impact Study is sufficient for AEPCO to accommodate the service requests, the costs of that study shall be pro-rated among the Eligible Customers.
- (iii) For System Impact Studies that AEPCO conducts on its own behalf, AEPCO shall record the cost of the System Impact Studies pursuant to Section 8 of this Tariff.

**32.3 System Impact Study Procedures:** Upon receipt of an executed System Impact Study Agreement, AEPCO will use due diligence to complete the required System Impact Study within a sixty (60) day period. The System Impact Study shall identify any system constraints and

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redispatch options, additional Direct Assignment Facilities or Network Upgrades required to provide the requested service. In the event that AEPCO is unable to complete the required System Impact Study within such time period, it shall so notify the Eligible Customer and provide an estimated completion date along with an explanation of the reasons why additional time is required to complete the required studies. A copy of the completed System Impact Study and related work papers shall be made available to the Eligible Customer. AEPCO will use the same due diligence in completing the System Impact Study for an Eligible Customer as it uses when completing studies for itself. AEPCO shall notify the Eligible Customer immediately upon completion of the System Impact Study if the Transmission System will be adequate to accommodate all or part of a request for service or that no costs are likely to be incurred for new transmission facilities or upgrades. In order for a request to remain a

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Completed Application, within fifteen (15) days of completion of the System Impact Study the Eligible Customer must execute a Network Integrated Transmission Service Agreement or request that service be initiated pursuant to Section 29.5 of this Tariff, or the Application shall be deemed terminated and withdrawn.

**32.4 Facilities Study Procedures:** If a System Impact Study indicates that additions or upgrades to the Transmission System are needed to supply the Eligible Customer's service request, and if the Eligible Customer is a SWRTA member, then AEPCO and the Eligible Customer shall follow the procedures for facilities studies set forth in Section 4.3.6 through 4.3.11 of the SWRTA Bylaws. If the Eligible Customer is not a SWRTA member, then AEPCO, within thirty (30) days of the completion of the System Impact Study, shall tender to the Eligible Customer a Facilities Study Agreement pursuant to which the Eligible Customer shall agree to reimburse AEPCO for performing the required Facilities

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Study. For a service request to remain a Completed Application, the Eligible Customer shall execute the Facilities Study Agreement and return it to AEPCO within fifteen (15) days. If the Eligible Customer elects not to execute the Facilities Study Agreement, its Application shall be deemed withdrawn and its deposit shall be returned with interest. Upon receipt of an executed Facilities Study Agreement, AEPCO will use due diligence to complete the required Facilities Study within a sixty (60) day period. If AEPCO is unable to complete the Facilities Study in the allotted time period, AEPCO shall notify the Eligible Customer and provide an estimate of the time needed to reach a final determination along with an explanation of the reasons that additional time is required to complete the study. When completed, the Facilities Study will include a good faith estimate of (i) the cost of Direct Assignment Facilities to be charged to the Eligible Customer, (ii) the Eligible Customer's appropriate

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share of the cost of any required Network Upgrades, and (iii) the time required to complete such construction and initiate the requested service. The Eligible Customer shall provide AEPCO with a letter of credit or other reasonable form of security acceptable to AEPCO equivalent to the costs of new facilities or upgrades consistent with commercial practices as established by the Uniform Commercial Code. The Eligible Customer shall have thirty (30) days to execute a Network Integration Transmission Service Agreement or request the that service be initiated pursuant to Section 28.5 of this Tariff and provide the required letter of credit or other form of security or the request no longer will be a Completed Application and shall be deemed terminated and withdrawn.

**33 Load Shedding and Curtailments**

**33.1 Procedures:** Prior to the Service Commencement Date, AEPCO and the Network Customer shall establish Load

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Shedding and Curtailment procedures pursuant to the Network Operating Agreement with the objective of responding to contingencies on the Transmission System. The Parties will implement such programs during any period when AEPCO determines that a system contingency exists and such procedures are necessary to alleviate such contingency. AEPCO will notify all affected Network Customers in a timely manner of any scheduled Curtailment.

**33.2 Transmission Constraints:** During any period when AEPCO determines that a transmission constraint exists on the Transmission System, and such constraint may impair the reliability of AEPCO's system, AEPCO will take whatever actions, consistent with Good Utility Practice, that are reasonably necessary to maintain the reliability of AEPCO's system. To the extent AEPCO determines that the reliability of the Transmission System can be maintained by redispatching resources, AEPCO will initiate procedures pursuant to the Network Operating

Agreement to redispach all Network Resources and AEPCO's own resources on a least-cost basis without regard to the ownership of such resources. Any redispach under this section may not unduly discriminate between AEPCO's use of the Transmission System on behalf of its Native Load Customers and any Network Customer's use of the Transmission System to serve its designated Network Load.

**33.3 Cost Responsibility for Relieving Transmission**

**Constraints:** Whenever AEPCO implements least-cost redispach procedures in response to a transmission constraint, AEPCO and Network Customers will each bear a proportionate share of the total redispach cost based on their respective Load Ratio Shares.

**33.4 Curtailments of Scheduled Deliveries:** If a

transmission constraint on AEPCO's Transmission System cannot be relieved through the implementation of least-cost redispach procedures and AEPCO determines that it is necessary to Curtail scheduled deliveries, the

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Parties shall Curtail such schedules in accordance with the Network Operating Agreement.

**33.5 Allocation of Curtailments:** AEPCO shall, on a non-discriminatory basis, Curtail the transaction(s) that effectively relieve the constraint. However, to the extent practicable and consistent with Good Utility Practice, any Curtailment will be shared by AEPCO and Network Customer in proportion to their respective Load Ratio Shares. AEPCO shall not direct the Network Customer to Curtail schedules to an extent greater than AEPCO would Curtail AEPCO's schedules under similar circumstances.

**33.6 Load Shedding:** To the extent that a system contingency exists on AEPCO's Transmission System and AEPCO determines that it is necessary for AEPCO and the Network Customer to shed load, the Parties shall shed load in accordance with previously established procedures under the Network Operating Agreement.

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33.7 System Reliability: Notwithstanding any other provisions of this Tariff, AEPCO reserves the right, consistent with Good Utility Practice and on a not unduly discriminatory basis, to Curtail Network Integration Transmission Service without liability on AEPCO's part for the purpose of making necessary adjustments to, changes in, or repairs on its lines, substations and facilities, and in cases where the continuance of Network Integration Transmission Service would endanger persons or property. In the event of any adverse condition(s) or disturbance(s) on AEPCO's Transmission System or on any other system(s) directly or indirectly interconnected with AEPCO's Transmission System, AEPCO, consistent with Good Utility Practice, also may Curtail Network Integration Transmission Service in order to (i) limit the extent or damage of the adverse condition(s) or disturbance(s), (ii) prevent damage to generating or transmission facilities, or (iii) expedite restoration of service.

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AEPCO will give the Network Customer as much advance notice as is practicable in the event of such Curtailment. Any Curtailment of Network Integration Transmission Service will be not unduly discriminatory relative to AEPCO's use of the Transmission System on behalf of its Native Load Customers. AEPCO shall specify the rate treatment and all related terms and conditions applicable in the event that the Network Customer fails to respond to established Load Shedding and Curtailment procedures.

**34 Rates and Charges**

The Network Customer shall pay AEPCO for any Direct Assignment Facilities, Ancillary Services, and applicable study costs, consistent with Commission policy, along with the following:

**34.1 Monthly Demand Charge:** The Network Customer shall pay a monthly Demand Charge, which shall be determined by

multiplying its Load Ratio Share times one twelfth  
(1/12) of AEPCO's Annual Transmission Revenue  
Requirement specified in Schedule H.

**34.2 Determination of Network Customer's Monthly Network**

**Load:** The Network Customer's monthly Network Load is its hourly load (including its designated Network Load not physically interconnected with AEPCO under Section 31.3 of this Tariff) coincident with AEPCO's Monthly Transmission System Peak.

**34.3 Determination of Transmission Provider's Monthly**

**Transmission System Load:** AEPCO's monthly Transmission System load is AEPCO's Monthly Transmission System Peak minus the coincident peak usage of all customers receiving Firm Point-To-Point Transmission Service pursuant to Part II of this Tariff plus the Reserved Capacity of all customers receiving Firm Point-To-Point Transmission Service .

**34.4 Redispatch Charge:** The Network Customer shall pay a Load Ratio Share of any redispatch costs allocated

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between the Network Customer and AEPCO pursuant to Section 33 of this Tariff. To the extent that AEPCO incurs an obligation to the Network Customer for redispatch costs in accordance with Section 33 of this Tariff, such amounts shall be credited against the Network Customer's bill for the applicable month.

**34.5 Stranded Cost Recovery:** AEPCO may seek to recover stranded costs from the Network Customer pursuant to this Tariff in accordance with the terms, conditions and procedures set forth in the Commission's Order No. 888.

**35 Operating Arrangements**

**35.1 Operation under The Network Operating Agreement:** The Network Customer shall plan, construct, operate and maintain its facilities in accordance with Good Utility Practice and in conformance with the Network Operating Agreement.

**35.2 Network Operating Agreement:** The manner in which the Network Customer shall operate its facilities and the technical and operational matters associated with the implementation of Part III of this Tariff shall be specified in the terms and conditions of the Network Operating Agreement. The Network Operating Agreement shall enable the Parties to (i) operate and maintain equipment necessary for integrating the Network Customer within AEPCO's Transmission System (including, but not limited to, remote terminal units, metering, communications equipment and relaying equipment), (ii) transfer data between AEPCO and the Network Customer (including, but not limited to, heat rates and operational characteristics of Network Resources, generation schedules for units outside AEPCO's Transmission System, interchange schedules, unit outputs for redispatch required under Section 33 of this Tariff, voltage schedules, loss factors and other real time data), (iii) use software programs required

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for data links and constraint dispatching, (iv) exchange data on forecasted loads and resources necessary for long-term planning, and (v) address any other technical and operational considerations required for implementation of Part III of this Tariff, including scheduling protocols. The Network Operating Agreement will recognize that the Network Customer shall either (i) operate as a Control Area under applicable guidelines of the North American Electric Reliability Council (NERC) and the Western Systems Coordinating Council (WSCC) (ii) satisfy its Control Area requirements, including all necessary Ancillary Services, by contracting with AEPCO, or (iii) satisfy its Control Area requirements, including all necessary Ancillary Services, by contracting with another entity, consistent with Good Utility Practice, which satisfies NERC and the WSCC requirements. AEPCO shall not unreasonably refuse to accept contractual arrangements with another entity for Ancillary Services. The

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Network Operating Agreement is included in Attachment  
G.

**35.3 Network Operating Committee:** A Network Operating  
Committee (Committee) shall be established to  
coordinate operating criteria for the Parties'  
respective responsibilities under the Network Operating  
Agreement. Each Network Customer shall be entitled to  
have at least one representative on the Committee. The  
Committee shall meet from time to time as need  
requires, but no less than once each calendar year.

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**SCHEDULE 1**

**Scheduling, System Control and Dispatch Service**

This service is required to schedule the movement of power through, out of, within, or into a Control Area. This service can be provided only by the operator of the Control Area in which the transmission facilities used for transmission service are located. In as much as AEPCO, by separate arrangement with its Control Area operator, performs Scheduling, System Control and Dispatch Service functions related to loads within its part of the Control Area, Scheduling, System Control and Dispatch Service is provided in part by AEPCO and in part by AEPCO's Control Area operator. The Transmission or Network Customer must purchase this service from AEPCO. To the extent the Control Area operator performs part of this service for AEPCO, charges to the Transmission Customer or Network Customer are to reflect only a pass-through of the costs charged to AEPCO by that Control Area

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operator for the portion of this service provided by the Control Area operator.

Until AEPCO's Control Area operator delineates its separate charge for the portions of the service that it provides to AEPCO, AEPCO shall base its monthly charge for Scheduling, System Control and Dispatch Service, which includes energy accounting and billing and that portion of the service performed by AEPCO's Control Area operator, on AEPCO's cost of service. The rates set forth herein for Scheduling, System Control and Dispatch Service are based on AEPCO's expenses charged to the system control and dispatch account per unit of resource capacity dispatchable. AEPCO's monthly charge for this service shall be determined as follows:

For first time Transmission Customers or Network Customers, or Transmission Customers or Network Customers that have not scheduled transactions in the prior six months, AEPCO shall charge a one time set up fee of \$175.00, billed in the first month of service. In addition, and applicable to all

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Transmission Customers and Network Customers, AEPCO's monthly charge for this service shall be the greater of \$620.00 per month or the applicable result from the following schedule of rates:

- (1) For each whole month of service or whole month's peak period - \$0.070/kW-month (\$70.00/MW-month) of Reserved Capacity.
- (2) For each whole week of service or whole week's peak period - \$0.0163/kW (\$16.30/MW) of Reserved Capacity.
- (3) For each whole day or whole daily on-peak period - \$0.0023/kW (\$2.30/MW) of Reserved Capacity.
- (4) For transactions less than a whole day's peak hours - \$0.00017/kWh (0.17 mills/kWh) of delivered energy.

The total dollar charge in any day pursuant to the rate in (4) above for hourly delivery shall not exceed the rate specified in (3) above times the highest amount in kilowatts of Reserved Capacity in any hour during such day. Similarly, the total dollar charge in any week,

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pursuant to the hourly rate in (4) above or the daily rate in (3) above, shall not exceed the rate specified in (2) above times the highest amount in kilowatts of Reserved Capacity in any hour during such week.

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SCHEDULE 2

Reactive Supply and Voltage Control from  
Generation Sources Service

In order to maintain transmission voltages on AEPCO's transmission facilities within acceptable limits, AEPCO's generation facilities and those of others under the control of the control area operator are operated to produce (or absorb) reactive power. Thus, Reactive Supply and Voltage Control from Generation Sources Service must be provided for each transaction using AEPCO's transmission facilities. The amount of Reactive Supply and Voltage Control from Generation Sources Service that must be supplied with respect to the Transmission Customer's transaction will be determined based on the reactive power support necessary to maintain transmission voltages within limits that are generally accepted in the region and consistently adhered to by AEPCO.

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Reactive Supply and Voltage Control from Generation Sources Service is provided in part by AEPCO and in part pursuant to AEPCO's existing arrangements with AEPCO's Control Area operator.

. The Transmission Customer or Network Customer must purchase this service from AEPCO . To the extent the Control Area operator performs part of this service for AEPCO, charges to the Transmission Customer or Network Customer are to reflect only a pass-through of the costs charged to AEPCO by that Control Area operator for the portion of this service provided by the Control Area operator.

Until AEPCO's Control Area operator delineates its separate charge for the portions of the service that it provides to AEPCO, AEPCO shall base its monthly charge for Reactive Supply and Voltage Control from Generation Sources Service, which includes that portion of the service performed by AEPCO's Control Area operator, on AEPCO's cost of service. The rates for Reactive Supply and Voltage Control from Generation Sources Service are based on the costs of AEPCO's generating units' generator

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control and excitation systems as allocated between MW and MVAR production capacity based on nameplate power factor capability. AEPCO's monthly charge for this service shall be the applicable result from the following schedule of rates:

A. For Network Customers -

- (1) For each whole month of service or whole month's on-peak period - \$0.074/kW (\$74.00/MW) of Network Load.
- (2) For each whole week of service or whole weeks on peak period - \$0.0173/kW (\$17.30/MW) of Network Load.
- (3) For each whole day or whole day's on-peak period - \$0.0025/kW (\$2.50/MW) of Network Load.
- (4) For transactions less than a whole day or a whole day's peak hours - \$0.00010/kWh (0.10 mills/kWh) of delivered energy.

The total dollar charge in any day pursuant to the rate in (4) above for hourly delivery shall not exceed the rate specified in (3) above times the highest amount in kilowatts of Network Load in any hour during such day.

Similarly, the total dollar charge in any week,

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pursuant to the hourly rate in (4) above or the daily rate in (3) above, shall not exceed the rate specified in (2) above times the highest amount in kilowatts of Network Load in any hour during such week.

B. For Transmission Customers (Point to Point Service) -

- (1) For each whole month of service or whole month's on-peak period - \$0.066/kW (\$66.00/MW) of Reserved Capacity.
- (2) For each whole week of service or whole week's on peak period - \$0.0154/kW (\$15.40/MW) of Reserved Capacity.
- (3) For each whole day or whole day's on-peak period - \$0.0022/kW (\$2.20/MW) of Reserved Capacity.
- (4) For transactions less than a whole day or whole day's peak hours - \$0.00016/kWh (0.16 mills/kWh) of delivered energy.

The total dollar charge in any day pursuant to the rates in (4) above for hourly delivery shall not exceed the rate specified in (3) above times the highest amount in kilowatts of Reserved Capacity in any hour

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during such day. Similarly, the total dollar charge in any week, pursuant to the hourly rate in (4) above or the daily rate in (3) above, shall not exceed the rate specified in (2) above times the highest amount in kilowatts of Reserved Capacity in any hour during such week.

## SCHEDULE 3

**Regulation and Frequency Response Service**

Regulation and Frequency Response Service is necessary to provide for the continuous balancing of resources (generation and interchange) with load and for maintaining scheduled Interconnection frequency at sixty cycles per second (60 Hz). Regulation and Frequency Response Service is accomplished by committing on-line generation whose output is raised or lowered (predominantly through the use of automatic generating control equipment) as necessary to follow the moment-by-moment changes in load. Pursuant to an agreement between AEPCO and its Control Area operator, the obligation to maintain this balance between resources and load lies in part with AEPCO and in part with the Control Area operator. AEPCO may offer this service when the transmission service is used to serve load within its portion of the Control Area. The Transmission Customer or Network Customer must either purchase this service from AEPCO or make alternative comparable arrangements to satisfy its Regulation and Frequency

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Response Service obligation. For the part of the service that is provided by AEPCO's Control Area operator, charges to the Transmission Customer or Network Customer are to reflect only a pass-through of the costs charged to AEPCO by that Control Area operator for the portion of this service provided by the Control Area operator.

The Transmission or Network Customer must identify in its Application how it intends to provide for Regulation and Frequency Response Service.

Until AEPCO's Control Area operator delineates its separate charge for the portions of the service that it provides to AEPCO, AEPCO shall base its monthly charge for Regulation and Frequency Response Service, which includes that portion of the service performed by AEPCO's Control Area operator, on AEPCO's cost of service.

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The NERC requirement sets aside a portion of each Control Areas on-line generating capacity (nominally 5% of firm loads) to ensure that the Control Area is able to maintain its tie line flows with other control areas to within an acceptable Area Control Error during each hour. AEPCO normally allows its Control Area operator to call upon approximately 20 MW of the capacity of its Steam Units 2 & 3 at Apache Generating Station to assist the Control Area Operator in providing this service. This 20 MW represents 3.4% of AEPCO's 1997 projected firm loads and contract demands plus Reserved Capacity, on a 12 CP basis. Based on this percentage and AEPCO's cost of service related to these base load generating units, AEPCO's monthly charge for this service shall be the applicable result from the following schedule of rates:

- (1) For each whole month of service or whole month's on-peak period - \$0.391/kW (\$391.00/MW) of Reserved Capacity or Network Load.

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- (2) For each whole week of service or whole week's on peak period - \$0.0912/kW (\$91.20/MW) of Reserved Capacity or Network Load.
- (3) For each whole day or whole day's on-peak period - \$0.0130/kW (\$13.00/MW) of Reserved Capacity or Network Load.
- (4) For transactions less than a whole day or whole day's peak hours - \$0.00094/kWh (0.94 mills/kWh) of delivered energy.

The total dollar charge in any day pursuant to the rate in (4) above for hourly delivery shall not exceed the rate specified in (3) above times the highest amount in kilowatts of Reserved Capacity or Network Load in any hour during such day. Similarly, the total dollar charge in any week, pursuant to the hourly rate in (4) above or the daily rate in (3) above, shall not exceed the rate specified in (2) above times the highest amount in kilowatts of Reserved Capacity or Network Load in any hour during such week.

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SCHEDULE 4

Energy Imbalance Service

Energy Imbalance Service is provided when a difference occurs between the scheduled and the actual delivery of energy to a load located within a Control Area over a single hour. AEPCO may offer this service when the transmission service is used to serve load within its portion of the Control Area. The Transmission Customer or Network Customer must either purchase this service from AEPCO or make alternative comparable arrangements to satisfy its Energy Imbalance Service obligation. To the extent the Control Area operator performs part of this service for AEPCO, charges to the Transmission Customer or Network Customer are to reflect only a pass-through of the costs charged to AEPCO by that Control Area operator for the portion of this service provided by the Control Area operator.

AEPCO shall establish a deviation band of +/- 1.5 percent (with a minimum of 2 MW) of the scheduled transaction to be applied

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hourly to any energy imbalance that occurs as a result of the Transmission Customer's or Network Customer's scheduled transaction(s). Parties should attempt to eliminate energy imbalances within the limits of the deviation band within the calendar month following the month in which the energy imbalance occurred. If an energy imbalance is not eliminated within the calendar month following the month in which the energy imbalance accrued, the Transmission Customer or Network Customer and AEPCO will settle the remaining imbalance at the end of the month following the month in which the imbalance accrued as follows:

- (1) For positive imbalances (i.e. the Transmission Customer's supplier or Network Customer's resources delivered more energy to AEPCO than the Transmission Customer's or Network Customer's load required), AEPCO shall credit the Transmission Customer's or Network Customer's bill at AEPCO's average monthly fuel cost rate applied to the amount of energy imbalance. AEPCO's average monthly fuel cost rate is currently \$14.06/MWh.

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- (2) For negative imbalances (i.e. the Transmission Customer's supplier or Network Customer's resource did not deliver enough energy to AEPCO to serve the Transmission Customer's or Network Customer's load), the Transmission Customer or Network Customer shall pay AEPCO at a rate of \$100/MWh of energy imbalance.

Energy imbalances outside the deviation band (excessive imbalances) will be subject to rates set forth above, and shall be billable immediately in the bill for the month in which such excessive imbalance accrued.

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SCHEDULE 5

Operating Reserve - Spinning Reserve Service

Spinning Reserve Service is needed to serve load immediately in the event of a system contingency. Under WSCC criteria, a Control Area's spinning reserve obligation is equal in amount to the larger of its largest single generation unit or the amount of load that must be removed in order to provide service to the remaining loads under a worst case outage of its most loaded transmission line. AEPCO has been able to reduce its spinning reserve obligation by joining the reserve sharing arrangement of the Inland Power Pool.

Pursuant to AEPCO's obligation to the Inland Power Pool, AEPCO's spinning reserve obligation may be satisfied by generating units that are on-line and automatically capable of assuming the amount of spinning reserve that AEPCO is obligated to provide. AEPCO may offer Spinning Reserve Service when the associated

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transmission service is used to serve a load within its portion of the Control Area.

For the purposes of this Schedule, AEPCO will require the Transmission Customer or Network Customer to provide spinning reserves in an amount equal to the lesser of such customer's obligation pursuant to the WSCC criteria, or a pro rata share (based on loads) of AEPCO's spinning reserve obligation to the Inland Power Pool when including the Transmission Customers' and Network Customers' loads and resources in determining AEPCO's spinning reserve obligation.

The Transmission Customer or Network Customer within AEPCO's portion of the Control Area must either purchase Spinning Reserve Service from AEPCO or make alternative comparable arrangements to satisfy its spinning reserve obligation. To the extent that AEPCO has limited Available Transmission Capability to serve load within its portion of the Control Area, AEPCO may require that Spinning Reserve Service be obtained by the Transmission Customer

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or Network Customer from sources within AEPCO's portion of the Control Area. The Transmission Customer and Network Customer must identify in its Application how it intends to provide for Spinning Reserves. The use of any resources owned by parties other than the Transmission Provider as Spinning Reserve resources shall be subject to verification by the Transmission Provider that such resources conform to applicable WSCC criteria.

The Inland Power Pool formula to determine AEPCO's Spinning Reserve obligation resulted in AEPCO being required to maintain an average of 5.2% of its total firm load, including contract sales, as Spinning Reserve. AEPCO uses its Steam 2 & 3 base load generating units at Apache Generating Station in providing Spinning Reserves. Based on the 5.2% and its cost of service related to these resources, AEPCO's rates for Spinning Reserve Service are as set forth below:

- (1) For each whole month of service or whole month's on-peak period - \$0.674/kW (\$674.00/MW) of Reserved Capacity or Network Load.

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- (2) For each whole week of service or whole week's on peak period - \$0.1573/kW (\$157.30/MW) of Reserved Capacity or Network Load.
- (3) For each whole day or whole day's on-peak period - \$0.02250/kW (\$22.50/MW) of Reserved Capacity or Network Load.
- (4) For transactions less than a whole day or whole day's peak hours - \$0.00161 (1.61 mills) per kWh of delivered energy.

The total dollar charge in any day pursuant to the rate in (4) above for hourly delivery shall not exceed the rate specified in (3) above times the highest amount in kilowatts of Reserved Capacity or Network Load in any hour during such day. Similarly, the total dollar charge in any week, pursuant to the hourly rate in (4) above or the daily rate in (3) above, shall not exceed the rate specified in (2) above times the highest amount in kilowatts of Reserved Capacity or Network Load in any hour during such week.

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For outages related to its resources or the delivery thereof, the Transmission Customer or Network Customer shall be responsible for arranging to obtain energy to substitute for its outaged resource within the 10 minutes following the outage of its resource. Any energy supplied by AEPCO to such customer's load in the period prior to the implementation of such substitute energy as determined by AEPCO shall be billed by AEPCO and paid for by the Transmission Customer or Network Customer at the rate of \$100/MWh, unless otherwise agreeable to AEPCO as set forth in the Service Agreement. Spinning Reserve Service does not include the provision of energy for the customer's load beyond 10 minutes following an outage or system contingency.

AEPCO

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SCHEDULE 6

Operating Reserve - Supplemental Reserve Service

Supplemental Reserve Service is needed to serve load in the event of a system contingency; however, it need not be available immediately to serve load but rather within a period of ten (10) minutes . Pursuant to AEPCO's obligation to the Inland Power Pool, Supplemental Reserve Service may be provided by generating units that are on-line but unloaded, by quick-start generation or by qualified interruptible load. To be qualified as interruptible load for Supplemental Reserve Service, such load shall be either directly tripped within the 10 minutes following the system contingency through direct controls available to AEPCO or the Transmission or Network Customer. AEPCO may offer Supplemental Reserve Service when the associated transmission service is used to serve load within its portion of the Control Area.

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The Transmission or Network Customer must either purchase Supplemental Reserve Service from AEPCO or make alternative comparable arrangements to satisfy its Supplemental Reserve Service obligation. To the extent that AEPCO has limited Available Transmission Capability to serve loads within its portion of the Control Area, AEPCO may require that Supplemental Reserve Service be obtained by the Transmission or Network Customer from sources within AEPCO's portion of the Control Area. The Transmission Customer and Network Customer must identify in its Application how it intends to provide for Supplemental Reserves. The use of any resources owned or interruptible load controlled by parties other than the Transmission Provider as Supplemental Reserve resources shall be subject to verification by the Transmission Provider that such resources conform to applicable WSCC criteria.

The Inland Power Pool formula to determine AEPCO's Supplemental Reserve obligation resulted in AEPCO being required to maintain an average of 3.8% of its total firm load and contract sales as

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Supplemental Reserve. To provide this service, AEPCO uses its quick start Combustion Turbine generating units (GT#1 and GT#2, which have a total rated net capacity of 30 MW). Based on the 3.8% and the cost of service related to these resources, AEPCO's monthly charge for Supplemental Reserve Service shall be the applicable result from the following schedule of rates:

- (1) For each whole month of service or whole month's on-peak period - \$0.098/kW (\$98.00/MW) of Reserved Capacity or Network Load.
- (2) For each whole week of service or whole week's on peak period - \$0.0229/kW (\$22.90/MW) of Reserved Capacity or Network Load.
- (3) For each whole day or whole day's on-peak period - \$0.0033/kW (\$3.30/MW) of Reserved Capacity or Network Load.
- (4) For transactions less than a whole day or whole day's peak hours - \$0.00024 (0.24 mills) per kWh of delivered energy.

The total dollar charge in any day pursuant to the rate in

(4) above for hourly delivery shall not exceed the rate

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specified in (3) above times the highest amount in kilowatts of Reserved Capacity or Network Load in any hour during such day. Similarly, the total dollar charge in any week, pursuant to the hourly rate in (4) above or the daily rate in (3) above, shall not exceed the rate specified in (2) above times the highest amount in kilowatts of Reserved Capacity or Network Load in any hour during such week.

The Transmission Customer or Network Customer shall also be billed and pay for energy supplied by AEPCO to such customer's load following the resource outage or other system contingency that requires energy from resources other than those for which transmission service is intended. For outages related to its resources or the delivery thereof, the Transmission Customer or Network Customer shall be responsible for arranging to obtain energy to substitute for its outaged resource. Such substitute energy shall be made available to serve such customer's load within 60 minutes following the outage of its resource. Any energy supplied by AEPCO to such customer's load in the period

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prior to the implementation of such substitute energy as determined by AEPCO shall be billed by AEPCO and paid for by the Transmission Customer or Network Customer at the rate AEPCO actually incurred in acquiring or supplying the energy.

Supplemental Reserve Service does not include the provision of energy for the customer's load beyond the time frame set forth above.

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**SCHEDULE 7**

**Long-Term Firm and Short-Term Firm Point-To-Point  
Transmission Service**

The Transmission Customer shall compensate AEPCO each month for Reserved Capacity at the sum of the applicable rates set forth below:

- (1) **Yearly delivery:** One-twelfth of the demand rate of \$29.197/kW of Reserved Capacity per year.
- (2) **Monthly delivery:** The rate shall be agreed upon by the Parties at the time this service is reserved but in no event shall exceed \$2.433/kW of Reserved Capacity per month.
- (3) **Weekly delivery:** The rate shall be agreed upon by the Parties at the time this service is reserved but in no event shall exceed \$0.5678/kW of Reserved Capacity per week. The total dollar charge in any month, pursuant to a reservation

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for Weekly delivery, shall not exceed the rate specified in (2) above times the highest amount in kilowatts of Reserved Capacity in any week during such month.

- (4) **Daily delivery:** The rate shall be agreed upon by the Parties at the time this service is reserved but in no event shall exceed \$0.0811/kW of Reserved Capacity per day.

The total dollar charge in any week, pursuant to a reservation for Daily delivery, shall not exceed the rate specified in (3) above times the highest amount in kilowatts of Reserved Capacity in any day during such week.

- (5) **Discounts:** Three principal requirements apply to discounts for transmission service as follows: (1) any offer of a discount made by AEPCO must be announced to all Eligible Customers solely by posting on the OASIS; (2) any customer-initiated requests for discounts (including requests for use by one's wholesale merchant or an affiliate's use) must occur solely by posting on the OASIS; and, (3) once a discount is negotiated, details must be immediately posted on the OASIS. For any discount agreed upon for service on a

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path, from point(s) of receipt to point(s) of delivery,  
AEPCO must offer the same discounted transmission service  
rate for the same time period to all Eligible Customers on  
all unconstrained transmission paths that go to the same  
point(s) of delivery on the Transmission System.

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SCHEDULE 8

Non-Firm Point-To-Point Transmission Service

The Transmission Customer shall compensate AEPCO for Non-Firm Point-To-Point Transmission Service up to the sum of the applicable rates set forth below:

- (1) **Monthly delivery:** The rate shall be agreed upon by the Parties at the time this service is reserved but in no event shall exceed \$2.433/kW of Reserved Capacity per month.
- (2) **Weekly delivery:** The rate shall be agreed upon by the Parties at the time this service is reserved but in no event shall exceed \$0.5678/kW of Reserved Capacity per week.
- (3) **Daily delivery:** The rate shall be agreed upon by the Parties at the time this service is reserved but in no event shall exceed \$0.0811/kW of Reserved Capacity per day. The total dollar charge in any week, pursuant to a reservation for Daily delivery, shall not exceed the rate specified in

- (2) above times the highest amount in kilowatts of Reserved Capacity in any day during such week.
- (4) **Hourly delivery:** The rate shall be that agreed upon by the Parties at the time this service is reserved and in no event shall exceed \$5.83/MWh. The total dollar charge in any day, pursuant to a reservation for Hourly delivery, shall not exceed the rate specified in (3) above times the highest amount in kilowatts of Reserved Capacity in any hour during such day. In addition, the total dollar charge in any week, pursuant to a reservation for Hourly or Daily delivery, shall not exceed the rate specified in (2) above times the highest amount in kilowatts of Reserved Capacity in any hour during such week.
- (5) **Discounts:** Three principal requirements apply to discounts for transmission service as follows: (1) any offer of a discount made by AEPCO must be announced to all Eligible Customers solely by posting on the OASIS; (2) any customer-initiated requests for discounts (including requests for use by one's wholesale merchant or an affiliate's use) must

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occur solely by posting on the OASIS; and, (3) once a discount is negotiated, details must be immediately posted on the OASIS. For any discount agreed upon for service on a path, from point(s) of receipt to point(s) of delivery, AEPCO must offer the same discounted transmission service rate for the same time period to all Eligible Customers on all unconstrained transmission paths that go to the same point(s) of delivery on the Transmission System.

ATTACHMENT A

Form Of Service Agreement For  
Firm Point-To-Point Transmission Service

- 1.0 This Service Agreement, dated as of \_\_\_\_\_, is entered into by and between the Arizona Electric Power Cooperative, Inc. ("AEPCO"), a nonprofit electric generation and transmission cooperative corporation organized under the laws of the State of Arizona, and \_\_\_\_\_ ("Transmission Customer").
- 2.0 The Transmission Customer has been determined by AEPCO to be a Transmission Customer under Part II of the Tariff and has submitted a Completed Application for Firm Point-to-Point Transmission Service in accordance with Section 17.2 of the Tariff. AEPCO and Transmission Customer have set forth Specifications For Firm Point-to-Point Transmission Service, which are hereby made a part hereof.
- 3.0 The Transmission Customer has provided to AEPCO an Application deposit in accordance with the provisions of Section 17.3 of the Tariff.
- 4.0 Service under this Service Agreement shall commence on the later of (1) the requested service commencement date, or (2) the date on which construction of any Direct Assignment Facilities and/or Network Upgrades are completed. Service under this Service Agreement shall terminate on such date as mutually agreed upon by the parties.
- 5.0 AEPCO agrees to provide and the Transmission Customer agrees to take and pay for Firm Point-to-Point Transmission Service in accordance with the provisions of Part II of the

Tariff and this Service Agreement, as may be amended from time to time.

6.0 Any notice or request, other than requests to schedule specific transactions, made to or by either Party regarding this Service Agreement shall be made to the representative of the other Party indicated below.

AEPCO:

Transmission Customer:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

7.0 The Tariff is incorporated herein and made a part hereof.

8.0 Payments for Firm Point-to-Point Transmission Service provided to the Transmission Customer by AEPCO under this Service Agreement shall be sent to the name and address indicated on the bill provided to the Transmission Customer.

IN WITNESS WHEREOF, the Parties have caused this Service Agreement to be executed by their respective authorized officials.

AEPCO:

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Transmission Customer: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Specifications For Long-Term Firm or Non-Firm Point-To-Point  
Transmission Service

- 1.0 Type of Service (Firm or Non-Firm): \_\_\_\_\_
- 2.0 Term of Transaction: \_\_\_\_\_  
Start Date: \_\_\_\_\_  
Termination Date: \_\_\_\_\_
- 3.0 Description of capacity and energy to be transmitted by  
AEPCO including the electric Control Area in which the  
transaction originates:  
\_\_\_\_\_
- 4.0 Point(s) of Receipt: \_\_\_\_\_  
Delivering Party: \_\_\_\_\_
- 5.0 Point(s) of Delivery: \_\_\_\_\_  
Receiving Party: \_\_\_\_\_
- 6.0 Maximum amount of capacity and energy to be transmitted  
(Reserved Capacity): \_\_\_\_\_
- 7.0 Designation of party(ies) subject to reciprocal service  
obligation:  
\_\_\_\_\_
- 8.0 Name(s) of any Intervening Systems providing transmission  
service:  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
- 9.0 Service under this Agreement may be subject to some  
combination of the rates & services detailed below. (The  
appropriate rates for individual transactions will be

determined in accordance with the terms and conditions of the Tariff.)

9.1 Transmission Rate & Charge: \_\_\_\_\_

9.2 System Impact and/or Facilities Study Charge(s):  
\_\_\_\_\_  
\_\_\_\_\_

9.3 Direct Assignment Facilities & Charge:  
\_\_\_\_\_  
\_\_\_\_\_

9.4 Ancillary Services Rate(s) & Charges:  
Schedule 1 - \_\_\_\_\_  
Schedule 2 - \_\_\_\_\_  
Schedule 3 - \_\_\_\_\_  
Schedule 4 - \_\_\_\_\_  
Schedule 5 - \_\_\_\_\_  
Schedule 6 - \_\_\_\_\_  
Schedule 3&5 Package - \_\_\_\_\_

9.5 Other Services (Specify) - \_\_\_\_\_  
\_\_\_\_\_

10.0 Special terms and conditions shall be as follows:  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Note: N/A means Not Applicable

**ATTACHMENT B**

**Form Of Service Agreement For Non-Firm Point-To-Point  
Transmission Service**

- 1.0 This Service Agreement, dated as of \_\_\_\_\_, is entered into by and between Arizona Electric Power Cooperative, Inc. (AEPCO), a nonprofit electric generation and transmission cooperative corporation organized under the laws of the State of Arizona, and \_\_\_\_\_ (Transmission Customer).
- 2.0 The Transmission Customer has been determined by AEPCO to be a Transmission Customer under Part II of the Tariff and has filed a Completed Application for Non-Firm Point-To-Point Transmission Service in accordance with Section 18.2 of the Tariff. AEPCO and Transmission Customer have set forth Specifications For Non-Firm Point-to-Point Transmission Service, which are hereby made a part hereof.
- 3.0 Service under this Service Agreement shall be provided by AEPCO upon request by an authorized representative of the Transmission Customer.
- 4.0 The Transmission Customer agrees to supply information AEPCO deems reasonably necessary in accordance with Good Utility Practice in order for it to provide the requested service.
- 5.0 AEPCO agrees to provide and the Transmission Customer agrees to take and pay for Non-Firm Point-To-Point Transmission Service in accordance with the provisions of Part II of the Tariff and this Service Agreement.

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6.0 Any notice or request, other than requests to schedule specific transactions, made to or by either Party regarding this Service Agreement shall be made to the representative of the other Party as indicated below.

AEPCO:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Transmission Customer:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

7.0 The Tariff is incorporated herein and made a part hereof.

8.0 Payments for Non-Firm Point-to-Point Transmission Service provided under this Service Agreement shall be sent to the name and address indicated on the bill to the Transmission Customer.

IN WITNESS WHEREOF, the Parties have caused this Service Agreement to be executed by their respective authorized officials.

AEPCO:

By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

Transmission Customer: \_\_\_\_\_  
By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

ATTACHMENT C

Methodology To Assess Available Transmission Capability

AEPCO will assess the capability of its Transmission System to determine Available Transfer Capability (ATC) according to the following criteria:

1. NERC and WSCC Reliability Criteria and Planning Guidelines;
2. AEPCO internal Reliability Criteria, as filed in Section 4 of its annual FERC Form 715 filing; and,
3. Good Utility Practice.

System studies will evaluate AEPCO's transmission system based on voltage, thermal, and stability conditions with all lines in service and under various outage or contingency conditions. These studies can be considered adequate if they follow the criteria listed above, but in the final analysis, sound engineering judgment will prevail.

ATC will be the capacity of the system remaining after accounting for AEPCO's committed uses, including transmission services for its member systems (native load and its reliability requirements), existing off-system sales, other existing contractual commitments, including existing wheeling obligations, and other contemporary service requests. AEPCO will follow NERC and WSCC methodologies for determining ATC from the Total Transfer Capability (TTC) of its system.

TTC is basically the amount of power that can be brought into the area under the worst case single contingency (N-1) system condition. AEPCO's current system TTC is deficient for

current firm commitments, imposing a minimum Apache Station generation must run condition in order to serve all firm committed uses. With Apache Station generation on-line, the current worst case single contingency system condition is the loss of the Apache to Redtail 230 kV line. Upgrades of the Greenlee Substation, scheduled for completion in early 1998, shift the worst case single contingency system condition to a loss of the Greenlee tie. This new system condition in 1998 does not offset the need for Apache Station generation must run conditions.

Additionally, AEPCO's ability to schedule power into its system will be limited by its contract rights to capacity across its interconnections with the Western Area Power Administration (Western), Salt River Project (SRP), and Tucson Electric Power Company (TEP), which also constrains ATC.

The fine tuning of these studies is an on-going effort, and AEPCO will perform all studies for transmission service requests as it would perform studies for its own use of the system.

AEPCO's transmission system performance will be evaluated utilizing WSCC Power Flow models. These models are developed by WSCC member systems and include firm transfers in the base case. AEPCO modifies these WSCC base cases to provide a more detailed and hence accurate representation of the AEPCO transmission system. The WSCC power systems analysis software, known in the industry as GE-PSLF, will be used to conduct the studies. If warranted, the transmission capability studies will be supplemented with dynamic studies.

Transmission capability determined in the manner described above will be a good faith estimate based on the information available to AEPCO; however it will be subject to uncertainties of load projections, the ability to realize previously planned transmission system reinforcements (due to licensing, environmental, or regulatory constraints), and the

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actual existence of the transactions of other entities, as modeled in the base cases from WSCC upon which the studies are founded.

ATTACHMENT D

Methodology for Completing a System Impact Study

AEPCO will, upon receiving a request for Firm Point-to-Point Transmission Service or Network Integration Transmission Service, determine on a non-discriminatory basis, whether a System Impact Study is needed.

The System Impact Study will consider:

1. NERC and WSCC Reliability Criteria and Planning Guidelines;
2. AEPCO internal Reliability Criteria, as filed in Section 4 of its annual FERC Form 715 filing; and,
3. Good Utility Practice.

In addition to the above, AEPCO will consider the most recent Power Requirements Study (PRS) of its system which details the forecasted loads of its member systems (native load) and its prior contractual commitments.

AEPCO will also consider pending and existing firm transmission transactions that coincide with the time requested by the prospective customer in the System Impact Study.

The System Impact Study will be performed using WSCC Power Flow models. These models are developed by WSCC member systems and include firm transfers in the base case. AEPCO modifies these WSCC base cases to provide a more detailed and

hence accurate representation of the AEPCO transmission system. The WSCC power systems analysis software, known in the industry as GE-PSLF, will be used to conduct the studies. If necessary, a transient stability analysis will also be conducted to model normal and various contingency situations that may occur, and determine whether system response meets acceptable criteria considering the prospective transaction. In general, this involves running simulations for the loss of any single line, generator, or transformer, with any one generator scheduled out of service. Currently, WSCC is developing guidelines to determining transmission system response to less probable contingency criteria, to assure the system meets WSCC guidelines for more serious outages (As a result of 1996 summer disturbances). As appropriate, additional studies may be needed to satisfy this new criteria.

If AEPCO in its studies identifies that a constraint will occur in the system of another Transmission Provider or another Control Area, AEPCO will so inform the prospective customer requesting service. AEPCO and the prospective customer will need to work with the appropriate parties to determine if the limitation is valid and to determine the facility additions that may be required to be built by others to support the prospective customer's request. If the constraint is deemed to have a regional impact, notification of the probable impact will be made to SWRTA as part of the regional planning process as outlined in the SWRTA Bylaws. The prospective customer requesting service shall have the option to reduce the request to a level that can be sustained without experiencing the constraint.

If an identified constraint will have a regional impact, AEPCO and the prospective customer will provide notification to SWRTA for regional planning considerations.

In addition to constraints that are found on neighboring systems, AEPCO's system will also be studied in detail to ensure that the reliability of service to its member systems

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and contract customers is not impaired by the requested transaction. AEPCO's ability to schedule power into its system may be limited by its rights to capacity across its interconnections with the Western Area Power Administration (Western), Salt River Project (SRP), and Tucson Electric Power Company (TEP).

Transmission capability determined in the manner described above will be a good faith estimate based on the information available to AEPCO; however it will be subject to uncertainties of load projections, the ability to realize previously planned transmission system reinforcements (due to licensing, environmental, or regulatory constraints), and the actual existence of the transactions of other entities, as modeled in the base cases from WSCC upon which the studies are founded.

AEPCO will perform all studies for transmission service requests as it would perform studies for its own use of the system. However, it is generally agreed in the industry that planning studies can only gauge the performance of the system based upon a limited number of simulations. In actual operation of the system, the limits as defined by these transmission capability studies may vary due to unforeseen system conditions.

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ATTACHMENT E

Index Of Point-To-Point Transmission Service Customers

<u>Customer</u>	<u>Date of Service Agreement</u>
-----------------	----------------------------------

ATTACHMENT F

Service Agreement For  
Network Integration Transmission Service

- 1.0 This Service Agreement, dated as of \_\_\_\_\_, is entered into by and between Arizona Electric Power Cooperative, Inc. ("AEPCO"), a non-profit electric generation and transmission cooperative corporation organized under the laws of the State of Arizona, and \_\_\_\_\_ ("Network Customer").
- 2.0 The Network Customer has been determined by AEPCO to be a Network Customer under Part III of the Tariff and has submitted a Completed Application for Network Integration Transmission Service in accordance with Section 29.2 of the Tariff.
- 3.0 The Network Customer has provided to AEPCO an Application deposit in the amount of \$\_\_\_\_\_, in accordance with the provisions of Section 29.2 of the Tariff.
- 4.0 The Network Customer has executed a network Operating Agreement with AEPCO.
- 5.0 Service under this agreement shall commence on the later of (1) \_\_\_\_\_, or (2) the date on which construction of any Direct Assignment Facilities and/or Network Upgrades are completed. Service under this agreement shall terminate on \_\_\_\_\_.
- 6.0 AEPCO agrees to provide and the Network Customer agrees to take and pay for Network Integration Transmission Service in accordance with the provisions of Part III of this Tariff, this Service Agreement, and the Network

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Operating Agreement, as they may be amended from time to time. Exhibit 1, hereby made a part of this Service Agreement, lists initial Network Resources, Network Loads, points of interconnection between the Network Customer's facilities and AEPCO's Transmission System, and the Network Customer's initial Load Ratio Share.

7.0 Service under this Service Agreement may be subject to some combination of the charges detailed below. (The appropriate rate for individual transactions will be determined in accordance with the term and conditions of the Tariff.)

7.1 Transmission Rate: \_\_\_\_\_

7.2 Ancillary Service Rate(s):

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

7.3 Other Services Rate(s):

\_\_\_\_\_  
\_\_\_\_\_

8.0 Any notice or request, other than requests to schedule specific transactions, made to or by either Party regarding this Service Agreement shall be made to the representative of the other Party as indicated below:  
AEPCO:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Network Customer:

AEPCO

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\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

9.0 The Tariff is incorporated herein and made a part hereof.

10.0 Payments for Network Integration Transmission Service provided to the Network Customer by AEPCO under this Service Agreement shall be sent to the name and address indicated on the bill provided to the Network Customer.

IN WITNESS WHEREOF, the Parties have caused this Service Agreement to be executed by their respective authorized officials.

Arizona Electric Power Cooperative, Inc.

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Network Customer:

\_\_\_\_\_  
By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

## ATTACHMENT G

## Network Operating Agreement

## 1.0 Purpose of Agreement

Arizona Electric Power Cooperative, Inc. ("AEPCO") and \_\_\_\_\_ ("Network Customer"), each sometimes hereinafter individually called "Party", and both sometimes hereinafter collectively called the "Parties", agree that the provisions of this Network Operating Agreement ("NOA") and the Service Agreement govern AEPCO's provision of Network Integration Transmission Service to the Network Customer in accordance with the Open Access Transmission Tariff ("Tariff"), as it may be amended from time to time. Unless specified herein, capitalized terms shall refer to terms defined in the Tariff. In the event of a conflict between the NOA and the Tariff, the specific terms and conditions of the Tariff shall govern.

The Network Customer shall either (i) operate as a Control Area under applicable guidelines of the North America Electric Reliability Council ("NERC") and the Western Systems Coordinating Council ("WSCC"); or (ii) satisfy its Control Area requirements, including obtaining all Ancillary Services, by contracting with AEPCO; or (iii) satisfy its Control Area requirements, including obtaining all Ancillary Services, by contracting with another entity which can satisfy those requirements in a manner that is consistent with Good Utility Practice, which shall include, but not limited to, all applicable criteria, policies, procedures and requirements of the NERC and the WSCC. The Network Customer shall plan, construct, operate and maintain its

(b) The Network Customer will submit verifiable incremental and decremental cost data to AEPCO for its resources which estimates the costs incurred by the Network Customer of changing the generation output of each of its Network Resources to AEPCO. This cost data will be used, along with similar data for AEPCO's resources, as the basis for least-cost redispatch. AEPCO's system operations personnel will keep this data confidential. If the Network Customer experiences changes to its costs, the Network Customer will submit those changes to AEPCO's System Control Center. AEPCO will implement least-cost redispatch consistent with its existing contractual obligations and its current practices and procedures for its own resources.

(c) Once redispatch has been implemented, AEPCO will book in a separate account the redispatch costs incurred by AEPCO and the Network Customer based on the submitted cost data. AEPCO and the Network Customer will each bear a proportional share of the total redispatch costs based on their then current Load Ratio Shares. The redispatch charge or credit, as appropriate, will be reflected on the Network Customer's monthly bill.

(d) The Network Customer may audit, at its own expense, particular redispatch events (such as the cause of or need for the redispatch) during normal business hours following reasonable notice to the AEPCO. Either the Network Customer or AEPCO may request an audit of the other Party's cost data. Any audit of cost data will be performed by an independent agent at the requesting Party's cost. Such independent agent will be a nationally recognized accounting firm and will be required to keep all cost data confidential.

#### 4.0 Metering

facilities and system in accordance with Good Utility Practices, which shall include, but not be limited to, all applicable guidelines of NERC and WSCC, as they may be modified from time to time, as well as any generally accepted practices in the region that are consistently adhered to by AEPCO.

## 2.0 Network Operating Committee

The Network Operating Committee shall be composed of representatives from the Network Customer taking service under the Tariff and AEPCO, or the Party's designated agent. Each Party shall in writing appoint a member and an alternate(s) to the Network Operating Committee. The Network Operating Committee shall meet as necessary to: (i) adopt the rules and procedures consistent with this NOA and the Tariff; (ii) review network resources and network loads on an annual basis in order to assess the adequacy of the transmission network; and (iii) review the rules and procedures that are required for implementation of Network Integration Transmission Service.

## 3.0 Redispatch Procedures

(a) If AEPCO determines that redispatching resources (including reduction in off-system purchases and sales) to relieve an existing or potential transmission constraint is the most effective way to ensure the reliable operation of the Transmission Systems, AEPCO will, to the extent possible, redispatch AEPCO's and the Network Customer's resources on a least-cost security constrained dispatch basis, without regard to the ownership of such resources. AEPCO will apprise the Network Customer of its redispatch practices and procedures, as they may be modified from time to time. The Network Customer shall comply immediately to requests for redispatch from AEPCO's System Control Center.

Party requesting a meter test for a meter tested within the previous twelve (12) months shall pay for the cost of the test. In the event the test shows the meter to be inaccurate according to published metering standards, the owner of the meter will make any necessary adjustments, repairs or replacements thereon.

(f) If any meter used to measure energy fails to register or is found to be inaccurate according to published metering standards, appropriate billing adjustments, based on the best information available, will be agreed upon by the Parties hereto.

(g) The Network Customer will read the meters owned by it, except as may be mutually agreed, and will furnish all meter readings and other information required for operation and for billing purposes to AEPCO. Such information will remain available to AEPCO for three (3) years.

#### **5.0 Control, Communication, and Data Equipment**

(a) The Network Customer, at its own expense, shall be responsible for acquiring, installing, operating, maintaining, repairing, and replacing all data acquisition equipment, metering equipment, protection equipment and any other associated equipment and software, which may be required by either Party for the Network Customer to operate in compliance with its Control Area requirements whether Ancillary Services are obtained by contracting with AEPCO or other entities. Such equipment shall conform to Good Utility Practice and the standards and practices of AEPCO and WSCC. Prior to its installation, AEPCO and the Network Customer shall review the equipment and software required to comply with the provisions of this Section.

(a) The Network Customer, at its own expense, will be responsible for acquiring, installing, operating, maintaining, repairing and replacing revenue metering equipment needed to provide Network Integration Transmission Service. All revenue metering equipment of the Network Customer shall conform to Good Utility Practice and the standards and practices of AEPCO's meter reading system. Prior to installing any metering equipment, AEPCO and the Network Customer shall review the metering equipment to ensure conformance with such standards or practices.

(b) AEPCO shall have the right to install suitable metering equipment at any point(s) of receipt or delivery, as herein provided, for the purpose of checking meters installed by the Network Customer.

(c) Revenue quality metering equipment shall be installed at the point of interconnection between the Network Customer's facility and AEPCO's Transmission System. The meters shall measure and record real power (watts) and reactive power (vars) flow as necessary for AEPCO to provide service under the Tariff. When measurement is made at any location other than a point of receipt, a suitable point of receipt shall be agreed upon in writing between the Parties hereto and an adjustment to account for the difference between the points shall be applied to all such measurements.

(d) AEPCO shall read or retrieve meter data at midnight on the last day of the billing cycle or such other date as may be required to carry out the provisions of the Tariff.

(e) The meter owner shall test revenue meters at least once a year and within ten (10) workdays after a request by the other Party. The other Party will be afforded an opportunity to be present during the meter test. The

Parties shall implement load shedding programs to maintain the reliability and integrity of the Transmission Systems, as provided in Section 32 of the Tariff. Load shedding shall include: (1) automatic load shedding by underfrequency relay; (2) manual load shedding; or (3) rotating interruptions of customer load. AEPCO will order load shedding to maintain the relative sizes of the load serviced in accordance with NERC and WSCC guidelines, unless otherwise required by circumstances beyond the control of AEPCO or the Network Customer. Automatic load shedding devices will operate without notice. When manual load shedding or rotating interruptions are necessary, AEPCO shall notify the Network Customer's dispatchers or schedulers of the required action and the Network Customer shall comply immediately. Compliance will be monitored and audited as determined by the Network Operating Committee.

(c) The Network Customer shall, at its own expense, provide, operate, and maintain in service high-speed, digital underfrequency load shedding equipment. The Network Customer shall install underfrequency relays to disconnect automatically its Network Load in a manner consistent with procedures followed by AEPCO and WSCC. Installation of underfrequency relays to accomplish any additional load shedding above that already installed shall be completed on a schedule agreed to by the Network Operating Committee. The Network Operating Committee may review the amount of load that would be disconnected automatically and make such adjustments and changes as necessary in accordance with NERC and WSCC guidelines.

(d) In the event AEPCO modifies the load shedding system, the Network Customer shall, at its expense, make corresponding changes to its equipment and settings and testing of such equipment, as required to be compatible with the AEPCO modifications. The Network Customer shall test and inspect the load shedding equipment within

(b) The selection of real time telemetry and data to be received by AEPCO's System Control Center and the Network Customer shall be at the reasonable discretion of AEPCO, as deemed necessary for reliability, security, economics, and/or monitoring of system operations. This telemetry would report data on such items as loads, line flows, voltages, generator output and breaker status at any of the Network Customer's transmission facilities as necessary for AEPCO to provide service under the Tariff and ensuring the security and reliability of the AEPCO transmission system. To the extent telemetry is required that is not available, the Network Customer shall, at its own expense, install metering equipment, data acquisition equipment or other equipment and software necessary for the telemetry to be received by AEPCO's System Control Center.

(c) Each Party shall be responsible for implementing any computer modifications or changes required to its own computer system(s) as necessary to implement the provisions of this Section.

#### 6.0 Operating Requirements

(a) The Network Customer shall operate its generating resources in a manner consistent with system requirements of AEPCO, with respect to voltage schedules, free governor response, meeting power factor requirements at the point of interconnection with AEPCO's system and other such criteria required by NERC and WSCC and the same practices and procedures that AEPCO uses for its own resources.

(b) Insofar as practicable, AEPCO and the Network Customer shall protect, operate and maintain their respective systems so as to avoid or minimize the likelihood of disturbances which might cause impairment of service on the system(s) of the other Party. The

(b) The Network Customer shall provide, at least three (3) working days in advance of every calendar day, the Network Customer's best forecast of any planned transmission or Network Resource outage(s) and other operation information that AEPCO deems appropriate. If such planned outages cannot be accommodated due to a transmission constraint on AEPCO's Transmission System, the provisions of Section 33 of the Tariff will be implemented.

(c) AEPCO and the Network Customer shall notify and coordinate with each other prior to either Party beginning any work (or of contractors or agents performing work on their behalf) which may directly or indirectly have an adverse effect on the Control Area Operator of the other Party.

#### **8.0 Network Planning**

The Network Customer shall provide data needed for the safe and reliable planning of the systems of the Network Customer and AEPCO and to implement the provisions of the Tariff. AEPCO will treat this information as confidential.

The Network Customer shall provide, by January 1 of each year, preliminary information for Network Loads and Network Resources, for AEPCO to plan on an ongoing basis to meet the Network Customer's requirement for Network Integration Transmission Service. Final contractual information will be provided by June 1 of each year. Such information shall include updated information (current year and 10-year projection) for Network Loads and Network Resources, as well as any other information reasonably necessary to plan for Network Integration Transmission Service. This type of information is consistent with AEPCO's information requirements for planning to serve its Native Load Customers. The data

ninety (90) days of taking Network Integration Transmission Service under the Tariff and thereafter in accordance with Good Utility Practice, and provide a written report to AEPCO, who may request a test of the load shedding equipment with reasonable notice.

(e) AEPCO shall notify the Network Customer's dispatchers or schedulers when the integrity of the Transmission Systems has been restored and that Network Integration Transmission Service is available. The Network Customer shall manually restore its load previously shed under provisions of this Section.

#### 7.0 Operational Information

The Network Customer shall provide data needed for the safe and reliable operation of the systems of the Network Customer and AEPCO and to implement the provisions of the Tariff. AEPCO will treat this information as confidential.

(a) Network Customer shall provide by August 1 of each year its Network Resource availability forecast (e.g., all planned resource outages, including off-line and on-line dates) for the following calendar year. Such forecast shall be made using prudent forecasting techniques generally deemed acceptable in the electric utility industry. The Network Customer shall inform AEPCO, in a timely manner of any changes to the Network Customer's Network Resource availability forecast. If AEPCO determines that such forecast cannot be accommodated because of a transmission constraint on its Transmission System, and such constraint may jeopardize the security of its Transmission System or adversely affect the economic operation of either AEPCO or the Network Customer, the provisions of Section 33 of the Tariff will be implemented.

**AEPCO**

**Open Access Transmission Tariff  
Revised Sheet No. 210  
Replacing Original Sheet No. 210**

IN WITNESS WHEREOF, the Parties have caused this Network Operating Agreement to be executed by their respective authorized officials.

**AEPCO**

**Network Customer**

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

will be provided in a format consistent with that used by AEPCO.

**9.0 Character of Service**

Power and energy delivered and received under the Service Agreement and this NOA shall be three-phase alternating current at a nominal frequency of sixty (60) Hertz and at the nominal voltages at the point of delivery and point of receipt.

**10.0 Transfer of Power and Energy Through Other Systems**

Because AEPCO's Transmission System is, and will be, directly and indirectly connected with other electric systems, and because of the physical and electrical characteristics of the facilities involved, power delivered under the Service Agreement and this NOA may flow through such other systems. AEPCO and the Network Customer agree to advise other electric systems as appropriate of such scheduled transfers and to attempt to maintain good relationships with affected third parties.

**11.0 Notice**

Any notice or request made to or by AEPCO or the Network Customer regarding this NOA shall be made to the representative of the other Party as indicated in the Service Agreement.

**12.0 Incorporation**

The Tariff and Service Agreement are incorporated herein and made a part hereof.

**13.0 Terms**

The term of this NOA shall be concurrent with the term of the Service Agreement between the Parties.

AEPCO

Open Access Transmission Tariff  
Revised Sheet No. 212  
Replacing Original Sheet No. 212

ATTACHMENT I

Index Of Network Integration Transmission Service Customers

<u>Customer</u>	<u>Date of Service Agreement</u>
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AEPCO

Open Access Transmission Tariff  
Revised Sheet No. 211  
Replacing Original Sheet No. 211

ATTACHMENT H

Annual Transmission Revenue Requirements  
For Network Integration Transmission Service

1. The Annual Transmission Revenue Requirement for purposes of the Network Integration Transmission Service shall be \$19,008,304.
2. The amounts in paragraph numbered 1 shall be effective until amended by AEPCO.
3. AEPCO's billing determinants for Network Integration Transmission Service are currently 583.0 MW/average month. Such billing determinants produce a rate for Network Transmission Service of \$32.659/kW-year, or an average \$2.722/kW-month.