



Craig W. Silverstein
craig.silverstein@marchcounsel.com
202.640.2111

July 17, 2017

Via eTariff Filing

Honorable Kimberly D. Bose, Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

Re: **Deseret Generation & Transmission Co-operative, Inc.**
Docket No. ER17-____-000
Open Access Transmission Tariff Amendments
Filing Type: 10

Dear Secretary Bose:

Pursuant to Section 205 of the Federal Power Act and Section 35.13(a)(2)(iii) of the Federal Energy Regulatory Commission's ("FERC" or "Commission") Regulations, Deseret Generation & Transmission Co-operative, Inc. ("Deseret") respectfully submits proposed changes to Section 17.3 and Schedules 7 and 8 of its Open Access Transmission Tariff ("OATT"). The purpose of the amendments is to (i) accommodate return of security deposits currently required of Transmission Customers under Deseret's OATT prior to the termination of service in view of Deseret's creditworthiness requirements contained in Attachment L, and (ii) to include an operational penalty provision for unreserved use in Schedules 7 and 8 of Deseret's OATT. Deseret requests an effective date sixty (60) days from the date of filing, September 15, 2017.

In support of its filing, Deseret states the following:

A. Notices and Communications

All notices, communications or correspondences regarding this matter should be directed to the following:

Nathan Powell
Director of Transmission Services
Deseret Generation & Transmission Co-
operative
10714 South Jordan Gateway
Suite 300
South Jordan, UT 84095
(801) 619-6504 (phone)
(801) 619-6599 (fax)
npowell@deseretpower.com

Craig W. Silverstein
March Counsel LLC
1875 Connecticut Avenue NW
Suite 1000
Washington, DC 20006
(202) 640-2111
craig.silverstein@marchcounsel.com

B. Description of Deseret

Deseret is a FERC-jurisdictional generation and transmission cooperative with a Commission-accepted OATT. The Deseret transmission system is limited; it comprises four transmission lines located in the northeastern corner of Utah, the Bonanza substation adjacent to its 460 MW Bonanza generation facility and certain facilities in the Upalco substation. The four transmission lines are: (i) the 171-mile Bonanza-Mona 345-kV line; (ii) the 52-mile Bonanza-Upalco 138-kV line; (iii) the 25-mile Bonanza-Rangely 138-kV line; and (iv) the 26-mile Bonanza-Vernal 138-kV line. Deseret owns a 93.7% interest in the first three lines and appurtenant facilities and a 100% interest in the fourth line. The terminals of Deseret's four transmission lines are within the PacifiCorp East balancing authority area. Deseret's transmission system is fully embedded in other control areas; Deseret does not provide any control area services and it does not operate as a balancing authority area. PacifiCorp is the control area operator that provides control area services for Deseret.

Deseret submitted an OATT in compliance with Order No. 888-A in Docket No. OA97-487-000. Deseret's OATT was originally accepted for filing by the Commission in February 1999,¹ and has been updated to comply with various Commission requirements since that time. Deseret operates an open-access same-time information system ("OASIS").²

There are a limited number of enabled customers that purchase OATT service from Deseret, and currently there are no transmission service request in the queue.³ All transmission service purchased or requested on the Deseret transmission system under its OATT has been point-to-point service; there are no network integration transmission service customers. Similarly, other than the Bonanza generation facility owned by Deseret, there are no existing generators interconnected to the Deseret transmission system; nor are there any pending interconnection requests in the queue. Deseret's transmission function has only one dedicated, full-time employee.

¹ *Baltimore Gas & Elec. Co., et al.*, Docket Nos. OA96-156-001, *et al.* (Feb. 24, 1999) (unpublished letter order).

² Tri-State Generation and Transmission Association performs operational and administrative responsibilities for Deseret's OASIS pursuant to a long-term agreement between the parties.

³ The Utah Associated Municipal Power Systems has certain pre-Order No. 888 transmission rights on the Deseret transmission system, and the Utah Municipal Power Authority is a minority owner of certain of the facilities. Neither has purchased transmission service via the OATT.

C. Description of Amendments

The purpose of this filing is twofold. First, Deseret proposes to make modifications to the terms and conditions of Deseret's OATT to permit Deseret, on a non-discriminatory basis, to return security deposits currently required of Transmission Customers. Under the existing terms of the OATT, and based on language that tracks back to the original Order No. 888-A *pro forma* tariff, Deseret requires that a security deposit be collected from a Transmission Customer prior to the commencement of service, and that deposit is retained until the service concludes. The security deposit is then returned to the Transmission Customer with interest added.

Deseret's OATT language predates the Commission's requirements in Order No. 890⁴ that non-discriminatory creditworthiness provisions be incorporated, under which Deseret may grant unsecured credit to a Transmission Customer that meets certain qualitative and quantitative criteria. In Docket No. OA07-11-002 *et al*, Deseret added Attachment L to its OATT in compliance with Order No. 890, and its amendments were subsequently accepted by the Commission on July 31, 2008.⁵

The proposed revisions to Section 17.3 in this filing make clear Deseret's ability to grant unsecured credit to current Transmission customers on a non-discriminatory basis, consistent with Attachment L. Deseret has several firm point-to-point Transmission Customers for which it currently holds deposits. The deposits must be accounted for by Deseret and must later be returned to the customer with interest at the FERC interest rate, which often can exceed interest rates that Deseret can earn on the money as it holds the Transmission Customers' deposits. More importantly, however, many of the Transmission Customers that have paid service deposits to Deseret are long-standing and creditworthy counterparties, and do not pose a credit or default risk to Deseret. In such instances, and based on the criteria already approved in Attachment L, Deseret seeks the flexibility to return such a customer's deposit if consistent with the criteria set out in Attachment L. If, in the future, the Transmission Customer is in default of its obligations under the OATT or an assessment of credit of that Transmission Customer results in a determination that unsecured credit is no longer appropriate, Attachment L permits Deseret to collect security.

Elimination of security deposit requirements in Section 17.3 on a non-discriminatory basis is not a novel proposal before the Commission; other transmission providers have filed similar proposals that have been accepted, both before and after Order No. 890's issuance. In Public Service Company of Colorado's ("PSCo") OATT, for example, the transmission provider included language in Section 17.3 to permit waiver of security deposits.⁶ The Commission accepted this language. The language benefits

⁴ *Preventing Undue Discrimination and Preference in Transmission Service*, Order No. 890, 72 Fed. Reg. 12,266 (Mar. 15, 2007), FERC Stats. & Regs. ¶ 31,241, *order on reh'g*, Order No. 890-A, 73 Fed. Reg. 2984 (Jan. 16, 2008), FERC Stats. & Regs. ¶ 31,261 (2007) ("Order No. 890").

⁵ *Deseret Generation & Transmission Co-operative, Inc.*, Docket Nos. OA7-33-001 and OA07-11-002 (unpublished letter order dated July 31, 2008).

⁶ PSCo's Section 17.3 includes the following additional language: "Notwithstanding the foregoing, the Transmission Provider may, on a non-discriminatory basis, waive the requirement that a deposit accompany an Application where the

Transmission Customers by granting unsecured credit, as contemplated by Attachment L and Order No. 890.

Second, Deseret proposes to add operational penalties for unreserved use of transmission service under Schedules 7 and 8 of its OATT. The Commission did not require that such penalties be included in an OATT, but most transmission providers have followed Commission guidance and included a 200% penalty. An operational penalty holds Deseret harmless from uses of its system that are inconsistent with accepted transmission reservations.

Deseret's proposed operational penalty, contained in parallel sections 7 and 8 to each of Schedules 7 and 8, work as follows: Section 7 specifies that if a Transmission Customer exceeds its Reserved Capacity, the customer shall pay a penalty based on a rate equal to 200% of the prevailing Firm Point-to-Point Transmission Service (Schedule 7) rate, plus any applicable Ancillary Services Charges. The applicable rate is further defined such that if the unreserved use is within a single day, the penalty rate is the Daily Delivery rate, if two or more days within a calendar week, the penalty rate is the rate for Weekly Delivery, and for multiple instances of unreserved use beyond one week within a calendar month, the penalty rate is the Monthly Delivery rate.

Once unreserved use penalties are collected, Deseret understands that the Commission requires that revenues in excess of cost be returned to non-offending Transmission Customers. In Section 8 to each of Schedules 7 and 8, Deseret makes clear that the penalty revenue will, in fact, be returned to those customers, whether those customers are third party or affiliated Transmission Customers. The credit is calculated based on the revenue collected above the applicable base penalty rate and net of any actual costs of Ancillary Services attributable to the unreserved use. Deseret is not proposing to impose a 200% penalty on the Ancillary Services, but reserves the right to propose such a change in the future if operational experience dictates that such a penalty is necessary.

Non-offending Transmission Customers, which are defined as Transmission Customers that were not determined to have an unreserved use in the hour the such use occurred, will be allocated penalty revenues on a basis proportional to use of the system in the hour relating to the operational penalty.

Deseret's proposed language accommodates distribution or crediting of unreserved use penalty revenues to non-offending Transmission Customers in a prompt manner, rather than accumulating penalties and distributing them only once per year. Section 8 states that Deseret will typically distribute the revenues in the form of a payment or credit against pending transmission charges no later than the second calendar month following the calendar month in which penalties are collected. If Deseret cannot distribute the penalties in this manner, it will distribute them no later than April 1 following the calendar year in which the penalty revenue was collected, together with interest calculated in accordance with 18 CFR § 35.19a (2016).

Eligible Customer has established its creditworthiness pursuant to Section 11 and is not in default of its obligations as defined in Section 7.3 at the time of the Application."

Finally, Deseret's proposed tariff language makes clear that any payment or credit to a Transmission Customer for unreserved use penalties shall be subject to revision, future modification or recession in the event of a computation error, successful dispute, order of the Commission, or other circumstance that reduces the penalty revenues received by Transmission Provider that were previously disbursed to non-offending Transmission Customers. While invoices under the OATT are subject to periodic adjustments, Deseret believes it is appropriate to make clear that it is entitled to recoup penalty revenues that it must later return to the Transmission Customer that was initially assessed an operational penalty or to correct an error. Without such express language, Deseret is concerned that it could experience a net loss and one or more of its Transmission Customers could experience an unjustified and unintended windfall.

D. Supplemental Information Relating to the Rate Change Pursuant to 18 CFR § 35.13

With this filing, Deseret is submitting the information and materials required by 18 C.F.R. Part 35 for abbreviated rate schedule changes other than a rate increase as well as all information required pursuant to Order No. 714 e-Tariff filing requirements. Additional general information required by subsection 35.13(b) is as follows:

(1) Documents Submitted:

- J This transmittal letter;
- J A clean copy of Section 17.3, Schedule 7 and Schedule 8 of the Deseret OATT for publication in eLibrary;
- J A marked copy of Section 17.3, Schedule 7 and Schedule 8 of the Deseret OATT; and
- J All XML format schema and metadata required under Order No. 714.

(2) Proposed Effective Date: September 15, 2017 (sixty days from date of filing).

(3) Names and Addresses of Persons Receiving Copies: A copy of this filing has been served on all OATT customers. Additionally, a copy of this filing has been posted on Deseret's OASIS.

(4) Brief Description of Rate Schedule Change: See above.

(5) Reasons for the Rate Schedule Change: See above.

(6) Showing that all Requisite Agreement has been Obtained: Deseret has rights pursuant to its OATT to seek application pursuant to Section 205 of the Federal Power Act to submit changes to the terms and conditions of OATT service.

- (7) No costs or expenses in the proposed rates have been alleged or adjudicated in any administrative or judicial proceeding to be illegal, duplicative, or unnecessary costs that are demonstrably the product of discriminatory practices.
- (8) A Form of Notice has not been provided consistent with the Commission's practice of issuing electronic Combined Notices of Filing.

Deseret has not submitted any rate comparison information because the instant amendments to the terms and conditions under Section 17.3 do not affect Deseret's rates, and Deseret cannot estimate any potential operational penalties that may occur in the future.

To the extent not provided, Golden Spread respectfully requests waiver of any such requirement or any other requirements set out in Part 35 that may apply to this Section 205 application.

E. Conclusion

Deseret respectfully requests that the Commission accept the proffered amendments to Section 17.3 to its OATT for filing to be effective as of September 15, 2017.

If you have any questions, please do not hesitate to contact the undersigned at 202.640.2111.

Respectfully Submitted,



Craig Silverstein
March Counsel LLC
1875 Connecticut Avenue, NW
Suite 1000
Washington, D.C. 20009
(202) 640-2111
craig.silverstein@marchcounsel.com

*Counsel for Deseret Generation &
Transmission Co-operative, Inc.*

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:

General Manager
Deseret Generation & Transmission Cooperative
10714 South Jordan Gateway
Suite 300
South Jordan, Utah 84095

at least sixty (60) days in advance of the calendar month in which service is to commence. The Transmission Provider 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. All Firm Point-To-Point Transmission Service requests should be submitted by entering the information listed below on the Transmission Provider's OASIS. Prior to implementation of the Transmission Provider's OASIS, a Completed Application may be submitted by (i) transmitting the required information to the Transmission Provider by telefax, or (ii) providing the information by telephone over the Transmission Provider'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 C.F.R. § 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 the 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. The Transmission Provider 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. The Transmission Provider 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;

- (viii) The transmission capacity requested for each Point of Receipt and each Point of Delivery on the Transmission Provider's Transmission System; customers may combine their requests for service in order to satisfy the minimum transmission capacity requirement;
- (ix) A statement indicating that, if the Eligible Customer submits a Pre-Confirmed Application, the Eligible Customer will execute a Service Agreement upon receipt of notification that the Transmission Provider can provide the requested Transmission Service; and
- (x) Any additional information required by the Transmission Provider's planning process established in Attachment K.

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

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 the Transmission Provider 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 the Transmission Provider 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 the Transmission Provider if the Transmission Provider 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, less reasonable costs incurred by the Transmission Provider to the extent such costs have not already been recovered by the Transmission Provider from the Eligible Customer. The Transmission Provider 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.

If a Service Agreement for Firm Point-To-Point Transmission Service is executed, the deposit, with interest, will be returned to the Transmission Customer no later than expiration or termination of the Service Agreement for Firm Point-To-Point Transmission Service. The Transmission Provider may, on a non-discriminatory basis, waive the requirement to hold a deposit for an executed Service Agreement for the entire term of the Service Agreement where the Transmission Customer has established its creditworthiness and eligibility for unsecured credit pursuant to Section 11 and Attachment L of the Tariff. If the Transmission Customer is no longer eligible for unsecured credit or the Transmission Customer is in default of its obligations under this Tariff, Transmission Provider may require security pursuant to Attachment L of the Tariff. If a deposit is returned to the Transmission Customer, the Transmission Provider will bill the Transmission Customer for any reasonable costs incurred by

the Transmission Provider. Such bill will contain a complete accounting of all costs included. Applicable interest shall be computed in accordance with the Commission's regulations at 18 C.F.R. § 35.19a(a)(2)(iii), and shall be calculated from the day the deposit check is credited to the Transmission Provider's account.

17.4 Notice of Deficient Application: If an Application fails to meet the requirements of the Tariff, the Transmission Provider shall notify the entity requesting service within fifteen (15) days of receipt of the reasons for such failure. The Transmission Provider will attempt to remedy minor deficiencies in the Application through informal communications with the Eligible Customer. If such efforts are unsuccessful, the Transmission Provider 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 the 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, the Transmission Provider shall make a determination of available transfer capability as required in Section 15.2. The Transmission Provider shall notify the 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. Responses by the Transmission Provider 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 the Transmission Provider 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 will govern the execution of a Service Agreement. 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, within fifteen (15) days after it is tendered by the Transmission Provider will be deemed a withdrawal and termination of the Application and any deposit submitted shall be refunded with interest. 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, subject to availability, 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 within 15 days of notifying the Transmission Provider it intends to extend the commencement of service. If during any extension for the commencement of service an Eligible Customer submits a Completed Application for Firm Transmission 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.

SCHEDULE 7

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

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

- 1) **Yearly delivery:** one-twelfth of the demand charge of \$30.8792/KW of Reserved Capacity per year.
- 2) **Monthly delivery:** \$2.5733/KW of Reserved Capacity per month.
- 3) **Weekly delivery:** \$0.5938/KW of Reserved Capacity per week.
- 4) **Daily delivery:** \$0.1188/KW of Reserved Capacity per day.

The total demand charge in any week, pursuant to a reservation for Daily delivery, shall not exceed the rate specified in section (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 the Transmission Provider 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 path, from point(s) of receipt to point(s) of delivery, the Transmission Provider 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.

6) **Resales:** The rates and rules governing charges and discounts stated above shall not

apply to resales of transmission service, compensation for which shall be governed by section 23.1 of the Tariff.

7) **Unreserved Use:** In the event that the Transmission Customer's use of the Transmission System during any hour of that day exceeds the amount of the Transmission Customer's Reserved Capacity, the Transmission Customer shall pay the Transmission Provider a penalty charge based on a rate equal to 200% of the applicable rate for Firm Point-to-Point Transmission Service plus any applicable Ancillary Service Charges. For unreserved use within a single day, the penalty charge shall be based on the rate for Daily Delivery. For unreserved use in two or more days within a calendar week, the penalty charge shall be based on the rate for Weekly Delivery. For multiple instances of unreserved use in more than one calendar week in a calendar month, the penalty charge shall be based on the rate for Monthly Delivery.

8) **Credits for Unreserved Use Penalty Revenues:** The Transmission Provider shall credit revenues that are collected for unreserved use to all non-offending Transmission Customers (including Affiliated Transmission Customers) and to the Transmission Provider on behalf of its own customers (Native Load Customers). The credits shall be calculated and allocated as set forth below.

For the purposes of this distribution, "unreserved use penalty revenue" refers to amounts collected under Schedule 7 and Schedule 8 for unreserved use above the base firm Point-to-Point transmission service charge for the transmission service provided and any applicable Ancillary Service charges. Ancillary Service costs associated with unreserved uses are based on the actual costs of the Ancillary Service attributable to the unreserved use (i.e., not subject to the 200 percent penalty rate).

The unreserved use penalty revenues collected pursuant to Section 7 of Schedules 7 and 8 shall be credited based on the ratio of the transmission revenues collected from each Network Transmission Customer or Point-to-Point Transmission Customer that did not experience unreserved use in an hour to the sum of the transmission revenues collected from all Transmission Customers that did not experience unreserved use in the hour. A Transmission Customer that experiences unreserved use in an hour shall not receive a credit for that hour.

The Transmission Provider shall typically disburse accumulated unreserved use penalty revenues in the form of a payment or a credit against pending transmission charges no later than the second calendar month following the calendar month in which penalty revenues are collected. In the event that the Transmission Provider cannot disburse accumulated unreserved use penalties as set out in the preceding sentence, the Transmission Provider shall disburse accumulated unreserved use penalty revenues no later than the first April 1 following the calendar year in which the penalty revenue was received by the Transmission Provider, plus interest calculated in accordance with 18 CFR § 35.19a.

Payments or credits for unreserved use penalties shall be subject to revision, future modification and rescission in the event of computation error, successful dispute, order of the Commission, or other circumstance that reduces the penalty revenues received by Transmission Provider that were previously disbursed to non-offending Transmission Customers.

SCHEDULE 8

Non-Firm Point-To-Point Transmission Service

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

- 1) **Monthly delivery:** \$2.5733/KW of Reserved Capacity per month.
- 2) **Weekly delivery:** \$0.5938/KW of Reserved Capacity per week.
- 3) **Daily delivery:** \$0.1188/KW of Reserved Capacity per day.

The total demand charge in any week, pursuant to a reservation for Daily delivery, shall not exceed the rate specified in section (2) above times the highest amount in kilowatts of Reserved Capacity in any day during such week.

- 4) **Hourly delivery:** The basic charge shall be that agreed upon by the Parties at the time this service is reserved and in no event shall exceed \$ 7.4229/MWH. The total demand charge in any day, pursuant to a reservation for Hourly delivery, shall not exceed the rate specified in section (3) above times the highest amount in kilowatts of Reserved Capacity in any hour during such day. In addition, the total demand charge in any week, pursuant to a reservation for Hourly or Daily delivery, shall not exceed the rate specified in section (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 the Transmission Provider 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 path, from point(s) of receipt to point(s) of delivery, the Transmission Provider 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.

6) **Resales:** The rates and rules governing charges and discounts stated above shall not apply to resales of transmission service, compensation for which shall be governed by section 23.1 of the Tariff.

7) **Unreserved Use:** In the event that the Transmission Customer's use of the Transmission System during any hour of that day exceeds the amount of the Transmission Customer's Reserved Capacity, the Transmission Customer shall pay the Transmission Provider a penalty charge based on a rate equal to 200% of the applicable rate for Firm Point-to-Point Transmission Service plus any applicable Ancillary Service Charges. For unreserved use within a single day, the penalty charge shall be based on the rate for Daily Delivery. For unreserved use in two or more days within a calendar week, the penalty charge shall be based on the rate for Weekly Delivery. For multiple instances of unreserved use in more than one calendar week in a calendar month, the penalty charge shall be based on the rate for Monthly Delivery.

8) **Credits for Unreserved Use Penalty Revenues:** The Transmission Provider shall credit revenues that are collected for unreserved use to all non-offending Transmission Customers (including Affiliated Transmission Customers) and to the Transmission Provider on behalf of its own customers (Native Load Customers). The credits shall be calculated and allocated as set forth below.

For the purposes of this distribution, "unreserved use penalty revenue" refers to amounts collected under Schedule 7 and Schedule 8 for unreserved use above the base firm Point-to-Point transmission service charge for the transmission service provided and any applicable Ancillary

Service charges. Ancillary Service costs associated with unreserved uses are based on the actual costs of the Ancillary Service attributable to the unreserved use (i.e., not subject to the 200 percent penalty rate).

The unreserved use penalty revenues collected pursuant to Section 7 of Schedules 7 and 8 shall be credited based on the ratio of the transmission revenues collected from each Network Transmission Customer or Point-to-Point Transmission Customer that did not experience unreserved use in an hour to the sum of the transmission revenues collected from all Transmission Customers that did not experience unreserved use in the hour. A Transmission Customer that experiences unreserved use in an hour shall not receive a credit for that hour.

The Transmission Provider shall typically disburse accumulated unreserved use penalty revenues in the form of a payment or a credit against pending transmission charges no later than the second calendar month following the calendar month in which penalty revenues are collected. In the event that the Transmission Provider cannot disburse accumulated unreserved use penalties as set out in the preceding sentence, the Transmission Provider shall disburse accumulated unreserved use penalty revenues no later than the first April 1 following the calendar year in which the penalty revenue was received by the Transmission Provider, plus interest calculated in accordance with 18 CFR § 35.19a.

Payments or credits for unreserved use penalties shall be subject to revision, future modification and rescission in the event of computation error, successful dispute, order of the Commission, or other circumstance that reduces the penalty revenues received by Transmission Provider that were previously disbursed to non-offending Transmission Customers.

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:

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at least sixty (60) days in advance of the calendar month in which service is to commence. The Transmission Provider 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. All Firm Point-To-Point Transmission Service requests should be submitted by entering the information listed below on the Transmission Provider's OASIS. Prior to implementation of the Transmission Provider's OASIS, a Completed Application may be submitted by (i) transmitting the required information to the Transmission Provider by telefax, or (ii) providing the information by telephone over the Transmission Provider'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 C.F.R. § 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 the 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. The Transmission Provider 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. The Transmission Provider 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;

(viii) The transmission capacity requested for each Point of Receipt and each Point of Delivery on the Transmission Provider's Transmission System; customers may combine their requests for service in order to satisfy the minimum transmission capacity requirement;

(ix) A statement indicating that, if the Eligible Customer submits a Pre-Confirmed Application, the Eligible Customer will execute a Service Agreement upon receipt of notification that the Transmission Provider can provide the requested Transmission Service; and(x) Any additional information required by the Transmission Provider's planning process established in Attachment K.

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

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 the Transmission Provider 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 the Transmission Provider 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 the Transmission Provider if the Transmission Provider 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, less reasonable costs incurred by the Transmission Provider to the extent such costs have not already been recovered by the Transmission Provider from the Eligible Customer. The Transmission Provider 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.

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~~ no later than expiration or termination of the Service Agreement for Firm Point-To-Point Transmission Service. The Transmission Provider may, on a non-discriminatory basis, waive the requirement to hold a deposit for an executed Service Agreement for the entire term of the Service Agreement where the Transmission Customer has established its creditworthiness and eligibility for unsecured credit pursuant to Section 11 and Attachment L of the Tariff. If the Transmission Customer is no longer eligible for unsecured credit or the Transmission Customer is in default of its obligations under this Tariff, the Transmission Provider may require security pursuant to Attachment L of the Tariff. If a deposit is returned to the Transmission Customer, the Transmission Provider will bill the Transmission Customer for any reasonable costs incurred by

the Transmission Provider. Such bill will contain a complete accounting of all costs included. Applicable interest shall be computed in accordance with the Commission's regulations at 18 C.F.R. § 35.19a(a)(2)(iii), and shall be calculated from the day the deposit check is credited to the Transmission Provider's account.

17.4 Notice of Deficient Application: If an Application fails to meet the requirements of the Tariff, the Transmission Provider shall notify the entity requesting service within fifteen (15) days of receipt of the reasons for such failure. The Transmission Provider will attempt to remedy minor deficiencies in the Application through informal communications with the Eligible Customer. If such efforts are unsuccessful, the Transmission Provider 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 the 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, the Transmission Provider shall make a determination of available transfer capability as required in Section 15.2. The Transmission Provider shall notify the 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. Responses by the Transmission Provider 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 the Transmission Provider 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 will govern the execution of a Service Agreement. 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, within fifteen (15) days after it is tendered by the Transmission Provider will be deemed a withdrawal and termination of the Application and any deposit submitted shall be refunded with interest. 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, subject to availability, 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 within 15 days of notifying the Transmission Provider it intends to extend the commencement of service. If during any extension for the commencement of service an Eligible Customer submits a Completed Application for Firm Transmission 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.

SCHEDULE 7

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

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

- 1) **Yearly delivery:** one-twelfth of the demand charge of \$30.8792/KW of Reserved Capacity per year.
- 2) **Monthly delivery:** \$2.5733/KW of Reserved Capacity per month.
- 3) **Weekly delivery:** \$0.5938/KW of Reserved Capacity per week.
- 4) **Daily delivery:** \$0.1188/KW of Reserved Capacity per day.

The total demand charge in any week, pursuant to a reservation for Daily delivery, shall not exceed the rate specified in section (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 the Transmission Provider 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 path, from point(s) of receipt to point(s) of delivery, the Transmission Provider 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.

6) **Resales:** The rates and rules governing charges and discounts stated above shall not

apply to resales of transmission service, compensation for which shall be governed by section 23.1 of the Tariff.

7) **Unreserved Use:** In the event that the Transmission Customer's use of the Transmission System during any hour of that day exceeds the amount of the Transmission Customer's Reserved Capacity, the Transmission Customer shall pay the Transmission Provider a penalty charge based on a rate equal to 200% of the applicable rate for Firm Point-to-Point Transmission Service plus any applicable Ancillary Service Charges. For unreserved use within a single day, the penalty charge shall be based on the rate for Daily Delivery. For unreserved use in two or more days within a calendar week, the penalty charge shall be based on the rate for Weekly Delivery. For multiple instances of unreserved use in more than one calendar week in a calendar month, the penalty charge shall be based on the rate for Monthly Delivery.

8) **Credits for Unreserved Use Penalty Revenues:** The Transmission Provider shall credit revenues that are collected for unreserved use to all non-offending Transmission Customers (including Affiliated Transmission Customers) and to the Transmission Provider on behalf of its own customers (Native Load Customers). The credits shall be calculated and allocated as set forth below.

For the purposes of this distribution, "unreserved use penalty revenue" refers to amounts collected under Schedule 7 and Schedule 8 for unreserved use above the base firm Point-to-Point transmission service charge for the transmission service provided and any applicable Ancillary Service charges. Ancillary Service costs associated with unreserved uses are based on the actual costs of the Ancillary Service attributable to the unreserved use (i.e., not subject to the 200 percent penalty rate).

The unreserved use penalty revenues collected pursuant to Section 7 of Schedules 7 and 8 shall be credited based on the ratio of the transmission revenues collected from each Network Transmission Customer or Point-to-Point Transmission Customer that did not experience unreserved use in an hour to the sum of the transmission revenues collected from all Transmission Customers that did not experience unreserved use in the hour. A Transmission Customer that experiences unreserved use in an hour shall not receive a credit for that hour.

The Transmission Provider shall typically disburse accumulated unreserved use penalty revenues in the form of a payment or a credit against pending transmission charges no later than the second calendar month following the calendar month in which penalty revenues are collected. In the event that the Transmission Provider cannot disburse accumulated unreserved use penalties as set out in the preceding sentence, the Transmission Provider shall disburse accumulated unreserved use penalty revenues no later than the first April 1 following the calendar year in which the penalty revenue was received by the Transmission Provider, plus interest calculated in accordance with 18 CFR § 35.19a.

Payments or credits for unreserved use penalties shall be subject to revision, future modification and rescission in the event of computation error, successful dispute, order of the Commission, or other circumstance that reduces the penalty revenues received by Transmission Provider that were previously disbursed to non-offending Transmission Customers.

SCHEDULE 8

Non-Firm Point-To-Point Transmission Service

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

- 1) **Monthly delivery:** \$2.5733/KW of Reserved Capacity per month.
- 2) **Weekly delivery:** \$0.5938/KW of Reserved Capacity per week.
- 3) **Daily delivery:** \$0.1188/KW of Reserved Capacity per day.

The total demand charge in any week, pursuant to a reservation for Daily delivery, shall not exceed the rate specified in section (2) above times the highest amount in kilowatts of Reserved Capacity in any day during such week.

- 4) **Hourly delivery:** The basic charge shall be that agreed upon by the Parties at the time this service is reserved and in no event shall exceed \$ 7.4229/MWH. The total demand charge in any day, pursuant to a reservation for Hourly delivery, shall not exceed the rate specified in section (3) above times the highest amount in kilowatts of Reserved Capacity in any hour during such day. In addition, the total demand charge in any week, pursuant to a reservation for Hourly or Daily delivery, shall not exceed the rate specified in section (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 the Transmission Provider 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 path, from point(s) of receipt to point(s) of delivery, the Transmission Provider 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.

6) **Resales:** The rates and rules governing charges and discounts stated above shall not apply to resales of transmission service, compensation for which shall be governed by section 23.1 of the Tariff.

7) **Unreserved Use:** In the event that the Transmission Customer's use of the Transmission System during any hour of that day exceeds the amount of the Transmission Customer's Reserved Capacity, the Transmission Customer shall pay the Transmission Provider a penalty charge based on a rate equal to 200% of the applicable rate for Firm Point-to-Point Transmission Service plus any applicable Ancillary Service Charges. For unreserved use within a single day, the penalty charge shall be based on the rate for Daily Delivery. For unreserved use in two or more days within a calendar week, the penalty charge shall be based on the rate for Weekly Delivery. For multiple instances of unreserved use in more than one calendar week in a calendar month, the penalty charge shall be based on the rate for Monthly Delivery.

8) **Credits for Unreserved Use Penalty Revenues:** The Transmission Provider shall credit revenues that are collected for unreserved use to all non-offending Transmission Customers (including Affiliated Transmission Customers) and to the Transmission Provider on behalf of its own customers (Native Load Customers). The credits shall be calculated and allocated as set forth below.

For the purposes of this distribution, "unreserved use penalty revenue" refers to amounts collected under Schedule 7 and Schedule 8 for unreserved use above the base firm Point-to-Point transmission service charge for the transmission service provided and any applicable Ancillary

Service charges. Ancillary Service costs associated with unreserved uses are based on the actual costs of the Ancillary Service attributable to the unreserved use (i.e., not subject to the 200 percent penalty rate).

The unreserved use penalty revenues collected pursuant to Section 7 of Schedules 7 and 8 shall be credited based on the ratio of the transmission revenues collected from each Network Transmission Customer or Point-to-Point Transmission Customer that did not experience unreserved use in an hour to the sum of the transmission revenues collected from all Transmission Customers that did not experience unreserved use in the hour. A Transmission Customer that experiences unreserved use in an hour shall not receive a credit for that hour.

The Transmission Provider shall typically disburse accumulated unreserved use penalty revenues in the form of a payment or a credit against pending transmission charges no later than the second calendar month following the calendar month in which penalty revenues are collected. In the event that the Transmission Provider cannot disburse accumulated unreserved use penalties as set out in the preceding sentence, the Transmission Provider shall disburse accumulated unreserved use penalty revenues no later than the first April 1 following the calendar year in which the penalty revenue was received by the Transmission Provider, plus interest calculated in accordance with 18 CFR § 35.19a.

Payments or credits for unreserved use penalties shall be subject to revision, future modification and rescission in the event of computation error, successful dispute, order of the Commission, or other circumstance that reduces the penalty revenues received by Transmission Provider that were previously disbursed to non-offending Transmission Customers.

