OPEN ACCESS TRANSMISSION TARIFF

OF

Public Service Company Of New Mexico

OPEN ACCESS TRANSMISSION TARIFF

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I. COMMON SERVICE PROVISIONS

1 Definitions

1.1 Affiliate: With respect to a corporation, partnership or other entity, each such other corporation, partnership or other entity that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such corporation, partnership or other entity.

1.2 Ancillary Services: Those services that are necessary to support the transmission of capacity and energy from resources to loads while maintaining reliable operation of the Transmission Provider's Transmission System in accordance with Good Utility Practice.

1.3 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 the Transmission Provider or modified by the Commission.

1.4 Application: A request by an Eligible Customer for transmission service pursuant to the provisions of the Tariff

1.5 Commission: The Federal Energy Regulatory Commission.

1.6 Completed Application: An Application that satisfies all of the information and other requirements of the Tariff, including any required deposit.

1.7 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.

1.8 Curtailment: A reduction in firm or non-firm transmission service in response to a transfer capability shortage as a result of system reliability conditions.

1.9 Delivering Party: The entity supplying capacity and energy to be transmitted at Point(s) of Receipt.

1.10 Designated Agent: Any entity that performs actions or functions on behalf of the Transmission Provider, an Eligible Customer, or the Transmission Customer required under the Tariff.

1.11 Direct Assignment Facilities: Facilities or portions of facilities that are constructed by the Transmission Provider for the sole use/benefit of a particular Transmission Customer requesting service under the Tariff. Direct Assignment Facilities shall be specified in the Service Agreement that governs service to the Transmission Customer and shall be subject to Commission approval.

1.12 Eligible Customer: (i) Any electric utility (including the Transmission Provider 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 the Transmission Provider offer the unbundled transmission service, or pursuant to a voluntary offer of such service by the Transmission Provider. (ii) Any retail customer taking unbundled Transmission

Service pursuant to a state requirement that the Transmission Provider offer the transmission service, or pursuant to a voluntary offer of such service by the Transmission Provider, is an eligible Customer under the Tariff.

1.13 Facilities Study: An engineering study conducted by the Transmission Provider to determine the required modifications to the Transmission Provider's Transmission System, including the cost and scheduled completion date for such modifications, that will be required to provide the requested transmission service.

1.14 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.

1.15 Good Utility Practice: Any of the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period, or any of the practices, methods and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition. Good Utility Practice is not intended to be limited to the optimum practice, method, or act to the exclusion of all others, but rather to be acceptable practices, methods, or acts generally accepted in the region, including those practices required by Federal Power Act section 215(a)(4).

1.16 Interruption: A reduction in non-firm transmission service due to economic reasons pursuant to Section 14.7.

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

1.18 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 the Tariff.

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

1.20 Native Load Customers: The wholesale and retail power customers of the Transmission Provider on whose behalf the Transmission Provider, by statute, franchise, regulatory requirement, or contract, has undertaken an obligation to construct and operate the Transmission Provider's system to meet the reliable electric needs of such customers.

1.21 Network Customer: An entity receiving transmission service pursuant to the terms of the Transmission Provider's Network Integration Transmission Service under Part III of the Tariff.

1.22 Network Integration Transmission Service: The transmission service provided under Part III of the Tariff.

1.23 Network Load: The load that a Network Customer designates for Network Integration Transmission Service under Part III of the Tariff. The Network Customer's Network Load shall include all load served by the output of any Network Resources designated by the NetworkCustomer. 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 the Tariff for any Point-To-Point Transmission Service that may be necessary for such non-designated load.

1.24 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 the Tariff.

1.25 Network Operating Committee: A group made up of representatives from the Network Customer(s) and the Transmission Provider established to coordinate operating criteria and other technical considerations required for implementation of Network Integration Transmission Service under Part III of this Tariff.

1.26 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, except for purposes of fulfilling obligations under a reserve-sharing program.

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

1.28 Non-Firm Point-To-Point Transmission Service: Point-To-Point Transmission Service under the 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.

1.29 Non Firm Sale: An energy sale for which receipt or delivery may be interrupted for any reason or no reason, without liability on the part of either the buyer or seller.

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 OASIS.

1.31 Part I: Tariff Definitions and Common Service Provisions contained in Sections 2 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: The Transmission Provider and the Transmission Customer receiving service under the Tariff.

1.35 Point(s) of Delivery: Point(s) on the Transmission Provider's Transmission System where capacity and energy transmitted by the Transmission Provider will be made available to the Receiving Party under Part II of the 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 the Transmission Provider's Transmission System where capacity and energy will be made available to the Transmission Provider by the Delivering Party under Part II of the 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 the Tariff.

1.38 Power Purchaser: The entity that is purchasing the capacity and energy to be transmitted under the Tariff.

1.38A Palo Verde/Hassayampa Common Bus: The Palo Verde Switchyard and the Hassayampa Switchyard (including the string bus facilities connecting with the Palo Verde Switchyard). The Palo Verde Switchyard and the Hassayampa Switchyard will be considered as a single Point of Receipt and a single Point of

Delivery for purposes of this tariff.

1.39 Pre-Confirmed Application: An Application that commits the Eligible Customer to execute a Service Agreement upon receipt of notification that the Transmission provider can provider the requested Transmission Service.

1.40 Receiving Party: The entity receiving the capacity and energy transmitted by the Transmission Provider to Point(s) of Delivery.

1.41 Reserved Capacity: The maximum amount of capacity and energy that the Transmission Provider agrees to transmit for the Transmission Customer over the Transmission Provider's Transmission System between the Point(s) of Receipt and the Point(s) of Delivery under Part II of the 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 and the Transmission Provider for service under the Tariff.

1.43 Service Commencement Date: The date the Transmission Provider begins to provide service pursuant to the terms of an executed Service Agreement, or the date the Transmission Provider begins to provide service in accordance with Section 15.3 or Section 29.1 under the Tariff.

1.44 Short-Term Firm Point-To-Point Transmission Service: Firm Point-To-Point Transmission Service under Part II of the Tariff with a term of less than one year.

1.45 System Condition: A specified condition on the Transmission provider’s system or on a neighboring system, such as a constrained transmission element or flowgate, that may trigger Curtailment of Long-Term Firm Point-To-Point Transmission Service using the curtailment priority pursuant to Section 13.6. Such conditions must be identified in the Transmission Customer’s Service Agreement.

1.46 System Impact Study: An assessment by the Transmission Provider 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 the Transmission Provider file with the Commission, a proposed unexecuted Service Agreement to receive transmission service under Part II of the Tariff. This term is used in the Part I Common Service Provisions to include customers receiving transmission service under Part II and Part III of this Tariff.

1.49 Transmission Provider: Public Service Company of New Mexico ("PNM") (or its Designated Agent), which is an operating company of PNM Resources, Inc. ("PNM Resources"). PNM is a public utility that owns, controls, or operates facilities used for the transmission of electric energy in interstate commerce and provide transmission service under the Tariff.

1.50 Transmission Provider's Monthly Transmission System Peak: The maximum firm usage of the Transmission Provider's Transmission System in a calendar month.

1.51 Transmission Service: Point-To-Point Transmission Service provided under Part II of the Tariff on a firm and non-firm basis.

1.52 Transmission System: The facilities owned, controlled or operated by the Transmission Provider that are used to provide transmission service under Part II and Part III of the Tariff.

1.53 Working Days: Monday through Friday, excluding holidays and weekends,

between 7 a.m. and 4 p.m. local time.

2 Initial Allocation and Renewal Procedures

2.1 Initial Allocation of Available Transfer Capability: For purposes of determining whether existing capability on the Transmission Provider'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 the 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 five years or more), have the right to continue to take transmission service from the Transmission Provider 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 the Transmission Provider or elects to purchase capacity and energy from another supplier. If at the end of the contract term, the Transmission Provider'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 the Commission, for such service; provided that the firm service customer shall have a right of first refusal at the end of such service only if the new contract is for five years or more. The existing firm service customer must provide notice to the Transmission Provider whether it will exercise its right of first refusal no less than one year prior to the expiration date of its transmission service agreement. 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 five years or longer. Service agreements subject to a right of first refusal entered into prior to July 17, 2008, or associated with a transmission service request received prior to July 13, 2007, unless terminated, will become subject to the five year/one year requirement on the first rollover date after July 17, 2008; provided that, the one-year notice requirement shall apply to such service agreements with five years or more left in their terms as of July 17, 2008. Notwithstanding any other provision of this Section 2.2, Transmission Customers with Commission-accepted transmission service agreements that satisfy all of the following criteria are entitled to rollover rights at the end of the first transmission service term, regardless of whether such transmission service term is of a duration of less than five years:

(i) the transmission service agreement must result from a Long-Term Firm or Competing Long-Term Firm transmission service request ("Certain TSR") on Transmission Provider's Open-Access Same Time Information System ("OASIS");

(ii) the Certain TSR must have requested service to begin no earlier than January 1, 2011, and no later than July 1, 2013, as registered on Transmission Provider's OASIS;

(iii) the transmission service agreement must be for transmission service over Transmission Provider's Eastern Interconnect Project facilities consisting of a 216-mile, 345 kV transmission line between Transmission Provider's bulk power switching station north of Bernalillo, New Mexico and a high voltage DC converter station, called the Blackwater Station, located in the Clovis-Portales area of eastern New Mexico, plus associated switching equipment and the Blackwater Station DC converter facilities; and

(iv) the transmission service agreement must be executed, or the Commission must otherwise determine the transmission service agreement to become effective, on or before the end of the requested term in the Certain TSR.

3 Ancillary Services

Ancillary Services are needed with transmission service to maintain reliability within and among the Control Areas affected by the transmission service. The Transmission Provider is required to provide (or offer to arrange with the local Control Area operator as discussed below), and the Transmission Customer is required to purchase, the following Ancillary Services: (i) Scheduling, System Control and Dispatch, and (ii) Reactive Supply and Voltage Control from Generation or Other Sources.

The Transmission Provider 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 the Transmission Provider's Control Area (i) Regulation and Frequency Response, (ii) Energy Imbalance, (iii) Operating Reserve - Spinning, and (iv) Operating Reserve - Supplemental. The Transmission Customer serving load within the Transmission Provider's Control Area is required to acquire these Ancillary Services, whether from the Transmission Provider, from a third party, or by self-supply.

The Transmission Provider is required to provide (or offer to arrange with the local Control Area Operator as discussed below), to the extent it is physically feasible to do so from its resources or from resources available to it, Generator Imbalance Service when Transmission Service is used to deliver energy from a generator located within its Control Area. The Transmission Customer using Transmission Service to deliver energy from a generator located within the Transmission Provider’s Control Area is required to acquire Generator Imbalance Service, whether from the Transmission Provider, from a third party, or by self-supply.

The Transmission Customer may not decline the Transmission Provider's offer of Ancillary Services unless it demonstrates that it has acquired the Ancillary Services from another source. The Transmission Customer must list in its Application which Ancillary Services it will purchase from the Transmission Provider. A Transmission Customer that exceeds its firm reserved capacity at any Point of Receipt or Point of Delivery or an Eligible Customer that uses Transmission Service at a Point of Receipt or Point of Delivery

that it has not reserved is required to pay for all of the Ancillary Services identified in this section that were provided by the Transmission Provider associated with the unreserved service. The Transmission Customer or Eligible Customer will pay for Ancillary Services based on the amount of transmission service it used but did not reserve.

If the Transmission Provider is a public utility providing transmission service but is not a Control Area operator, it may be unable to provide some or all of the Ancillary Services. In this case, the Transmission Provider can fulfill its obligation to provide Ancillary Services by acting as the Transmission Customer's agent to secure these Ancillary Services from the Control Area operator. The Transmission Customer may elect to (i) have the Transmission Provider 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, 6, and 9) from a third party or by self-supply when technically feasible.

The Transmission Provider 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.

The specific Ancillary Services, prices and/or compensation methods are described on the Schedules that are attached to and made a part of the Tariff.

Three principal requirements apply to discounts for Ancillary Services provided by the Transmission Provider in conjunction with its provision of 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. A discount agreed upon for an Ancillary Service must be offered for the same period to all Eligible Customers on the Transmission Provider's system. Sections 3.1 through 3.7 list the seven 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 or Other 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.

3.7 Generator Imbalance Service: Where applicable the rates and/or methodology are described in Schedule 9.

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) and 18 C.F.R. § 38 of the Commission's regulations (Business Practice Standards and Communication Protocols for Public Utilities). In the event available transfer 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.

The Transmission Provider shall post on OASIS and its public website an electronic link to all rules, standards and practices that (i) relate to the terms and conditions of transmission service, (ii) are not subject to a North American Energy Standards Board ("NAESB") copyright restriction, and (iii) are not otherwise included in this Tariff. The Transmission Provider shall post on OASIS , and on its public website an electronic link to the NAESB website where any rules, standards and practices that are protected by copyright may be obtained. The Transmission Provider shall also post on OASIS and its public website an electronic link to a statement of the process by which the Transmission Provider shall add, delete or otherwise modify the rules, standards and practices that are not included in this Tariff. Such process shall set forth the means by which the Transmission Provider shall provide reasonable advance notice to Transmission Customers and Eligible Customers of any such additions, deletions or modifications, the associated effective date, and any additional implementation procedures that the Transmission Provider deems appropriate.

5 Local Furnishing Bonds

5.1 Transmission Providers That Own Facilities Financed by Local Furnishing Bonds

This provision is applicable only to Transmission Providers that have financed facilities for the local furnishing of electric energy with tax-exempt bonds, as described in Section 142(f) of the Internal Revenue Code ("local furnishing bonds"). Notwithstanding any other provision of this Tariff, the Transmission Provider shall not be required to provide Transmission Service to any Eligible Customer pursuant to this Tariff if the provision of such Transmission Service would jeopardize the tax-exempt status of any local furnishing bond(s) used to finance the Transmission Provider's facilities that would be used in providing such Transmission Service.

5.2 Alternative Procedures for Requesting Transmission Service:

(i) If the Transmission Provider determines that the provision of transmission service requested by an Eligible Customer would jeopardize the tax-exempt status of any local furnishing bond(s) used to finance its facilities that would be used in providing such transmission service, it shall advise the Eligible Customer within thirty (30) days of receipt of the Completed Application.

(ii) If the Eligible Customer thereafter renews its request for the same transmission service referred to in (i) by tendering an application under Section 211 of the Federal Power Act, the Transmission Provider, within ten (10) days of receiving a copy of the Section 211 application, will waive its rights to a request for service under Section 213(a) of the Federal Power Act and to the issuance of a proposed order under Section 212(c) of the Federal Power Act. The Commission, upon receipt of the Transmission Provider’s waiver of its right to a request for service under Section 213(a) of the Federal Power Act and to the issuance of a proposed order under Section 212(c) of the Federal Power Act, shall issue an order under Section 211 of the Federal Power Act. Upon issuance of the order under Section 211 of

the Federal Power Act, the Transmission Provider shall be required to provide the requested transmission service in accordance with the terms and conditions of this Tariff.

6 Reciprocity

A Transmission Customer receiving transmission service under this Tariff agrees to provide comparable transmission service that it is capable of providing to the Transmission Provider on similar terms and conditions over facilities used for the transmission of electric energy owned, controlled or operated by the Transmission Customer and over facilities used for the transmission of electric energy owned, controlled or operated by the Transmission Customer's corporate Affiliates. A Transmission Customer that is a member of or takes transmission service from a power pool, Regional Transmission Group, Regional Transmission Organization (RTO), Independent System Operator (ISO) or other transmission organization approved by the Commission for the operation of transmission facilities also agrees to provide comparable transmission service to the transmission-owning members of such power pool and Regional Transmission Group, RTO, ISO or other transmission organization on similar terms and conditions over facilities used for the transmission of electric energy owned, controlled or operated by the Transmission Customer and over facilities used for the transmission of electric energy owned, controlled or operated by the Transmission Customer's corporate Affiliates.

This reciprocity requirement applies not only to the Transmission Customer that obtains transmission service under the Tariff, but also to all parties to a transaction that involves the use of transmission service under the 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 the Tariff. If the Transmission 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, the Transmission Provider shall submit an invoice to the Transmission Customer for the charges for all services furnished under the Tariff during the preceding month. The invoice shall be paid by the Transmission Customer within twenty (20) days of receipt. All payments shall be made in immediately available funds payable to the Transmission Provider, or by wire transfer to a bank named by the Transmission Provider.

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

7.3 Customer Default: In the event the Transmission Customer fails, for any reason other than a billing dispute as described below, to make payment to the Transmission Provider on or before the due date as described above, and such failure of payment is not corrected within thirty (30) calendar days after the Transmission Provider notifies the Transmission Customer to cure such failure, a default by the Transmission Customer shall be deemed to exist. Upon the occurrence of a default, the Transmission Provider may initiate a proceeding with the Commission to terminate service but shall not terminate service until the Commission so approves any such request. In the event of a billing dispute between the Transmission Provider and the Transmission Customer, the Transmission Provider will continue to provide service under the Service Agreement as long as the Transmission 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 fails to meet these two requirements for continuation of service, then the Transmission Provider may provide notice to the Transmission Customer of its intention to suspend service in sixty (60) days, in accordance with Commission policy.

8 Accounting for the Transmission Provider's Use of the Tariff:

The Transmission Provider shall record the following amounts, as outlined below.

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 the Tariff.

8.2 Study Costs and Revenues: Include in a separate transmission operating expense account or subaccount, costs properly chargeable to expense that are incurred to perform any System Impact Studies or Facilities Studies which the Transmission Provider conducts to determine if it must construct new transmission facilities or upgrades necessary for its own uses, including making Third-Party Sales under the 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's billing under the Tariff.

9 Regulatory Filings

Nothing contained in the Tariff or any Service Agreement shall be construed as affecting in any way the right of the Transmission Provider to unilaterally make application to the Commission for a change in rates, terms and conditions, charges, classification of service, Service Agreement, rule or regulation under Section 205 of the Federal Power Act and pursuant to the Commission's rules and regulations promulgated thereunder. Nothing contained in the Tariff or any Service Agreement shall be construed as affecting in any way the ability of any Party receiving service under the Tariff to exercise its rights under the Federal Power Act and pursuant to the Commission's rules and regulations promulgated thereunder.

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 wrongdoing. Neither the Transmission Provider nor the Transmission 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 shall at all times indemnify, defend, and save the Transmission Provider 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 the Transmission Provider's performance of its obligations under this Tariff on behalf of the Transmission Customer, except in cases of negligence or intentional wrongdoing by the Transmission Provider.

11 Creditworthiness

The Transmission Provider will specify its Creditworthiness procedures in Attachment L.

12 Dispute Resolution Procedures

12.1 Internal Dispute Resolution Procedures: Any dispute between a Transmission Customer and the Transmission Provider involving Transmission Service under the Tariff (excluding applications for rate changes or other changes to the Tariff, or to any Service Agreement entered into under the Tariff, which shall be presented directly to the Commission for resolution) shall be referred to a designated senior representative of the Transmission Provider and a senior representative of the Transmission Customer for resolution on an informal basis as promptly as practicable. In the event the designated representatives are unable to resolve the dispute within thirty (30) days [or such other period as the Parties may agree upon] by mutual agreement, such dispute may be submitted to arbitration and resolved in accordance with the arbitration procedures set forth below.

12.2 External Arbitration Procedures: Any arbitration initiated under the Tariff shall be conducted before a single neutral arbitrator appointed by the Parties. If the Parties fail to agree upon a single arbitrator within ten (10) days of the referral of the dispute to arbitration, each Party shall choose one arbitrator who shall sit on a three-member arbitration panel. The two arbitrators so chosen shall within twenty (20) days select a third arbitrator to chair the arbitration panel. In either case, the arbitrators shall be knowledgeable in electric utility matters, including electric transmission and bulk power issues, and shall not have any current or past substantial business or financial relationships with any party to the arbitration (except prior arbitration). The arbitrator(s) shall provide each of the Parties an opportunity to be heard and, except as otherwise provided herein, shall generally conduct the arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association and any applicable Commission regulations.

12.3 Arbitration Decisions: Unless otherwise agreed, the arbitrator(s) shall render a decision within ninety (90) days of appointment and shall notify the Parties in writing of such decision and the reasons therefore. The arbitrator(s) shall be authorized only to interpret and apply the provisions of the Tariff and any Service

Agreement entered into under the Tariff and shall have no power to modify or change any of the above in any manner. The decision of the arbitrator(s) shall be final and binding upon the Parties, and judgment on the award may be entered in any court having jurisdiction. The decision of the arbitrator(s) may be appealed solely on the grounds that the conduct of the arbitrator(s), or the decision itself, violated the standards set forth in the Federal Arbitration Act and/or the Administrative Dispute Resolution Act. The final decision of the arbitrator must also be filed with the Commission if it affects jurisdictional rates, terms and conditions of service or facilities.

12.4 Costs: Each Party shall be responsible for its own costs incurred during the arbitration process and for the following costs, if applicable:

(A) the cost of the arbitrator chosen by the Party to sit on the three member panel and one half of the cost of the third arbitrator chosen; or

(B) one half the cost of the single arbitrator jointly chosen by the Parties.

12.5 Rights Under The Federal Power Act: Nothing in this section shall restrict the rights of any party to file a complaint with the Commission under relevant provisions of the Federal Power Act.

II. POINT-TO-POINT TRANSMISSION SERVICE

Preamble

The Transmission Provider 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 transfer 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 hour and the maximum term shall be specified in the Service Agreement.

13.2 Reservation Priority:

(i) Long-Term Firm Point-To-Point Transmission Service shall be available on a first-come, first-served basis i.e., in the chronological sequence in which each Transmission Customer has reserved service.

(ii) Reservations for Short-Term Firm Point-To-Point Transmission Service will be conditional based upon the length of the requested transaction or reservation. However, Pre-Confirmed Applications for Short-Term Point-to-Point Transmission Service will receive priority over earlier-submitted requests that are not Pre-Confirmed and that have equal or shorter duration. Among requests or reservations with the same duration and, as relevant, pre-confirmation status (pre-confirmed, confirmed or not confirmed), priority will be given to an Eligible Customer's request or reservation that offers the highest price, followed by the date and time of the request or reservation.

(iii) If the Transmission System becomes oversubscribed, requests for service may preempt competing reservations up to the following conditional reservation deadlines: one Working 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 transfer capability is insufficient to satisfy all requests and reservations, an Eligible Customer with a reservation for shorter-term service or equal duration service with a lower price has the right of first refusal to match any longer term request or equal duration service with a higher price 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

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 the Transmission Provider of a longer-term competing request for Short-Term Firm Point-to-Point Transmission Service. When a longer duration request preempts multiple shorter duration reservations, the shorter duration reservations shall have simultaneous opportunities to exercise the right of first refusal. Duration, price and time of response will be used to determine the order by which the multiple shorter duration reservations will be able to exercise the right of first refusal. After the conditional reservation deadline, service will commence pursuant to the terms of Part II of the Tariff.

(iv) Firm Point-To-Point Transmission Service will always have a reservation priority over Non-Firm Point-To-Point Transmission Service under the 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 transmission service customers are provided in Section 2.2.

13.3 Use of Firm Transmission Service by the Transmission Provider: The Transmission Provider will be subject to the rates, terms and conditions of Part II of the Tariff when making Third-Party Sales under (i) agreements executed on or after July 9, 1996 or (ii) agreements executed prior to the aforementioned date that the Commission requires to be unbundled, by the date specified by the Commission. The Transmission Provider will maintain separate accounting, pursuant to Section 8, for any use of the Point-To-Point Transmission Service to make Third-Party Sales.

13.4 Service Agreements: The Transmission Provider 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. The Transmission Provider 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 the Tariff. Executed Service Agreements that contain the information required under the Tariff shall be filed with the Commission in compliance with applicable Commission regulations. An Eligible Customer that uses Transmission Service at a Point of Receipt or Point of Delivery that it has not reserved and that has not executed a Service Agreement will be deemed, for purposes of assessing any appropriate charges and penalties, to have executed the appropriate Service Agreement. The Service Agreement shall, when applicable, specify any conditional curtailment options selected by the Transmission Customer. Where the Service Agreement contains conditional curtailment options and is subject to a biennial reassessment as described in Section 15.4, the Transmission Provider shall provide the Transmission Customer notice of any changes to the curtailment conditions no less than 90 days prior to the date for imposition of new curtailment conditions. Concurrent with such notice, the Transmission Provider shall provide the Transmission Customer with the reassessment study and a narrative description of the study, including the reasons for changes to the number of hours per year or System Conditions under which conditional curtailment may occur.

13.5 Transmission Customer Obligations for Facility Additions or Redispatch Costs: In cases where the Transmission Provider determines that the Transmission System is not capable of providing Firm Point-To-Point Transmission Service without (1) degrading or impairing the reliability of service to Native Load Customers, Network Customers and other Transmission Customers taking Firm Point-To-Point Transmission Service, or (2) interfering with the Transmission Provider's ability to meet prior firm contractual commitments to others, the Transmission Provider will be obligated to expand or upgrade its Transmission System pursuant to the terms of Section 15.4. The Transmission Customer must agree to compensate the Transmission Provider for any necessary

transmission facility additions pursuant to the terms of Section 27. To the extent the Transmission Provider can relieve any system constraint by redispatching the Transmission Provider's resources, it shall do so, provided that the Eligible Customer agrees to compensate the Transmission Provider pursuant to the terms of Section 27 and agrees to either (i) compensate the Transmission Provider for any necessary transmission facility additions or (ii) accept the service subject to a biennial reassessment by the Transmission Provider of redispatch requirements as described in Section 15.4. Any redispatch, Network Upgrade or Direct Assignment Facilities costs to be charged to the Transmission Customer on an incremental basis under the Tariff will be specified in the Service Agreement prior to initiating service.

13.6 Curtailment of Firm Transmission Service: In the event that a Curtailment on the Transmission Provider's Transmission System, or a portion thereof, is required to maintain reliable operation of such system and the system directly and indirectly interconnected with Transmission Provider's Transmission System. Curtailments will be made on a non-discriminatory basis to the transaction(s) that effectively relieve the constraint. If multiple transactions require Curtailment, to the extent practicable and consistent with Good Utility Practice, the Transmission Provider 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 the Transmission Provider's Native Load Customers. All Curtailments will be made on a non-discriminatory basis. However, Non-Firm Point-To-Point Transmission Service shall be subordinate to Firm Point-To-Point Transmission Service. Long-Term Firm Point-to-Point Service subject to conditions described in Section 15.4 shall be curtailed with secondary service in cases where the conditions apply, but otherwise will be curtailed on a pro rata basis with other Firm Transmission Service. When the Transmission Provider determines that an electrical emergency exists on its Transmission System and implements emergency procedures to curtail Firm Point-To-Point Transmission Service, the Transmission Customer shall make the required reductions upon request of the Transmission Provider. However, the Transmission Provider

reserves the right to curtail, in whole or in part, any Firm Point-To-Point Transmission Service provided under the Tariff when, in the Transmission Provider's sole discretion, an emergency or other unforeseen condition impairs or degrades the reliability of its Transmission System. The Transmission Provider 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 Receipt and Delivery Points to obtain service on a non-firm basis consistent with the terms of Section 22.1 or (2) request a modification of the Points of Receipt or Delivery on a firm basis pursuant to the terms of Section 22.2.

(b) The Transmission Customer may purchase Transmission Service to make sales of capacity and energy from multiple generating units that are on the Transmission Provider'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 or the multiple generating units are connected to the Palo Verde/Hassayampa Common Bus; in either case the units would be treated as a single Point of Receipt. Similarly, the Palo Verde/Hassayampa Common Bus will be treated as a single point of receipt and as a single point of delivery for transactions scheduled to or from the Common Bus.

(c) The Transmission Provider 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

mutually agreed upon by the Parties for Short-Term Firm Transmission. Each Point of Delivery at which firm transfer capability is reserved by the Transmission Customer shall be set forth in the Firm Point-To-Point Transmission 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. The Transmission Customer may not exceed its firm capacity reserved at each Point of Receipt and each Point of Delivery except as otherwise specified in Section 22. The Transmission Provider shall specify the rate treatment and all related terms and conditions applicable in the event that a Transmission Customer (including Third-Party Sales by the Transmission Provider) exceeds its firm reserved capacity at any Point of Receipt or Point of Delivery or uses Transmission Service at a Point of Receipt or Point of Delivery that it has not reserved.

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 the Transmission Provider no later than 10:00 a.m. of the Working Day prior to commencement of such service. Schedules submitted after 10:00 a.m. will be accommodated, if practicable. Hour-to-hour and intra-hour (four intervals consisting of fifteen minute schedules) 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 the Transmission Provider'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 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 scheduling interval provided that the Delivering Party and Receiving Party also agree to the schedule modification. The Transmission Provider will furnish to the Delivering Party's system operator, hour-to-hour and intra-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 the Transmission Provider, and the Transmission Provider 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 transfer capability in excess of that needed 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 first to requests or reservations with a longer duration of service and second to Pre-Confirmed Applications. In the event the Transmission System is constrained, competing requests of the same Pre-Confirmation status and 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 request 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 the Transmission Provider; and (b) within 24 hours (or earlier if necessary to comply with the scheduling deadlines provided in Section 14.6) for Non-Firm Point-to-Point Transmission Service other than hourly transactions after notification by the Transmission Provider. 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. 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 the Tariff.

14.3 Use of Non-Firm Point-To-Point Transmission Service by the Transmission Provider: The Transmission Provider will be subject to the rates, terms and conditions of Part II of the Tariff when making Third-Party Sales under (i) agreements executed on or after July 9, 1996 or (ii) agreements executed prior to the aforementioned date that the Commission requires to be unbundled, by the date specified by the Commission. The Transmission Provider will maintain separate accounting, pursuant to Section 8, for any use of Non-Firm Point-To-Point Transmission Service to make Third-Party Sales.

14.4 Service Agreements: The Transmission Provider 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 the Tariff. Executed Service Agreements that contain the information required under the Tariff shall be filed with the Commission in compliance with applicable Commission regulations.

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 the Tariff. The Transmission Provider undertakes no obligation under the 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 the Tariff. The Transmission Provider shall specify the rate treatment and all related terms and conditions applicable in the event that a Transmission Customer (including Third- Party Sales by the Transmission Provider) 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 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 the Transmission Provider no later than 10:00 a.m. of the day prior to commencement of such service. Schedules submitted after 10:00 a.m. will be accommodated, if practicable. Hour-to-hour and intra-hour (four intervals consisting of fifteen minute schedules) schedules of energy that is to be delivered must be stated in increments of 1,000 kW per hour. Transmission Customers within the Transmission Provider'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 scheduling interval, provided that the Delivering Party and Receiving Party also agree to the schedule modification. The Transmission Provider will furnish to the Delivering Party's system operator, hour-to-hour and intra-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 the Transmission Provider, and the Transmission Provider 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: The Transmission Provider reserves the right to curtail, in whole or in part, Non-Firm Point-To-Point Transmission Service provided under the Tariff for reliability reasons when an emergency or other unforeseen condition threatens to impair or degrade the reliability of its Transmission System or the systems directly and indirectly interconnected with Transmission Provider’s Transmission System. The Transmission Provider reserves the right to Interrupt, in whole or in part, Non-Firm Point-To-Point Transmission Service provided under the Tariff for economic reasons in order to

accommodate (1) a request for Firm Point-To-Point 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, (4) transmission service for Network Customers from non-designated resources, or (5) transmission service for Firm Point-to-Point Transmission Service during conditional curtailment periods as described in Section 15.4. The Transmission Provider 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 all 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 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 the 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 the Tariff. The Transmission Provider 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: The Transmission Provider 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.

15.2 Determination of Available Transfer Capability: A description of the Transmission Provider's specific methodology for assessing available transfer capability posted on the Transmission Provider's OASIS (Section 4) is contained in Attachment C of the Tariff. In the event sufficient transfer capability may not exist to accommodate a service request, the Transmission Provider will respond by performing a System Impact Study.

15.3 Initiating Service in the Absence of an Executed Service Agreement: If the Transmission Provider and the Transmission Customer requesting Firm or Non-Firm Point-To-Point Transmission Service cannot agree on all the terms and conditions of the appropriate Point-To-Point Service Agreement, the Transmission Provider shall file with the Commission, within thirty (30) days after the date the Transmission Customer provides written notification directing the Transmission Provider to file, the appropriate unexecuted Point-To-Point Service Agreement containing terms and conditions deemed appropriate by the Transmission Provider for such requested Transmission Service. The Transmission Provider shall commence providing Transmission Service subject to the Transmission Customer agreeing to (i) compensate the Transmission Provider at whatever rate the Commission ultimately determines to be just and reasonable, and (ii) comply with the terms and conditions of the 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, Redispatch or Conditional Curtailment:

(a) If the Transmission Provider determines that it cannot accommodate a

Completed Application for Firm Point-To-Point Transmission Service because of insufficient capability on its Transmission System, the Transmission Provider will use due diligence to expand or modify its Transmission System to provide the requested Firm Transmission Service, consistent with its planning obligations in Attachment K, provided the Transmission Customer agrees to compensate the Transmission Provider for such costs pursuant to the terms of Section 27. The Transmission Provider will conform to Good Utility Practice and its planning obligations in Attachment K in determining the need for new facilities and in the design and construction of such facilities. The obligation applies only to those facilities that the Transmission Provider has the right to expand or modify.

(b) If the Transmission Provider determines that it cannot accommodate a Completed Application for Long-Term Firm Point-To-Point Transmission Service because of insufficient capability on its Transmission System, the Transmission Provider will use due diligence to provide redispatch from its own resources until (i) Network Upgrades are completed for the Transmission Customer, (ii) the Transmission Provider determines through a biennial reassessment that it can no longer reliably provide the redispatch, or (iii) the Transmission Customer terminates the service because of redispatch changes resulting from the reassessment. A Transmission Provider shall not unreasonably deny self-provided redispatch or redispatch arranged by the Transmission Customer from a third party resource.

(c) If the Transmission Provider determines that it cannot accommodate a Completed Application for Long-Term Firm Point-To-Point Transmission Service because of insufficient capability on its Transmission System, the Transmission Provider will offer the Firm Transmission Service with the condition that the Transmission Provider may curtail the service prior to the curtailment of other Firm

Transmission Service for a specified number of hours per year or during System Condition(s). If the Transmission Customer accepts the service, the Transmission Provider will use due diligence to provide the service until (i) Network Upgrades are completed for the Transmission Customer, (ii) the Transmission Provider determines through a biennial reassessment that it can no longer reliably provide such service, or (iii) the Transmission Customer terminates the service because the reassessment increased the number of hours per year of conditional curtailment or changed the System Conditions.

15.5 Deferral of Service: The Transmission Provider may defer providing service until it completes construction of new transmission facilities or upgrades needed to provide Firm Point-To-Point Transmission Service whenever the Transmission Provider 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 under other agreements on file with the Commission may continue to receive transmission service under those agreements until such time as those agreements may be modified by the Commission.

15.7 Real Power Losses: Real power losses are associated with all transmission service. The Transmission Provider is not obligated to provide real power losses. The Transmission Customer is responsible for replacing losses associated with all transmission service as calculated by the Transmission Provider. The applicable real power loss factors are as follows: 3.33%, except for the following Network Customers:

Jicarilla	Navopache	Aztec
3.33 %	3.33%	3.33%

16 Transmission Customer Responsibilities

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

(a) The Transmission Customer has pending a Completed Application for Transmission Service;

(b) The Transmission Customer meets the creditworthiness criteria set forth in Section 11;

(c) The Transmission Customer will have arrangements in place for any other transmission service necessary to effect the delivery from the generating source to the Transmission Provider prior to the time service under Part II of the Tariff commences;

(d) The Transmission Customer agrees to pay for any facilities constructed and chargeable to such Transmission Customer under Part II of the Tariff, whether or not the Transmission Customer takes service for the full term of its reservation;

(e) The Transmission customer provides the information required by the Transmission Provider's planning process established in Attachment K, and

(f) The Transmission Customer has executed a Point-To-Point Service Agreement or has agreed to receive service pursuant to Section 15.3.

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 the Transmission Provider, notification to the Transmission Provider identifying such systems and authorizing them to schedule the capacity and energy to be transmitted by the Transmission

Provider pursuant to Part II of the Tariff on behalf of the Receiving Party at the Point of Delivery or the Delivering Party at the Point of Receipt. However, the Transmission Provider will undertake reasonable efforts to assist the Transmission Customer in making such arrangements, including without limitation, providing 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:

Public Service Company of New Mexico
Alvarado Square
Albuquerque New Mexico 87158
Attention: Lead Director, Transmission Operations

Such written application must be submitted 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 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 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. 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 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 □ 35.19a(a)(2)(iii), and shall be calculated from the day the deposit check is credited to the Transmission Provider's account.

Regardless of the above, Transmission Provider may, on a non-discriminatory basis, waive the requirement that a deposit accompany an Application where the Eligible Customer has established its creditworthiness pursuant to Section 11 of this Tariff and is not in default in its obligations under this Tariff, as defined in Section 7.3 of the Tariff, at the time of the Application. To ensure that all Eligible

Customers are treated in a fair and impartial manner, Transmission Provider will maintain a log available for Commission audit, detailing the circumstances and manner in which it exercises its discretion in this matter.

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 Service 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 the Transmission Provider. Applications 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 service priority of the Application. For service by both Transmission Providers, such Application should be submitted to the Transmission Provider that is being requested to provide delivery of the power to the load or out of the combined Transmission Systems.

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 the 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.

In addition to the information specified above, when required to properly evaluate system conditions, the Transmission Provider 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.

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

(viii) A statement indicating that 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.

18.3 Reservation of Non-Firm Point-To-Point Transmission Service: Requests for monthly service shall be 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) Working Days before service is to commence, and requests for hourly service shall be submitted no earlier than noon the Working Day before service is to commence. Requests for service received later than 2:00 p.m. on the Working Day prior to the day service is scheduled to commence will be accommodated if practicable.

18.4 Determination of Available Transfer Capability: Following receipt of a tendered schedule the Transmission Provider will make a determination on a non-discriminatory basis of available transfer capability pursuant to Section 15.2. 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) Working 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, the Transmission Provider shall determine on a non-discriminatory basis whether a System Impact Study is needed. A description of the Transmission Provider's methodology for completing a System Impact Study is provided in Attachment D. If the Transmission Provider determines that a System Impact Study is necessary to accommodate the requested service, it shall so inform the Eligible Customer, as soon as practicable. Once informed, the Eligible Customer shall timely notify the Transmission Provider if it elects to have the Transmission Provider study redispatch or conditional curtailment as part of the System Impact Study. If notification is provided prior to tender of the System Impact Study Agreement, the Eligible Customer can avoid the costs associated with the study of these options. The Transmission Provider 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 the Transmission Provider 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 the Transmission Provider 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, shall be returned with interest.

19.2 System Impact Study Agreement and Cost Reimbursement:

(i) The System Impact Study Agreement will clearly specify the Transmission Provider'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, the Transmission Provider 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 the Transmission Provider 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 the Transmission Provider conducts on its own behalf, the Transmission Provider shall record the cost of the System Impact Studies pursuant to Section 20.

19.3 System Impact Study Procedures: Upon receipt of an executed System Impact Study Agreement, the Transmission Provider will use due diligence to complete the required System Impact Study within a sixty (60) day period. The System Impact Study shall identify (1) any system constraints, identified with specificity by transmission element or flowgate, (2) redispatch options, (when requested by an Eligible Customer) including an estimate of the cost of redispatch, (3) conditional curtailment options (when requested by an Eligible Customer) including the number of hours per year and the System Conditions during which conditional curtailment may occur, and (4) additional Direct Assignment Facilities or Network Upgrades required to provide the requested service. For customers requesting the study of redispatch options, the System Impact Study shall (1) identify all resources located within the Transmission Provider's Control Area that can significantly contribute toward relieving the system constraint and (2) provide a measurement of each resource's impact on the system constraint. If the Transmission Provider possesses information indicating that any resource outside its Control Area could relieve the constraint, it shall identify each such resource in the System Impact Study. In the event that the Transmission Provider 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 as soon as the System Impact Study is complete. The Transmission Provider will use the same due diligence in completing the System Impact Study for an Eligible Customer as it uses when completing studies for itself. The Transmission Provider 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 Completed Application, within fifteen (15) days of completion of the System Impact Study the Eligible Customer must execute a Service Agreement or request the filing of an unexecuted Service Agreement pursuant to Section 15.3, or the Application shall be deemed terminated and withdrawn.

19.4 Clustering of System Impact Studies: "Clustering" shall mean the process whereby a group of requests for Transmission Service are studied together, instead of serially, for the purpose of conducting the System Impact Study provided for in Section 19. Clustering is intended to facilitate timely processing of Transmission Service requests and reduce or eliminate the subsidization of transmission service of one transmission service customer service by another. Clustering System Impact Studies shall be conducted in such a manner to ensure the efficient implementation of the applicable regional transmission expansion plan in light of the Transmission System's capabilities at the time of initiation each System Impact Study.

On either the request of an Eligible Customer and the concurrence of all other Eligible Customers proposed to be included in the System Impact Study Cluster or at Transmission Provider's option, Transmission Service requests may be studied in a cluster for the purpose of the System Impact Study. If a request for Clustering impairs administration or timely processing of the Transmission Provider's

Transmission Service queue, the Transmission Provider may reject a request of an Eligible Customer to implement Clustering of System Impact Studies.

If the Transmission Provider determines based on an Eligible Customer's request and the concurrence of other Eligible Customers within the proposed Cluster to study requests for Transmission Service using Clustering, all Transmission Service requests within the Cluster shall be studied together. Once such a Cluster is established, no Eligible Customer shall be allowed to opt out of the Cluster unless the Eligible Customer withdraws its request for Transmission Service. The deadline for completing all System Impact Studies for which a System Impact Study Agreement has been executed for an Eligible Customer-initiated Cluster shall be in accordance with Section 19 for all Transmission Service requests assigned to the same Cluster. The initiation date of the System Impact Study for the Cluster will take into consideration the time required to coordinate the completion of a System Impact Study Agreement among the Cluster participants and the Transmission Provider and such coordination may cause tender of the System Impact Study Agreement to extend beyond the time frame stated in Section 19.1

For Clustering established at the Transmission Provider's option, a "Queue Cluster Window" shall be established and shall have a finite time interval based on fixed opening and closing dates posted on the Transmission Provider's OASIS. Establishment of a Queue Cluster Window or any changes to an established Queue Cluster Window time interval and opening or closing dates shall be announced with a posting on Transmission Provider's OASIS beginning at least forty-five (45) calendar days in advance of the change and continuing thereafter through the end date of the first Queue Cluster Window that is to be modified. The deadline for completing all System Impact Studies for which a System Impact Study Agreement has been executed during a Queue Cluster Window shall be in accordance with Section 19 for all Transmission Service requests assigned to the same Queue Cluster Window.

The Transmission Provider will assign the cost of producing the clustered System Impact Study, including any third-party study work required by the Transmission Provider, to each customer remaining in the queue at the time of the invoice of the cost based on an allocation comprised fifty percent (50%) on the number of requests that remain in the Cluster at the time of the cost allocation and fifty percent (50%) on the ratio of the transmission capacity reservation of each customer to the total transmission capacity reservation of all customers that remain in the Cluster at the time of the cost allocation.

19.5 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, the Transmission Provider, 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 the Transmission Provider 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 the Transmission Provider 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, shall be returned with interest. Upon receipt of an executed Facilities Study Agreement, the Transmission Provider will use due diligence to complete the required Facilities Study within a sixty (60) day period. If the Transmission Provider is unable to complete the Facilities Study in the allotted time period, the Transmission Provider 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 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

the Tariff, and (iii) the time required to complete such construction and initiate the requested service. The Transmission Customer shall provide the Transmission Provider with a letter of credit or other reasonable form of security acceptable to the Transmission Provider 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.

19.6 Facilities Study Modifications: Any change in design arising from inability to site or construct facilities as proposed will require development 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 the Transmission Provider 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 the Tariff.

19.7 Due Diligence in Completing New Facilities: The Transmission Provider shall use due diligence to add necessary facilities or upgrade its Transmission System within a reasonable time. The Transmission Provider 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.

19.8 Partial Interim Service: If the Transmission Provider determines that it will not have adequate transfer capability to satisfy the full amount of a Completed Application for Firm Point-To-Point Transmission Service, the Transmission Provider 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, the

Transmission Provider 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.

19.9 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 the Transmission Provider to tender at one time, together with the results of required studies, an "Expedited Service Agreement" pursuant to which the Eligible Customer would agree to compensate the Transmission Provider for all costs incurred pursuant to the terms of the 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 the Transmission Provider 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 the Transmission Provider for all costs incurred pursuant to the provisions of the 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 service will cease to be a Completed Application and will be deemed terminated and withdrawn.

19.10 Penalties for Failures to Meet Study Deadlines:

Sections 19.3 and 19.5 require a Transmission Provider to use due diligence to meet 60-day study completion deadlines for System Impact Studies and Facilities Studies.

(i) The Transmission Provider is required to file a notice with the Commission in the event that more than twenty (20) percent of non-Affiliates' System Impact Studies and Facilities Studies completed by the Transmission

Provider in any two consecutive calendar quarters are not completed within the 60-day study completion deadlines. Such notice must be filed within thirty (30) days of the end of the calendar quarter triggering the notice requirement.

(ii) For the purposes of calculating the percent of non-Affiliates' System Impact Studies and Facilities Studies processed outside of the 60-day study completion deadlines, the Transmission Provider shall consider all System Impact Studies and Facilities Studies that it completes for non-Affiliates during the calendar quarter. The percentage should be calculated by dividing the number of those studies, which are completed on time by the total number of completed studies. The Transmission Provider may provide an explanation in its notification filing to the Commission if it believes there are extenuating circumstances that prevented it from meeting the 60-day study completion deadlines.

(iii) The Transmission Provider is subject to an operational penalty if it completes ten (10) percent or more of non-Affiliates' System Impact Studies and Facilities Studies outside of the 60-day study completion deadlines for each of the two calendar quarters immediately following the quarter that triggered its notification filing to the Commission. The operational penalty will be assessed for each calendar quarter for which an operational penalty applies, starting with the calendar quarter immediately following the quarter that triggered the Transmission Provider's notification filing to the Commission. The operational penalty will continue to be assessed each quarter until the Transmission Provider completes at least ninety (90) percent of all non-Affiliates' System Impact Studies and Facilities Studies within the 60-day deadline.

(iv) For penalties assessed in accordance with subsection (iii) above, the penalty amount for each System Impact Study or Facilities Study shall be equal to $500 for each day the Transmission Provider takes to complete that study

beyond the 60-day deadline.

20 Procedures if The Transmission Provider 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, the Transmission Provider shall promptly notify the Transmission Customer. In such circumstances, the Transmission Provider 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. The Transmission Provider 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 the Transmission Provider that is reasonably needed by the Transmission Customer to evaluate any alternatives.

20.2 Alternatives to the Original Facility Additions: When the review process of Section 20.1 determines that one or more alternatives exist to the originally planned construction project, the Transmission Provider 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 the Transmission Provider 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, the Transmission Provider shall promptly tender a Service Agreement for Non-Firm Point-To-Point Transmission Service providing for the service. In the event the Transmission Provider concludes that no reasonable alternative exists and the Transmission Customer disagrees, the Transmission Customer may seek relief under the dispute resolution procedures pursuant to Section 12 or it may refer the dispute to the Commission for resolution.

20.3 Refund Obligation for Unfinished Facility Additions: If the Transmission Provider 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 the 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 18 CFR □35.19a(a)(2)(iii). However, the Transmission Customer shall be responsible for all prudently incurred costs by the Transmission Provider 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: The Transmission Provider shall not be responsible for making arrangements for 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. The Transmission Provider 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 the Tariff, and if such upgrades further require the addition of transmission facilities on other systems, the Transmission Provider shall have the right to coordinate construction on its own system with the construction required by others. The Transmission Provider, after consultation with the Transmission Customer and representatives of such other systems, may defer construction of its new transmission facilities, if the new transmission facilities on another system cannot be completed in a timely manner. The Transmission Provider 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 the Transmission Provider 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 or it may refer the dispute to the Commission for resolution.

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 the Transmission Provider 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 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 the Tariff or by the Transmission Provider 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 the Tariff. However, all other requirements of Part II of the 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 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:

Sale or Assignment of Transmission Service may not be done intra-hour.

(a) 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 Resellers shall be at rates established by agreement between the Reseller and the Assignee.

(b) The Assignee must execute a service agreement with the Transmission Provider governing reassignments of transmission service prior to the date on which the reassigned service commences. The Transmission Provider shall charge the Reseller, as appropriate, at the rate stated in the Reseller's Service Agreement with the Transmission Provider or the associated OASIS schedule and credit the Reseller with the price reflected in the Assignee's Service Agreement with the Transmission Provider or the associated OASIS schedule; provided that, such credit shall be reversed in the event of non-payment by the Assignee. If the Assignee does not request any change in the Point(s) of Receipt or the Point(s) of Delivery, 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. 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 the Transmission Provider pursuant to Section 13.2.

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, the Transmission

Provider will consent to such change subject to the provisions of the Tariff, provided that the change will not impair the operation and reliability of the Transmission Provider's generation, transmission, or distribution systems. The Assignee shall compensate the Transmission Provider 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 Transmission Provider and the Reseller through an amendment to the Service Agreement.

23.3 Information on Assignment or Transfer of Service: In accordance with Section 4, all sales or assignments of capacity must be conducted through or otherwise posted on the Transmission Provider's OASIS on or before the date the reassigned service commences and are subject to Section 23.1. Resellers may also use the Transmission Provider'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 for installing and maintaining compatible metering and communications equipment to accurately account for the capacity and energy being transmitted under Part II of the Tariff and to communicate the information to the Transmission Provider. Such equipment shall remain the property of the Transmission Customer.

24.2 Transmission Provider Access to Metering Data: The Transmission Provider 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, the Transmission Customer is required to maintain a power factor within the same range as the Transmission Provider pursuant to Good Utility Practices. The power factor requirements are specified in the Service Agreement where applicable.

25 Compensation for Transmission Service

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

26 Stranded Cost Recovery

The Transmission Provider 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. However, the Transmission Provider must separately file any specific proposed stranded cost charge under Section 205 of the Federal Power Act.

27 Compensation for New Facilities and Redispatch Costs

Whenever a System Impact Study performed by the Transmission Provider 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 the Transmission Provider identifies capacity constraints that may be relieved by redispatching the Transmission Provider's resources to eliminate such constraints, the Transmission Customer shall be responsible for the redispatch costs to the extent consistent with Commission policy.

III. NETWORK INTEGRATION TRANSMISSION SERVICE

Preamble

The Transmission Provider will provide Network Integration Transmission Service pursuant to the applicable terms and conditions contained in the 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 the Transmission Provider 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 the 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 the Transmission Provider's Control Area and any additional load that may be designated pursuant to Section 31.3 of the Tariff. The Network Customer taking Network Integration Transmission Service must obtain or provide Ancillary Services pursuant to Section 3.

28.2 Transmission Provider Responsibilities: The Transmission Provider will plan, construct, operate and maintain its Transmission System in accordance with Good Utility Practice and its planning obligations in Attachment K in order to provide the Network Customer with Network Integration Transmission Service over the Transmission Provider's Transmission System. The Transmission Provider, on behalf of its Native Load Customers, shall be required to designate resources and loads in the same manner as any Network Customer under Part III of this Tariff. This information must be consistent with the information used by the Transmission Provider to calculate available transfer capability. The Transmission Provider shall include the Network Customer's Network Load in its Transmission System planning and shall, consistent with Good Utility Practice and Attachment K, endeavor to construct and place into service sufficient transfer capability to deliver the Network Customer's Network Resources to serve its Network Load on a basis comparable to the Transmission Provider's delivery of its own generating and purchased resources to its Native Load Customers.

28.3 Network Integration Transmission Service: The Transmission Provider 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 the Transmission Provider's use of the Transmission System to reliably serve its Native Load Customers.

28.4 Secondary Service: The Network Customer may use the Transmission Provider'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. Secondary service shall not require the filing of an Application for Network Integration Transmission Service under the Tariff. However, all other requirements of Part III of the Tariff (except for transmission rates) shall apply to secondary service. 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 the Tariff.

28.5 Real Power Losses: Real power losses are associated with all transmission service. The Transmission Provider is not obligated to provide real power losses. The Network Customer is responsible for replacing losses associated with all transmission service as calculated by the Transmission Provider. The applicable real power loss factor is: 3.33%, except for the following Network Customers:

Jicarilla	Navopache	Aztec
3.33 %	3.33%	3.33%

28.6 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 the Tariff for any Third-Party Sale, which requires use of the Transmission Provider's Transmission System. The Transmission Provider shall specify any appropriate charges and penalties and all related terms and conditions applicable in the event that a Network Customer uses Network Integration Transmission Service or secondary service pursuant to Section 28.4 to facilitate a wholesale sale that does not serve a Network Load.

29 Initiating Service

29.1 Condition Precedent for Receiving Service: Subject to the terms and conditions

of Part III of the Tariff, the Transmission Provider 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 the Tariff, (ii) the Eligible Customer and the Transmission Provider complete the technical arrangements set forth in Sections 29.3 and 29.4, (iii) the Eligible Customer executes a Service Agreement pursuant to Attachment F for service under Part III of the Tariff or requests in writing that the Transmission Provider file a proposed unexecuted Service Agreement with the Commission, and (iv) the Eligible Customer executes a Network Operating Agreement with the Transmission Provider pursuant to Attachment G or requests in writing that the Transmission Provider file a proposed unexecuted Network Operating Agreement.

29.2 Application Procedures: An Eligible Customer requesting service under Part III of the Tariff must submit an Application, with a deposit approximating the charge for one month of service, to the Transmission Provider as far as possible in advance of the month in which service is to commence. Unless subject to the procedures in Section 2, 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 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 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 the 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 Transmission Provider 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) for each on-system Network Resource, such description shall include:

- 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 the Transmission Provider Control Area, where only a portion of unit output is designated as a Network Resource;

For each off-system Network Resource, such description shall include:

- Identification of the Network Resource as an off-system resource
- Amount of power to which the customer has rights
- Identification of the control area from which the power will originate
- Delivery point(s) to the Transmission Provider's Transmission System;
- Transmission arrangements on the external transmission system(s)
- Operating restrictions, if any
  - − 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.

(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 the Transmission Provider
- 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 upgrade
- Thermal ratings of Eligible Customer's Control Area ties with other Control Areas;

(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;

(viii) A statement signed by an authorized officer from or agent of the Network Customer attesting that all of the network resources listed pursuant to Section 29.2(v) satisfy the following conditions: (1) the Network Customer owns the resource, has committed to purchase generation pursuant to an executed contract, or has committed to purchase generation where execution of a contract is contingent upon the availability of transmission service under Part III of the Tariff; and (2) the Network Resources do not include any 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 noninterruptible basis, except for purposes of fulfilling obligations under a reserve sharing program; and

(ix) Any additional information required of the Transmission Customer as specified in the Transmission Provider's planning process established in Attachment K.

Unless the Parties agree to a different time frame, the Transmission Provider 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, the Transmission Provider shall notify the Eligible Customer requesting service within fifteen (15) days of receipt and specify the reasons for such failure. Wherever possible, the Transmission Provider will attempt to remedy deficiencies in the Application through informal communications with the Eligible Customer. If such efforts are unsuccessful, the Transmission Provider shall return the Application without prejudice to the Eligible Customer filing a new or revised Application that fully complies with the requirements of this section. The Eligible Customer will be assigned a new priority consistent with the date of the new or revised Application. The Transmission Provider 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 the Transmission Provider 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. The Transmission Provider 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 the Transmission Provider'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 Filing of Service Agreement: The Transmission Provider will file Service Agreements with the Commission in compliance with applicable Commission regulations.

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 the 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, except for purposes of fulfilling obligations under a reserve sharing program. 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 the Transmission Provider with as much advance notice as practicable. A designation of a new Network Resource must be made through the Transmission Provider’s OASIS by a request for modification of service pursuant to an Application under Section 29. This request must include a statement that the new network resource satisfies the following conditions: (1) the Network Customer owns the resource, has committed to purchase generation pursuant to an executed contract, or has committed to purchase generation where execution of a contract is contingent upon the availability of transmission service under Part III of the Tariff; and (2) The Network Resources do not include any 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 noninterruptible basis, except for purposes of fulfilling obligations under a reserve sharing program. The Network Customer’s request will be deemed deficient if it does not include this statement and the Transmission Provider will follow the procedures for a deficient application as described in Section 29.2 of the 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 by providing notification to the Transmission Provider through OASIS as soon as reasonably practicable, but not later than the firm scheduling deadline for the period of termination. Any request for termination of Network Resource status must be submitted on OASIS, and should indicate whether the request is for indefinite or temporary termination. A request for indefinite termination of Network Resource status must indicate the date and time that the termination is to be effective, and the identification and capacity of the resource(s) or portions thereof to be indefinitely terminated. A request for temporary termination of Network Resource status must include the following:

(i.) Effective date and time of temporary termination;

(ii.) Effective date and time of redesignation, following period of temporary termination;

(iii.) Identification and capacity of resource(s) or portions thereof to be temporarily terminated;

(iv.) Resource description and attestation for redesignating the network resource following the temporary termination, in accordance with Section 30.2; and

(v.) Identification of any related transmission service requests to be evaluated concomitantly with the request for temporary termination, such that the requests for undesignation and the request for these related transmission service requests must be approved or denied as a single request. The evaluation of these related transmission service requests must take into account the termination of the network resources identified in (iii) above, as well as all competing transmission service requests of higher priority. As part of a temporary termination, a Network Customer may only redesignate the same resource that was originally designated, or a portion thereof. Requests to redesignate a different resource and/or a resource with increased capacity will be

deemed deficient and the Transmission Provider will follow the procedures for a deficient application as described in Section 29.2 of the Tariff.

30.4 Operation of Network Resources: The Network Customer shall not operate its designated Network Resources located in the Network Customer's or Transmission Provider's Control Area such that the output of those facilities exceeds its designated Network Load plus Non-Firm Sales delivered pursuant to Part II of the Tariff, plus losses, plus power sales under a reserve sharing program, plus sales that permit curtailment without penalty to serve its designated Network Load. This limitation shall not apply to changes in the operation of a Transmission Customer's Network Resources at the request of the Transmission Provider to respond to an emergency or other unforeseen condition which may impair or degrade the reliability of the Transmission System. For all Network Resources not physically connected with the Transmission Provider's Transmission System, the Network Customer may not schedule delivery of energy in excess of the Network Resource's capacity, as specified in the Network Customer's Application pursuant to Section 29, unless the Network Customer supports such delivery within the Transmission Provider's Transmission System by either obtaining Point-to-Point Transmission Service or utilizing secondary service pursuant to Section 28.4. The Transmission Provider shall specify the rate treatment and all related terms and conditions applicable in the event that a Network Customer's schedule at the delivery point for a Network Resource not physically interconnected with the Transmission Provider's Transmission System exceeds the Network Resource's designated capacity, excluding energy delivered using secondary service or Point-to-Point Transmission Service.

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 the Transmission Provider pursuant to Section 33.2. 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 the Transmission Provider.

30.6 Transmission Arrangements for Network Resources Not Physically Interconnected With The Transmission Provider: The Network Customer shall be responsible for any arrangements necessary to deliver capacity and energy from a Network Resource not physically interconnected with the Transmission Provider's Transmission System. The Transmission Provider 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 the Tariff.

30.8 Use of Interface Capacity by the Network Customer: There is no limitation upon a Network Customer's use of the Transmission Provider'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 the Transmission Provider'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 the Transmission Provider'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 the Transmission Provider to serve its power and transmission customers. For facilities added by the Network Customer subsequent to July 13, 2007, the Network Customer shall receive credit

for such transmission facilities added if such facilities are integrated into the operations of the Transmission Provider's facilities; provided however, the Network Customer's transmission facilities shall be presumed to be integrated if such transmission facilities, if owned by the Transmission Provider, would be eligible for inclusion in the Transmission Provider's annual transmission revenue requirement as specified in Attachment H. Calculation of any credit under this subsection 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 the Transmission Provider will provide Network Integration Transmission Service. The Network Loads shall be specified in the Service Agreement.

31.2 New Network Loads Connected With the Transmission Provider: The Network Customer shall provide the Transmission Provider with as much advance notice as reasonably practicable of the designation of 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. The Transmission Provider 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 and shall be charged to the Network Customer in accordance with Commission policies.

31.3 Network Load Not Physically Interconnected with the Transmission Provider: This section applies to both initial designation pursuant to Section 31.1 and the subsequent addition of new Network Load not physically interconnected with the Transmission Provider. To the extent that the Network Customer desires to obtain transmission service for a load outside the Transmission Provider'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 the 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 the 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 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 the Transmission Provider's Transmission System and a Network Load, the Network Customer shall provide the Transmission Provider 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 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 the Transmission Provider and charged to the Network Customer as reflected in the Service Agreement. However, the Transmission Provider 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 the Transmission Provider 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 the Tariff, including, but not limited to, any information provided under section 29.2(ix) pursuant to the Transmission Provider’s planning process in Attachment K. The Network Customer also shall provide the Transmission Provider with timely written notice of material changes in any other information provided in its Application relating to the Network Customer's Network Load, Network Resources, its transmission system or other aspects of its facilities or operations affecting the Transmission Provider'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, the Transmission Provider shall determine on a non-discriminatory basis whether a System Impact Study is needed. A description of the Transmission Provider's methodology for completing a System Impact Study is provided in Attachment D. If the Transmission Provider 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, the Transmission Provider 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 the Transmission Provider 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 the Transmission Provider 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 the Transmission Provider'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, the Transmission Provider 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 the Transmission Provider to accommodate the service requests, the costs of that study shall be pro-rated among the Eligible Customers.

(iii) For System Impact Studies that the Transmission Provider conducts on its own behalf, the Transmission Provider shall record the cost of the System Impact Studies pursuant to Section 8.

32.3 System Impact Study Procedures: Upon receipt of an executed System Impact Study Agreement, the Transmission Provider will use due diligence to complete the required System Impact Study within a sixty (60) day period. The System Impact Study shall identify (1) any system constraints, identified with specificity by transmission element or flowgate, (2) redispatch options (when requested by an Eligible Customer) including, to the extent possible, an estimate of the cost of redispatch, (3) available options for installation of automatic devices to curtail service (when requested by an Eligible Customer), and (4) additional Direct Assignment Facilities or Network Upgrades required to provide the requested service. For customers requesting the study of redispatch options, the System Impact Study shall (1) identify all resources located within the Transmission Provider's Control Area that can significantly contribute toward relieving the system constraint and (2) provide a measurement of each resource's impact on the system constraint. If the Transmission Provider possesses information indicating that any resource outside its Control Area could relieve the constraint, it shall identify each such resource in the System Impact Study. In the event that the Transmission Provider 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 as soon as the System Impact Study is complete. The Transmission Provider will use the same due diligence in completing the System Impact Study for an Eligible Customer as it uses when completing studies for itself. The

Transmission Provider 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 Completed Application, within fifteen (15) days of completion of the System Impact Study the Eligible Customer must execute a Service Agreement or request the filing of an unexecuted Service Agreement, 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, the Transmission Provider, 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 the Transmission Provider 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 the Transmission Provider 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, the Transmission Provider will use due diligence to complete the required Facilities Study within a sixty (60) day period. If the Transmission Provider is unable to complete the Facilities Study in the allotted time period, the Transmission Provider 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 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 the Transmission Provider with a letter of credit or other reasonable form of security acceptable to the Transmission

Provider 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 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 no longer will be a Completed Application and shall be deemed terminated and withdrawn.

32.5 Penalties for Failure to Meet Study Deadlines: Section 19.10 defines penalties that apply for failure to meet the 60-day study completion due diligence deadlines for System Impact Studies and Facilities Studies under Part II of the Tariff. These same requirements and penalties apply to service under Part III of the Tariff.

33 Load Shedding and Curtailments

33.1 Procedures: Prior to the Service Commencement Date, the Transmission Provider and the Network Customer shall establish Load 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 the Transmission Provider determines that a system contingency exists and such procedures are necessary to alleviate such contingency. The Transmission Provider will notify all affected Network Customers in a timely manner of any scheduled Curtailment.

33.2 Transmission Constraints: During any period when the Transmission Provider determines that a transmission constraint exists on the Transmission System, and such constraint may impair the reliability of the Transmission Provider's system, the Transmission Provider will take whatever actions, consistent with Good Utility Practice, that are reasonably necessary to maintain the reliability of the Transmission Provider's system. To the extent the Transmission Provider determines that the reliability of the Transmission System can be maintained by redispatching resources, the Transmission Provider will initiate procedures pursuant to the Network Operating Agreement to redispatch all Network Resources and the Transmission Provider's own resources on a least-cost basis without regard to the ownership of such resources. Any redispatch under this section may not unduly discriminate between the Transmission Provider'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 the Transmission Provider implements least-cost redispatch procedures in response to a transmission constraint, the Transmission Provider and Network Customers will each bear a proportionate share of the total redispatch cost based on their respective Load Ratio Shares.

33.4 Curtailments of Scheduled Deliveries: If a transmission constraint on the

Transmission Provider's Transmission System cannot be relieved through the implementation of least-cost redispatch procedures and the Transmission Provider determines that it is necessary to curtail scheduled deliveries, the Parties shall curtail such schedules in accordance with the Network Operating Agreement.

33.5 Allocation of Curtailments: The Transmission Provider 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 the Transmission Provider and Network Customer in proportion to their respective Load Ratio Shares. The Transmission Provider shall not direct the Network Customer to curtail schedules to an extent greater than the Transmission Provider would curtail the Transmission Provider's schedules under similar circumstances.

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

33.7 System Reliability: Notwithstanding any other provisions of this Tariff, the Transmission Provider reserves the right, consistent with Good Utility Practice and on a not unduly discriminatory basis, to curtail Network Integration Transmission Service without liability on the Transmission Provider'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 the Transmission Provider's Transmission System or on any other system(s) directly or indirectly interconnected with the Transmission Provider's Transmission System, the Transmission Provider, 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. The Transmission Provider 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 the Transmission Provider's use of the Transmission System on behalf of its Native Load Customers. The Transmission Provider 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 the Transmission Provider 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 the Transmission Provider'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 the Transmission Provider under Section 31.3) coincident with the Transmission Provider's Monthly Transmission System Peak.

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

34.4 Redispatch Charge: The Network Customer shall pay a Load Ratio Share of any redispatch costs allocated between the Network Customer and the Transmission Provider pursuant to Section 33. To the extent that the Transmission Provider incurs an obligation to the Network Customer for redispatch costs in accordance with Section 33, such amounts shall be credited against the Network Customer's bill for the applicable month.

34.5 Stranded Cost Recovery: The Transmission Provider 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 FERC Order No. 888.

However, the Transmission Provider must separately file any proposal to recover stranded costs under Section 205 of the Federal Power Act.

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 terms and conditions under which the Network Customer shall operate its facilities and the technical and operational matters associated with the implementation of Part III of the Tariff shall be specified in the Network Operating Agreement. The Network Operating Agreement shall provide for the Parties to (i) operate and maintain equipment necessary for integrating the Network Customer within the Transmission Provider's Transmission System (including, but not limited to, remote terminal units, metering, communications equipment and relaying equipment), (ii) transfer data between the Transmission Provider and the Network Customer (including, but not limited to, heat rates and operational characteristics of Network Resources, generation schedules for units outside the Transmission Provider's Transmission System, interchange schedules, unit outputs for redispatch required under Section 33, voltage schedules, loss factors and other real time data), (iii) use software programs required 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 the 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 Electric Reliability Organization (ERO) as defined in 18 C.F.R. § 39.1, (ii) satisfy its Control Area requirements, including all necessary Ancillary Services, by contracting with the Transmission Provider, or (iii) satisfy its Control Area requirements, including all necessary Ancillary Services, by contracting with another entity, consistent with Good Utility Practice, which satisfies the applicable reliability guidelines of the ERO. The Transmission Provider shall not unreasonably refuse to accept contractual arrangements with another entity for Ancillary Services. The 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.

SCHEDULES

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. Scheduling, System Control and Dispatch Service is to be provided directly by the Transmission Provider (if the Transmission Provider is the Control Area operator) or indirectly by the Transmission Provider making arrangements with the Control Area operator that performs this service for the Transmission Provider's Transmission System. The Transmission Customer must purchase this service from the Transmission Provider or the Control Area operator. The charges for Scheduling, System Control and Dispatch Service are to be based on the rates set forth below. To the extent the Control Area operator performs this service for the Transmission Provider, charges to the Transmission Customer are to reflect only a pass-through of the costs charged to the Transmission Provider by that Control Area operator.

The Transmission Customer shall compensate Transmission Provider each month for Scheduling, System Control and Dispatch Service at the sum of the applicable charges set forth below:

1) Yearly delivery: $ 0.41/KW-year

2) Monthly delivery: $ 0.03/KW-month

3) Weekly delivery: $ 0.007922/KW-week

4) Daily delivery: $ 0.001129/KW-day

5) Hourly delivery: $ 0.000047/KW-hour

6) Discounts: Three principal requirements apply to discounts for provision of ancillary service under this Tariff as follows: (1) any offer of a discount made by 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 Transmission Provider’s wholesale merchant function 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 ancillary services, Transmission Provider must offer the same discounted ancillary service rate(s) for the same time period to all Eligible Customers.

7) Billings by Transmission Provider under this Schedule 1 shall be increased by an amount equal to the sum of the taxes payable under the New Mexico Gross Receipts and Compensating Tax Act, New Mexico Supervision and Inspection Fee (one-half of one percent of its gross receipts transacted in New Mexico) and all other new taxes, fees, and charges (exclusive of ad valorem, state and federal income taxes) payable and levied or assessed by any State taxing authority based upon revenues received from the service rendered. Nothing herein shall prevent the Transmission Customer from opposing any State taxing authority's determination that revenue-related taxes are applicable to service provided under Schedule 1.

SCHEDULE 2

Reactive Supply and Voltage Control from Generation or Other Sources Service

In order to maintain transmission voltages on the Transmission Provider's transmission facilities within acceptable limits, generation facilities and non-generation resources capable of producing this service that are under the control of the Control Area operator are operated to produce (or absorb) reactive power. Thus, Reactive Supply and Voltage Control from Generation or Other Sources Service must be provided for each transaction on the Transmission Provider's transmission facilities. The amount of Reactive Supply and Voltage Control from Generation or Other 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 the Transmission Provider.

Reactive Supply and Voltage Control from Generation or Other Sources Service is to be provided directly by the Transmission Provider (if the Transmission Provider is the Control Area operator) or indirectly by the Transmission Provider making arrangements with the Control Area operator that performs this service for the Transmission Provider's Transmission System. The Transmission Customer must purchase this service from the Transmission Provider or the Control Area operator. The charges for such service will be based on the rates set forth below. To the extent the Control Area operator performs this service for the Transmission Provider, charges to the Transmission Customer are to reflect only a pass-through of the costs charged to the Transmission Provider by the Control Area operator.

The Transmission Provider must provide and the Transmission Customer must purchase this service from the Transmission Provider. Although the Transmission Customer is required to take this ancillary service from the Transmission Provider, the Transmission Customer may reduce the charge for this service to the extent it can reduce its requirement for reactive supply. The Transmission Provider will provide this service at the rate stated in Schedule 2 times the Transmission Customer’s Reserved Capacity or the Transmission Customer’s Network Load responsibility for Network Integration Transmission Service.

The Transmission Customer shall compensate Transmission Provider each month for Reactive Supply and Voltage Control from Generation Sources Service at the sum of the applicable charges set forth below:

1) Yearly delivery: $ 0.58/KW-year

2) Monthly delivery: $ 0.05/KW-month

3) Weekly delivery: $ 0.011106/KW-week

4) Daily delivery: $ 0.001582/KW-day

5) Hourly delivery: $ 0.000066/KW-hour

6) Discounts: Three principal requirements apply to discounts for provision of ancillary service under this Tariff as follows: (1) any offer of a discount made by 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 Transmission Provider's wholesale merchant function or an Affiliates' 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 ancillary services, Transmission Provider must offer the same discounted ancillary service rate(s) for the same time period to all Eligible Customers.

7) Billings by Transmission Provider under this Schedule 2 shall be increased by an amount equal to the sum of the taxes payable under the New Mexico Gross Receipts and Compensating Tax Act, New Mexico Supervision and Inspection Fee (one-half of one percent of its gross receipts transacted in New Mexico) and all other new taxes, fees, and charges (exclusive of ad valorem, state and federal income taxes) payable and levied or assessed by any State taxing authority based upon revenues received from the service rendered. Nothing herein shall prevent the Transmission Customer from opposing any State taxing authority's determination that revenue-related taxes are applicable to service provided under Schedule 2.

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) and by other non-generation resources capable of providing this service as necessary to follow the moment-by-moment changes in load. The obligation to maintain this balance between resources and load lies with the Transmission Provider (or the Control Area operator that performs this function for the Transmission Provider). The Transmission Provider will take into account the speed and accuracy of regulation resources in its determination of Regulation and Frequency Response reserve requirements, including as it reviews whether a self-supplying Transmission Customer has made alternative comparable arrangements. Upon request by the self-supplying Transmission Customer, the Transmission Provider will share with the Transmission Customer its reasoning and any related data used to make the determination of whether the Transmission Customer has made alternative comparable arrangements. The Transmission Provider must offer this service when the transmission service is used to serve load within its Control Area. The Transmission Customer must either purchase this service from the Transmission Provider or make alternative comparable arrangements to satisfy its Regulation and Frequency Response Service obligation. The amount of and charges for Regulation and Frequency Response Service are set forth below.

To the extent the Control Area operator performs this service for the Transmission Provider, charges to the Transmission Customer are to reflect only a pass-through of the costs charged to the Transmission Provider by that Control Area operator.

A Transmission Customer purchasing Regulation and Frequency Response Service shall be required to purchase an amount of reserved capacity equal to one and one-half percent (1.5%) of the Transmission Customer’s Reserved Capacity for Point-to-Point Transmission Service or one and one-half percent (1.5%) of the Transmission Customer’s Network Load for Network Integration Transmission Service. The billing determinants for the ancillary service shall be

reduced by any portion of the one and one-half percent (1.5%) purchase obligation that a Transmission Customer obtains from third parties or supplies itself.

The Transmission Customer shall compensate Transmission Provider each month for Regulation and Frequency Response Service at the sum of the applicable charges set forth.

1) Yearly delivery: $ 103.17/KW-year
2) Monthly delivery: $ 8.60/KW-month
3) Weekly delivery: $ 1.98/KW-week
4) Daily delivery: $ 0.28/KW-day
5) Hourly delivery: $ 0.011777/KW-hour

6) Discounts: Three principal requirements apply to discounts for provision of ancillary service under this Tariff as follows: (1) any offer of a discount made by 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 Transmission Provider's wholesale merchant function 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 ancillary services, Transmission Provider must offer the same discounted ancillary service rate(s) for the same time period to all Eligible Customers.

7) Billings by Transmission Provider under this Schedule 3 shall be increased by an amount equal to the sum of the taxes payable under the New Mexico Gross Receipts and Compensating Tax Act, New Mexico Supervision and Inspection Fee (one-half of one percent of its gross receipts transacted in New Mexico) and all other new taxes, fees, and charges (exclusive of ad valorem, state and federal income taxes) payable and levied or assessed by any State taxing authority based upon revenues received from the service rendered. Nothing herein shall prevent the Transmission Customer from opposing any State taxing authority's determination that revenue-related taxes are applicable to service provided under Schedule 3.

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. The Transmission Provider must offer this service when the transmission service is used to serve load within its Control Area. The Transmission Customer must either purchase this service from the Transmission Provider or make alternative comparable arrangements, which may include use of non-generation resources capable of providing this service, to satisfy its Energy Imbalance Service obligation. To the extent the Control Area operator performs this service for the Transmission Provider, charges to the Transmission Customer are to reflect only a pass-through of the costs charged to the Transmission Provider by that Control Area operator. The Transmission Provider may charge a Transmission Customer a penalty for either hourly energy imbalances under this Schedule or a penalty for hourly generator imbalances under Schedule 9 for imbalances occurring during the same hour, but not both unless the imbalances aggravate rather than offset each other.

The Transmission Provider shall establish charges for energy imbalance based on the deviation bands as follows: (i) deviations within +/- 1.5 percent (with a minimum of 2 MW) of the scheduled transaction to be applied hourly to any energy imbalance that occurs as a result of the Transmission Customer's scheduled transaction(s) will be netted on a monthly basis and settled financially, at the end of the month, at 100 percent of incremental or decremental cost; (ii) deviations greater than +/- 1.5 percent up to 7.5 percent (or greater than 2 MW up to 10 MW) of the scheduled transaction to be applied hourly to any energy imbalance that occurs as a result of the Transmission Customer’s scheduled transaction(s) will be settled financially, at the end of each month, at 110 percent of incremental cost or 90 percent of decremental cost, and (iii) deviations greater than +/- 7.5 percent (or 10 MW) of the scheduled transaction to be applied hourly to any energy imbalance that occurs as a result of the Transmission Customer’s scheduled transaction(s) will be settled financially, at the end of each month, at 125 percent of incremental cost or 75 percent of decremental cost.

For purposes of this Schedule, incremental cost and decremental cost represent the Transmission Provider’s actual average hourly cost of the last 10 MW dispatched for any purpose, i.e., to supply

the Transmission Provider's Native Load Customers, correct imbalances, or make off-system sales, based on the replacement cost of fuel, unit heat rates, start-up costs (including any commitment and redispatch costs), incremental operation and maintenance costs, and purchased and interchange power costs and taxes, as applicable.

Calculation of Incremental and Decremental Costs

For purposes of this Schedule 4, incremental cost and decremental cost represent the Transmission Provider's actual average hourly cost of the last 10 MW dispatched for any purpose, e.g., to supply the Transmission Provider's Native Load Customers, correct imbalances, or make off-system sales, based on the replacement cost of fuel, unit heat rates, start-up costs (including any commitment and redispatch costs), incremental operation and maintenance costs, and purchased and interchange power costs, and taxes, as applicable.

PNM will determine hourly incremental and decremental costs based on its system lambda. PNM's system lambda is recorded into the PNM EMS system for each clock hour by PNM generation system operators and equals the higher of:

i) the cost of PNM's highest priced energy purchase made in the wholesale generation market in that hour, or

ii) the cost of PNM's highest priced generation resource dispatched in that hour.

PNM has the following dispatchable resources available to provide imbalance services under this Schedule 4. A full listing of PNM dispatchable resources is provided on PNM's OASIS site with the PNM listing of its Designated Network Resources.

1. Coal-fired generation. PNM obtains its coal supply under long term sales agreements. If, during any given hour, coal-fired generation is the resource supplying incremental or decremental energy on the PNM System, the cost of imbalance energy will be calculated based on the variable cost of coal purchased by PNM plus one (1) mill per Kwh for hard-to-quantify

incremental operating and maintenance ("O&M") costs.

2. Gas-fired generation. The natural gas used as fuel for the gas-fired generating plants is purchased on the open market and delivered to PNM generation through transportation service contracts. Certain of PNM's gas-fired generation is capable of generating using fuel oil. The fuel oil is purchased on the open market. If, during any given hour, gas-fired generation is the resource supplying imbalance energy service on PNM's System, the cost of imbalance energy will be based on the total cost of gas purchased by PNM for that gas-fired resource plus one (1) mill per Kwh for hard-to-quantify incremental operating and maintenance ("O&M") costs. To the extent gas-fired generation is the resource supplying imbalance energy service on PNM's System and is operating on fuel oil rather than natural gas, the cost of imbalance energy will be based on the cost of fuel oil charged from Account 151 - Fuel Stock by PNM for that resource plus one (1) mill per Kwh for hard-to-quantify incremental operating and maintenance ("O&M") costs
3. Oil-fired generation. The fuel oil used for the oil-fired generating plants is purchased on the open market. If, during any given hour, oil-fired generation is the resource supplying imbalance energy service on PNM's System, the cost of imbalance energy will be based on the cost of fuel oil charged from Account 151 - Fuel Stock by PNM for that oil-fired resource plus one (1) mill per Kwh for hard-to-quantify incremental operating and maintenance ("O&M") costs.
4. Purchased power.
    a. Long-term purchased power. PNM has certain long-term purchased power contracts. If, during any given hour, energy from a PNM long-term purchased power contract is the resource supplying incremental or decremental energy on the PNM System, the cost of imbalance energy will be calculated based on the energy cost of the power purchased by PNM plus one (1) mill per Kwh for hard-to-quantify incremental operating and maintenance ("O&M") costs. Certain long-term purchased agreements have a provision for start-up costs. Calculation and allocation of start-up costs is provided for in the section titled "Allocation of Startup Costs for Imbalance Energy."
    b. Short-term purchased power. PNM makes short-term purchases of firm energy in the open market. If, during any given hour, short-term firm energy purchased by

PNM-term purchased power contract is the resource supplying incremental or decremental energy on the PNM System, the cost of imbalance energy will be calculated based on the energy cost of the power purchased by PNM plus one (1) mill per Kwh for hard-to-quantify incremental operating and maintenance ("O&M") costs.

Allocation of Startup Costs for Imbalance Energy

PNM has certain contractual provisions in its long-term purchased power agreements that result in PNM compensating the selling party for unit start-up costs. PNM has indicated in the description of DNRs on its OASIS whether PNM incurs a startup cost to dispatch a DNR. To the extent PNM incurs a startup cost in the provision of imbalance energy, it will include that cost in its hourly system lambda calculation.

PNM does not charge a startup cost for its coal-fired or gas-fired generation it owns and operates.

The allocation of the normal or quick start costs will be done based on the load ratio share of the retail and wholesale customers operating in the penalty band in that hour. The penalty revenue calculation will be based on the cost of the energy from the resource plus the allocable share of the startup costs.

Discounts: Three principal requirements apply to discounts for provision of ancillary service under this Tariff as follows: (1) any offer of a discount made by 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 Transmission Provider's wholesale merchant function 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 ancillary services, Transmission Provider must offer the same discounted ancillary service rate(s) for the same time period to all Eligible Customers.

New Mexico Taxes:

Billings by Transmission Provider under this Schedule 4 shall be increased by an amount equal to the sum of the taxes payable under the New Mexico Gross Receipts and Compensating Tax Act, New Mexico Supervision and Inspection Fee (one-half of one percent of its gross receipts transacted in New Mexico) and all other new taxes, fees, and charges (exclusive of ad valorem, state and federal income taxes) payable and levied or assessed by any State taxing authority based upon revenues received from the service rendered. Nothing herein shall prevent the Transmission Customer from opposing any State taxing authority's determination that revenue-related taxes are applicable to service provided under Schedule 4.

SCHEDULE 5

Operating Reserve - Spinning Reserve Service

Spinning Reserve Service is needed to serve load immediately in the event of a system contingency. Spinning Reserve Service may be provided by generating units that are on-line and loaded at less than maximum output and by non-generation resources capable of providing this service. The Transmission Provider must offer this service when the transmission service is used to serve load within its Control Area. The Transmission Customer must either purchase this service from the Transmission Provider or make alternative comparable arrangements to satisfy its Spinning Reserve Service obligation. The amount of and charges for Spinning Reserve Service are set forth below. To the extent the Control Area operator performs this service for the Transmission Provider, charges to the Transmission Customer are to reflect only a pass-through of the costs charged to the Transmission Provider by that Control Area operator.

A Transmission Customer purchasing Spinning Reserve Service will be required to purchase an amount of reserved capacity equal to one and one-half percent (1.5%) of the Transmission Customer's Reserved Capacity for Point-to-Point Transmission Service used to serve load in the Transmission Provider's Control Area or one and one-half percent (1.5%) of the Transmission Customer's Network Load responsibility for Network Integration Transmission Service; plus one and one-half percent (1.5%) of the capacity of a Transmission Customer's generating resource (including Network Resources) identified as the "source" in the Transmission Customer's transmission schedule and located within or dynamically scheduled to the Transmission Provider's Control Area. The billing determinants for this ancillary service shall be reduced by any portion of the required purchase obligation that a Transmission Customer obtains from third parties or supplies itself. No energy imbalance charge will be imposed as a result of a Transmission Customer's use of Spinning Reserve and Supplemental Reserve Services.

During hours in which Transmission Provider supplies Spinning Reserve Service from its own resources, such service is provided from Transmission Provider's resources at San Juan Generating Station. During any hour in which Transmission Provider does not have adequate generating resources to provide Spinning Reserve Service, Transmission Provider will obtain Spinning Reserve Service from an open bidding process on behalf of itself and the Transmission

Customer. Transmission Provider will provide all responses from such open bidding to the Transmission Customer. Charges to the Transmission Customer will reflect only a pass-through of costs charged by any third-party suppliers.

The Transmission Customer shall compensate Transmission Provider each month for Spinning Reserve Service at the sum of the applicable charges set forth below:

1) Yearly delivery: $ 112.27/KW-year
2) Monthly delivery: $ 9.36/KW-month
3) Weekly delivery: $ 2.16/KW-week
4) Daily delivery: $ 0.31/KW-day
5) Hourly delivery: $ 0.012816/KW-hour

6) Discounts: Three principal requirements apply to discounts for provision of ancillary service under this Tariff as follows: (1) any offer of a discount made by 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 Transmission Provider's wholesale merchant function 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 ancillary services, Transmission Provider must offer the same discounted ancillary service rate(s) for the same time period to all Eligible Customers.

7) Billings by Transmission Provider under this Schedule 5 shall be increased by an amount equal to the sum of the taxes payable under the New Mexico Gross Receipts and Compensating Tax Act, New Mexico Supervision and Inspection Fee (one-half of one percent of its gross receipts transacted in New Mexico) and all other new taxes, fees, and charges (exclusive of ad valorem, state and federal income taxes) payable and levied or assessed by any State taxing authority based upon revenues received from the service rendered. Nothing herein shall prevent the Transmission Customer from opposing any State taxing authority's determination that revenue-related taxes are applicable to service provided under Schedule 5.

SCHEDULE 6

Operating Reserve - Supplemental Reserve Service

Supplemental Reserve Service is needed to serve load in the event of a system contingency; however, it is not available immediately to serve load but rather within a short period of time. Supplemental Reserve Service may be provided by generating units that are on-line but unloaded, by quick-start generation or by interruptible load or other non-generation resources capable of providing this service. The Transmission Provider must offer this service when the transmission service is used to serve load within its Control Area. The Transmission Customer must either purchase this service from the Transmission Provider or make alternative comparable arrangements to satisfy its Supplemental Reserve Service obligation. The amount of and charges for Supplemental Reserve Service are set forth below. To the extent the Control Area operator performs this service for the Transmission Provider, charges to the Transmission Customer are to reflect only a pass-through of the costs charged to the Transmission Provider by that Control Area operator.

A Transmission Customer purchasing Supplemental Reserve Service will be required to purchase an amount of reserved capacity equal to one and one-half percent (1.5%) of the Transmission Customer's Reserved Capacity for Point-to-Point Transmission Service used to serve load in the Transmission Provider's Control Area or one and one-half percent (1.5%) of the Transmission Customer's Network Load responsibility for Network Integration Transmission Service; plus one and one-half percent (1.5%) of the capacity of a Transmission Customer's generating resource (including Network Resources) identified as the "source" in the Transmission Customer's transmission schedule and located within or dynamically scheduled to the Transmission Provider's Control Area. The billing determinants for this ancillary service shall be reduced by any portion of the required purchase obligation that a Transmission Customer obtains from third parties or supplies itself. No energy imbalance charge will be imposed as a result of a Transmission Customer's use of Spinning Reserve and Supplemental Reserve Services.

During hours in which Transmission Provider supplies Supplemental Reserve Service from its own resources, such service is provided from Transmission Provider's resources at San Juan Generating Station. During any hour in which Transmission Provider does not have adequate

generating resources to provide Supplemental Reserve Service, Transmission Provider will obtain Supplemental Reserve Service from an open bidding process on behalf of itself and the Transmission Customer. Transmission Provider will provide all responses from such open bidding to the Transmission Customer. Charges to the Transmission Customer will reflect only a pass-through of costs charged by any third-party suppliers.

The Transmission Customer shall compensate Transmission Provider each month for Supplemental Reserve Service at the sum of the applicable charges set forth below:

1)	Yearly delivery:	$ 112.27/KW-year
2)	Monthly delivery:	$ 9.36/KW-month
3)	Weekly delivery:	$ 2.16/KW-week
4)	Daily delivery:	$ 0.31/KW-day
5)	Hourly delivery:	$ 0.012816/KW-hour

6) Discounts: Three principal requirements apply to discounts for provision of ancillary service under this Tariff as follows: (1) any offer of a discount made by 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 Transmission Provider's wholesale merchant function 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 ancillary services, Transmission Provider must offer the same discounted ancillary service rate(s) for the same time period to all Eligible Customers.

7) Billings by Transmission Provider under this Schedule 6 shall be increased by an amount equal to the sum of the taxes payable under the New Mexico Gross Receipts and Compensating Tax Act, New Mexico Supervision and Inspection Fee (one-half of one percent of its gross receipts transacted in New Mexico) and all other new taxes, fees, and charges (exclusive of ad valorem, state and federal income taxes) payable and levied or assessed by any State taxing authority based upon revenues received from the service rendered. Nothing herein shall prevent the Transmission Customer from opposing any State taxing authority's determination that revenue-related taxes are applicable to service provided under Schedule 6.

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:

Service by PNM on the PNM Transmission System:

1) Yearly delivery: one-twelfth of the demand charge of $ 24.12 /KW of Reserved Capacity per year.
2) Monthly delivery: $ 2.01 /KW of Reserved Capacity per month.
3) Weekly delivery: $ 0.464 /KW of Reserved Capacity per week.
4) Daily delivery: $ 0.0773 /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.

New Mexico Taxes

Billings by Transmission Provider under this Schedule 7 shall be increased by an amount equal to the sum of the taxes payable under the New Mexico Gross Receipts and Compensating Tax Act, New Mexico Supervision and Inspection Fee (one-half of one percent of its gross receipts transacted in New Mexico) and all other new taxes, fees, and charges (exclusive of ad valorem, state and federal income taxes) payable and levied or assessed by any State taxing authority based upon revenues received from the service rendered. Nothing herein shall prevent the Transmission Customer from opposing any State taxing authority's determination that revenue related taxes are applicable to service provided under Schedule 7.

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 customer 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.

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.

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: The demand charge identified in Attachment H-1, line 76 of Schedule 16 - Rate Design Rate multiplied by the Reserved Capacity per month.
2) Weekly delivery: The demand charge identified in Attachment H-1, line 78 of Schedule 16 - Rate Design multiplied by the Reserved Capacity per week.
3) Daily delivery: The demand charge identified in Attachment H-1, line 80 of Schedule 16 - Rate Design of multiplied by the 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 demand charge identified in Attachment H-1, line 82 of Schedule 16 - Rate Design multiplied by the Reserved Capacity. 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.

New Mexico Taxes

Billings by Transmission Provider under this Schedule 8 shall be increased by an amount equal to the sum of the taxes payable under the New Mexico Gross Receipts and compensating Tax Act, New Mexico supervision and Inspection Fee (one-half of one percent of its gross receipts transacted in New Mexico) and all other new taxes, fees, and charges (exclusive of ad valorem, state and federal income taxes) payable and levied or assessed by any State taxing authority based upon revenues received from the service rendered. Nothing herein shall prevent the Transmission Customer from opposing any State taxing authority's determination that revenue related taxes are applicable to service provided under Schedule 8.

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 customer 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.

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.

SCHEDULE 9 Generator Imbalance Service

Generator Imbalance Service is provided when a difference occurs between the output of a generator located in the Transmission Provider's Control Area and a delivery schedule from that generator to (1) another Control Area or (2) a load within the Transmission Provider's Control Area over a single hour. The Transmission Provider must offer this service, to the extent it is physically feasible to do so from its resources or from resources available to it, when Transmission Service is used to deliver energy from a generator located within its Control Area. The Transmission Customer must either purchase this service from the Transmission Provider or make alternative comparable arrangements, which may include use of non-generation resources capable of providing this service, to satisfy its Generator Imbalance Service obligation. To the extent the Control Area operator performs this service for the Transmission Provider, charges to the Transmission Customer are to reflect only a pass-through of the costs charged to the Transmission Provider by that Control Area Operator. The Transmission Provider may charge a Transmission Customer a penalty for either hourly generator imbalances under this Schedule or a penalty for hourly energy imbalances under Schedule 4 for imbalances occurring during the same hour, but not both unless the imbalance aggravate rather than offset each other.

The Transmission Provider shall establish charges for generator imbalance based on the deviation bands as follows: (i) deviations within +/- 1.5 percent (with a minimum of 2 MW) of the scheduled transaction to be applied hourly to any generator imbalance that occurs as a result of the Transmission Customer's scheduled transaction(s) will be netted on a monthly basis and settled financially, at the end of each month, at 100 percent of incremental or decremental cost, (ii) deviations greater than +/- 1.5 percent up to 7.5 percent (or greater than 2 MW up to 10 MW) of the scheduled transaction to be applied hourly to any generator imbalance that occurs as a result of the Transmission Customer's scheduled transaction(s) will be settled financially, at the end of each month, at 110 percent of incremental cost or 90 percent of decremental cost, and (iii) deviations greater than +/- 7.5 percent (or 10 MW) of the scheduled transaction to be applied hourly to any generator imbalance that occurs as a result of the Transmission Customer's scheduled transaction(s) will be settled at 125 percent of incremental cost or 75 percent of decremental cost, except that an intermittent resource will be exempt from this deviation band and will pay the

deviation band charges for all deviations greater than the larger of 1.5 percent or 2 MW. An intermittent resource, for the limited purpose of this Schedule is an electric generator that is not dispatchable and cannot store its fuel source and therefore cannot respond to changes in system demand or respond to transmission security constraints.

Notwithstanding the foregoing, deviations from scheduled transactions in order to respond to directives by the Transmission Provider, a balancing authority, or a reliability coordinator shall not be subject to the deviation bands identified above and, instead, shall be settled financially, at the end of the month, at 100 percent of incremental and decremental cost. Such directives may include instructions to correct frequency decay, respond to a reserve sharing event, or change output to relieve congestion.

For purposes of this Schedule, incremental cost and decremental cost represent the Transmission Provider's actual average hourly cost of the last 10 MW dispatched for any purpose, e.g., to supply the Transmission Provider's Native Load Customers, correct imbalances, or make off-system sales, based on the replacement cost of fuel, unit heat rates, start-up costs (including any commitment and redispatch costs), incremental operation and maintenance costs, and purchased and interchange power costs and taxes, as applicable.

Calculation of Incremental and Decremental Costs

For purposes of this Schedule 9, incremental cost and decremental cost represent the Transmission Provider's actual average hourly cost of the last 10 MW dispatched for any purpose, i.e., to supply the Transmission Provider's Native Load Customers, correct imbalances, or make off-system sales, based on the replacement cost of fuel, unit heat rates, start-up costs (including any commitment and redispatch costs), incremental operation and maintenance costs, and purchased and interchange power costs, and taxes, as applicable.

PNM will determine hourly incremental and decremental costs based on its system lambda. PNM's system lambda is recorded into the PNM EMS system for each clock hour by PNM generation system operators and equals the higher of:

i) the cost of PNM's highest priced energy purchase made in the wholesale generation market in that hour, or

ii) the cost of PNM's highest priced generation resource dispatched in that hour.

PNM has the following dispatchable resources available to provide imbalance services under this Schedule 9. A full listing of PNM dispatchable resources is provided on PNM's OASIS site with the PNM listing of its Designated Network Resources.

1. Coal-fired generation. PNM obtains its coal supply under long term sales agreements. If, during any given hour, coal-fired generation is the resource supplying incremental or decremental energy on the PNM System, the cost of imbalance energy will be calculated based on the variable cost of coal purchased by PNM plus one (1) mill per Kwh for hard-to-quantify incremental operating and maintenance ("O&M") costs.

2. Gas-fired generation. The natural gas used as fuel for the gas-fired generating plants is purchased on the open market and delivered to PNM generation through transportation service contracts. Certain of PNM's gas-fired generation is capable of generating using fuel oil. The fuel oil is purchased on the open market. If, during any given hour, gas-fired generation is the resource supplying imbalance energy service on PNM's System, the cost of imbalance energy will be based on the total cost of gas purchased by PNM for that gas-fired resource plus one (1) mill per Kwh for hard-to-quantify incremental operating and maintenance ("O&M") costs. To the extent gas-fired generation is the resource supplying imbalance energy service on PNM's System and is operating on fuel oil rather than natural gas, the cost of imbalance energy will be based on the cost of fuel oil charged from Account 151 - Fuel Stock by PNM for that resource plus one (1) mill per Kwh for hard-to-quantify incremental operating and maintenance ("O&M") costs.

3. Oil-fired generation. The fuel oil used for the oil-fired generating plants is purchased on the open market. If, during any given hour, oil-fired generation is the resource supplying imbalance energy service on PNM's System, the cost of imbalance energy will be based on the

cost of fuel oil charged from Account 151 - Fuel Stock by PNM for that oil-fired resource plus one (1) mill per Kwh for hard-to-quantify incremental operating and maintenance ("O&M") costs.

4. Purchased power.
    a. Long-term purchased power. PNM has certain long-term purchased power contracts. If, during any given hour, energy from a PNM long-term purchased power contract is the resource supplying incremental or decremental energy on the PNM System, the cost of imbalance energy will be calculated based on the energy cost of the power purchased by PNM plus one (1) mill per Kwh for hard-to-quantify incremental operating and maintenance ("O&M") costs. Certain long-term purchased agreements have a provision for start-up costs. Calculation and allocation of start-up costs is provided for in the section titled "Allocation of Startup Costs for Imbalance Energy."
    b. Short-term purchased power. PNM makes short-term purchases of firm energy in the open market. If, during any given hour, short-term firm energy purchased by PNM-term purchased power contract is the resource supplying incremental or decremental energy on the PNM System, the cost of imbalance energy will be calculated based on the energy cost of the power purchased by PNM plus one (1) mill per Kwh for hard-to-quantify incremental operating and maintenance ("O&M") costs.

Allocation of Startup Costs for Imbalance Energy

PNM has certain contractual provisions in its long-term purchased power agreements that result in PNM compensating the selling party for unit start-up costs. PNM has indicated in the description of DNRs on its OASIS whether PNM incurs a startup cost to dispatch a DNR. To the extent PNM incurs a startup cost in the provision of imbalance energy, it will include that cost in its hourly system lambda calculation.

PNM does not charge a startup costs for its coal-fired or gas-fired generation it owns and operates.

The allocation of the normal or quick start costs will be done based on the load ratio share of the retail and wholesale customers operating in the penalty band in that hour. The penalty revenue calculation will be based on the cost of the energy from the resource plus the allocable share of the startup costs.

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 customer 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 the same point(s) of delivery on the Transmission System.

New Mexico Taxes

Billings by Transmission Provider under this Schedule 9 shall be increased by an amount equal to the sum of the taxes payable under the New Mexico Gross Receipts and Compensating Tax Act, New Mexico Supervision and Inspection Fee (one-half of one percent of its gross receipts transacted in New Mexico) and all other new taxes, fees, and charges (exclusive of ad valorem, state and federal income taxes) payable and levied or assessed by any State taxing authority based upon revenues received from the service rendered. Nothing herein shall prevent the Transmission Customer from opposing any State taxing authority's determination that revenue related taxes are applicable to service provided under Schedule 9.

ATTACHMENTS

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 Public Service Company of New Mexico ("Transmission Provider"), and _____ ("Transmission Customer").

2.0 The Transmission Customer has been determined by the Transmission Provider to have a Completed Application for Firm Point-To-Point Transmission Service under the Tariff.

3.0 The Transmission Customer has provided to the Transmission Provider an Application deposit, in accordance with the provisions of Section 17.3 of the Tariff.

4.0 Service under this agreement shall commence on the later of (l) the requested service commencement date, or (2) the date on which construction of any Direct Assignment Facilities and/or Network Upgrades are completed, or (3) such other date as it is permitted to become effective by the Commission. Service under this agreement shall terminate on such date as mutually agreed upon by the Parties.

5.0 The Transmission Provider 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.

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

Transmission Provider:

_____
_____
_____
_____

Transmission Customer:

_____
_____
_____
_____

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

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

TRANSMISSION CUSTOMER:

By:_____

Name: _____

Title: _____

Date:_____

TRANSMISSION PROVIDER:

By:_____

Name: _____

Title: _____

Date:_____

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

l.0 Term of Transaction: _____

Start Date: _____

Termination Date: _____

2.0 Description of capacity and energy to be transmitted by Transmission Provider including the electric Control Area in which the transaction originates.

3.0 Point(s) of Receipt:_____

Delivering Party:_____

4.0 Point(s) of Delivery:_____

Receiving Party:_____

5.0 Maximum amount of capacity and energy to be transmitted

(Reserved Capacity):_____

6.0 Designation of party(ies) subject to reciprocal services obligation

_____

_____

_____

_____

7.0 Name(s) of any Intervening Systems providing transmission service:

_____

_____

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

8.1 Transmission Charge:_____

_____

8.2 System Impact and/or Facilities Study Charge(s):

_____

_____

8.3 Direct Assignment Facilities Charge:_____

_____

8.4 Ancillary Services Charges: _____

_____

_____

_____

_____

_____

_____

ATTACHMENT A-1 Form Of Service Agreement For The Resale, Reassignment Or Transfer Of Point-To-Point Transmission Service

1.0 This Service Agreement, dated as of _____, is entered into, by and between _____ (the Transmission Provider), and _____ (the Assignee).

2.0 The Assignee has been determined by the Transmission Provider to be an Eligible Customer under the Tariff pursuant to which the transmission service rights to be transferred were originally obtained.

3.0 The terms and conditions for the transaction entered into under this Service Agreement shall be subject to the terms and conditions of Part II of the Transmission Provider's Tariff, except for those terms and conditions negotiated by the Reseller of the reassigned transmission capacity (pursuant to Section 23.1 of this Tariff) and the Assignee to include: contract effective and termination dates, the amount of reassigned capacity or energy, point(s) of receipt and delivery. Changes by the Assignee to the Reseller's Points of Receipt and Points of Delivery will be subject to the provisions of Section 23.2 of this Tariff.

4.0 The Transmission Provider shall credit the Reseller for the price reflected in the Assignee's Service Agreement or the associated OASIS schedule.

5.0 Any notice or request made to or by either Party regarding this Service Agreement shall be made to the representative of the other Party as indicated below.

Transmission Provider:

_____
_____
_____

Assignee:

_____
_____
_____

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

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

Transmission Provider:

By:_____ _____ _____
Name Title Date

Assignee:

By:_____ _____ _____
Name Title Date

Specifications For The Resale, Reassignment Or Transfer of
Long-Term Firm Point-To-Point Transmission Service

1.0 Term of Transaction: _____

Start Date: _____

Termination Date: _____

2.0 Description of capacity and energy to be transmitted by Transmission Provider including the electric Control Area in which the transaction originates.

_____

3.0 Point(s) of Receipt:_____

Delivering Party:_____

4.0 Point(s) of Delivery:_____

Receiving Party:_____

5.0 Maximum amount of reassigned capacity: _____

6.0 Designation of party(ies) subject to reciprocal service obligation:

_____
_____
_____
_____

7.0 Name(s) of any Intervening Systems providing transmission service:

_____
_____

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

8.1 Transmission Charge:_____

_____

8.2 System Impact and/or Facilities Study Charge(s):

_____

_____

8.3 Direct Assignment Facilities Charge:_____

_____

8.4 Ancillary Services Charges: _____

_____

_____

_____

_____

_____

_____

9.0 Name of Reseller of the reassigned transmission capacity:

_____

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 Public Service Company of New Mexico ("Transmission Provider"), and _____ ("Transmission Customer").

2.0 The Transmission Customer has been determined by the Transmission Provider 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.

3.0 Service under this Agreement shall be provided by the Transmission Provider upon request by an authorized representative of the Transmission Customer.

4.0 The Transmission Customer agrees to supply information the Transmission Provider deems reasonably necessary in accordance with Good Utility Practice in order for it to provide the requested service.

5.0 The Transmission Provider 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.

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

Transmission Provider:

_____
_____
_____
_____

Transmission Customer:

_____
_____
_____
_____

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

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

Transmission Provider:

By:_____

Name: _____

Title: _____

Date: _____

Transmission Customer:

By:_____

Name:_____

Title:_____

Date:_____

ATTACHMENT C

Methodology To Assess Available Transfer Capability

1. General Description

Public Service Company of New Mexico ("Transmission Provider") employs the Rated System Path methodology in accordance with the procedures outlined in the North American Electric Reliability Corporation (NERC) Reliability Standard MOD-029 (Rated System Path Methodology), and the Public Service Company of New Mexico Available Transfer Capability Implementation Document ("ATCID").

2. Definitions:

The following definitions are associated with ATC calculation methodology and the corresponding NERC standards:

2.1 Available Transfer Capability ("ATC"): A measure of the transfer capability remaining in the physical transmission network for further commercial activity over and above already committed uses. It is defined as Total Transfer Capability less Existing Transmission Commitments (including retail customer service), less a Capacity Benefit Margin, less a Transmission Reliability Margin, plus Postbacks, plus counterflows.

2.2 Capacity Benefit Margin ("CBM"): The amount of firm transmission transfer capability preserved by the transmission provider for Load-Serving Entities (LSEs), whose loads are located on that Transmission Service Provider's system, to enable access by the LSEs to generation from interconnected systems to meet generation reliability requirements. Preservation of CBM for an LSE allows that entity to reduce its installed generating capacity below that which may otherwise have been necessary without interconnections to meet its generation reliability requirements. The transmission transfer capability preserved as CBM is intended to be used by the LSE only in times of emergency generation deficiencies.

2.3 Existing Transmission Commitments ("ETC"): Committed uses of a Transmission Service Provider's Transmission system considered when determining ATC.

2.4 Planning Horizon: This period begins at the end of the Scheduling/Operating Horizon and extends through the end of the FERC required posting period.

2.5 Scheduling/Operating Horizon: This period begins with the current hour and extends through the end of the last day that has been or is being prescheduled up to one (1) week.

2.6 Total Transfer Capability ("TTC"): The amount of electric power that can be moved or

transferred reliably from one area to another area of the interconnected transmission systems by way of all transmission lines (or paths) between those areas under specified system conditions.

2.7 Transmission Reliability Margin ("TRM"): The amount of transmission transfer capability necessary to provide reasonable assurance that the interconnected transmission network will be secure. TRM accounts for the inherent uncertainty in system conditions and the need for operating flexibility to ensure reliable system operation as system conditions change.

3. Description of Algorithm Used to Calculate TTC and ATC

The mathematical algorithms used to determine the ATC on each ATC Path posted on the Open Access Same-time Information system ("OASIS") are described in detail below and in the Transmission Provider's ATCID on the OASIS in the Folder titled "ATC Information". The folder can be accessed using the following:

<http://www.oatioasis.com/pnm/index.html>

Transmission Provider uses the following NERC Reliability Standard MOD-029 (MOD-29) algorithms in all horizons:

3.1 Transmission Provider uses the following algorithm when determining Firm ATC for an ATC Path:

$$ATC_F = TTC - ETC_F - CBM - TRM + Postbacks_F + counterflows_F$$

Where:

ATC_F *is the firm Available Transfer Capability for the ATC Path for that period.*

TTC *is the Total Transfer Capability of the ATC Path for that period.*

ETC_F *is the sum of existing firm commitments for the ATC Path during that period.*

CBM *is the Capacity Benefit Margin for the ATC Path during that period.*

TRM *is the Transmission Reliability Margin for the ATC Path during that period.*

$Postbacks_F$ *are changes to firm Available Transfer Capability due to a change in the use of Transmission Service for that period, as defined in Business Practices.*

$counterflows_F$ *are adjustments to firm Available Transfer Capability as determined by the Transmission Service Provider and specified in their ATCID.*

3.2 Transmission Provider uses the following algorithm when determining Non-Firm ATC:

$$ATC_{NF} = TTC - ETC_F - ETC_{NF} - CBM_S - TRM_U + Postbacks_{NF} + counterflows_{NF}$$

Where:

ATC_{NF} *is the non-firm Available Transfer Capability for the ATC Path for that period.*

TTC *is the Total Transfer Capability of the ATC Path for that period.*

ETC_F *is the sum of existing firm commitments for the ATC Path during that period.*

ETC_{NF} *is the sum of existing non-firm commitments for the ATC Path during that period.*

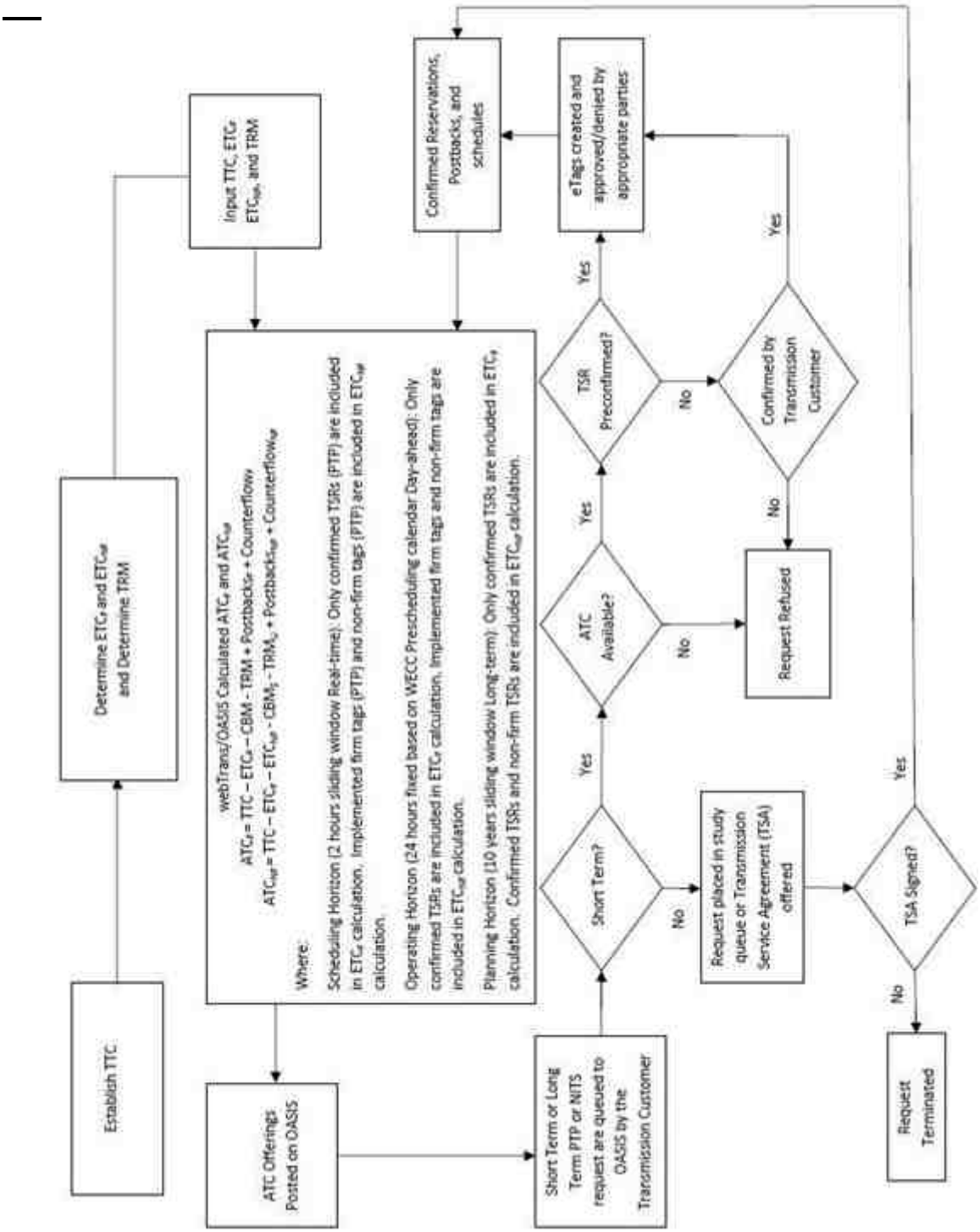
CBM_S *is the Capacity Benefit Margin for the ATC Path that has been scheduled during that period.*

TRM_U *is the Transmission Reliability Margin for the ATC Path that has not been released for sale (unreleased) as non-firm capacity by the Transmission Service Provider during that period.*

$Postbacks_{NF}$ *are changes to non-firm Available Transfer Capability due to a change in the use of Transmission Service for that period, as defined in Business Practices.*

$counterflows_{NF}$ *are adjustments to non-firm Available Transfer Capability as determined by the Transmission Service Provider and specified in its ATCID.*

4. Process Flow Diagram



5. Explanation of ATC Components

5.1 Total Transfer Capability

5.1.1 Explanation of TTC definition:

TTC is defined as the amount of electric power that can be moved or transferred reliably from one area to another area of the interconnected transmission systems by way of all transmission lines (or paths) between those areas under specified system conditions.

5.1.2 Explanation of TTC calculation methodology and the assumptions used in its TTC assessments

TTC for an ATC path is determined primarily by off-line system studies utilizing powerflow and stability analysis. In selected cases, the off-line studies may be supplemented with short-term or real-time adjustments to TTC if information has been developed quantifying the impact of specific resource dispatch, reactive device status, load power factor or simultaneous interactions.

The studies establishing the TTC for a path will be reviewed annually to determine if updates are warranted. The need for updates would typically be tied to a significant system modification like a new interconnected resource, transmission topology modifications or changes in forecast load or a combination of these items.

Transmission Provider will create an ATC Path specific TTC study report ("TTC study report") for the system studies using the Rated System Path Methodology (MOD-029). The TTC study reports will describes the steps taken including the contingencies and assumptions used when determining the TTC and the results of the study.

Steps In Determining TTC

The Rated System Path Methodology determines TTC for an ATC Path from the highest simulated flow, on a non-simultaneous basis, from the ATC Path Point of Receipt ("POR") to the ATC Path Point of Delivery ("POD") that can be obtained without violating the Western Electricity Coordinating Council ("WECC") and NERC reliability criteria. Except where otherwise specified within NERC Reliability Standard MOD-029-1, base case generation and load levels within the updated power flow model are adjusted to determine the TTC that can be simulated on the ATC Path while at the same time satisfying all planning criteria contingencies as follows:

When modeling normal conditions, all Transmission Elements will be modeled at or below 100% of their continuous rating.

When modeling contingencies the system shall demonstrate transient, dynamic and voltage

stability, with no Transmission Element modeled above its Emergency Rating. The contingencies expected to most limit the transfers on a specific ATC path are noted in the TTC study report for the path.

Uncontrolled separation shall not occur.

If a reliability limit can be found in the simulation, the TTC on the ATC Path is set to the simulated flow corresponding to the reliability limit. A reliability limit is determined if a contingency results in violation of (1) a Facility Rating or SOL on the ATC Path being rated or (2) an outage of any element of the ATC Path being rated results in a criteria violation on any part of the system. If a reliability limit is not found in the simulation, the TTC is set to either (1) the simulated flow or (2) an amount consistent with practices used in the past (typically the Facility Ratings of the Transmission Elements that make up the ATC Path).

The loads and resources adjusted for stressing are specific for each ATC Path study. Generation dispatch is varied within the maximum and minimum unit limits to stress the path while still maintaining an acceptable voltage profile in the study base cases. Load adjustments are limited to reasonable minimum levels for the season and time of day represented by the case dispatch. Load levels are limited to potential maximum levels that may include extreme weather events within the Operations Planning Horizon. In addition to load and resource variations, Transmission Provider may modify phase-shifting transformer flows or flows on the asynchronous tie with the eastern grid if the adjustments represent reasonable operating conditions that increase stress on the path under study.

The scope of TTC studies will focus primarily on N-0 and N-1 powerflow contingency analysis. The degree of analysis included for N-2 contingencies, extreme contingencies or for dynamic or voltage stability will be based on the need for this additional analysis as determined from Transmission Provider's annual 10-Year Plan analysis and other recent studies of the Transmission Provider transmission system.

A significant number of paths may be limited to determination of TTC in only one direction due to prevailing flows that are predominantly in one direction. For ATC Paths with the POR and POD defined in the non-prevailing direction, it may not be possible to show physical flow from the POR to the POD or show only limited flow from the POR and POD preventing determination of a reliability limit. Where it is impossible to actually simulate a reliability-limited flow in a direction counter to prevailing flows (on an alternating current Transmission line), the TTC for the non-prevailing direction is set equal to the TTC in the prevailing direction. If the TTC in the prevailing flow direction is dependent on a Special

[1] NERC March 4, 2011 letter delaying implementation of MOD-029-01 Requirement 2, Sub-requirement 2.1. In the letter, NERC suggests (but does not require) that entities calculate the TTC of "Flow Limited" paths consistent with practices used in the past (such as using the path thermal rating) with the expectation that the path is demonstrably "Flow Limited".

Protection System (SPS), the TTC for the non-prevailing flow direction is set equal to the

greater of the maximum flow that can be simulated in the non-prevailing flow direction or the maximum TTC that can be achieved in the prevailing flow direction without use of a SPS.

For an ATC Path whose capacity is limited by contract, TTC on the ATC Path is set at the lesser of the maximum allowable contract capacity or the TTC as determined above.

For an ATC Path whose TTC varies due to simultaneous interaction with one or more other paths, a nomogram will be developed describing the interaction of the paths and the resulting TTC under specified conditions.

Transmission Provider shall identify when the TTC for the ATC Path being studied has an adverse impact on the TTC value of any existing path. This is done by modeling the flow on the path being studied at its proposed TTC level simultaneous with the flow on the existing path at its TTC level while at the same time honoring the reliability criteria outlined above.

Where multiple ownership of Transmission rights exists on an ATC Path, the TTC will be allocated among the owners for that ATC Path in accordance with the contractual agreement between the owners. The TTC utilized in calculating Transmission Provider's ATC posting for the path will be limited to Transmission Provider's share of TTC.

Transmission Provider does not operate any paths with TTC based on a pre-1994 rating. On jointly owned paths Transmission Provider's ATC may be tied to a previously established rating if the Transmission Operator has established the TTC on that basis.

Transmission Provider has not established TTC for any ATC Path where three phase fault damping is used to determine stability limits

If any System Operating Limit (SOL) for an ATC Path is found to be lower than the TTC determined from the methodology above, the TTC for the ATC Path will be established at the System Operating Limit (SOL).

5.1.3 Databases used in TTC assessments

Transmission Provider uses near-term powerflow cases from the WECC base case library as the starting point for the model used in performing the Rated System Path Methodology studies.

The specific WECC case or cases used in the TTC studies and modifications to the starting WECC case will be dependent on the specific path being studied.

5.2 Existing Transmission Commitments

5.2.1 Definition of ETC

ETC is defined as Committed uses of a Transmission Service Provider's Transmission system considered when determining ATC or AFC.

When calculating firm Existing Transmission Commitments for a specified period, Transmission Provider shall use the MOD-29 algorithms:

Firm ETC:

$ETC_F = NL_F + NITS_F + GF_F + PTP_F + ROR_F + OS_F$

Where:

NL_F *is the firm capacity set aside to serve peak Native Load forecast commitments for the time period being calculated, to include losses, and Native Load growth, not otherwise included in Transmission Reliability Margin or Capacity Benefit Margin.*

$NITS_F$ *is the firm capacity reserved for Network Integration Transmission Service serving Load, to include losses, and Load growth, not otherwise included in Transmission Reliability Margin or Capacity Benefit Margin.*

GF_F *is the firm capacity set aside for grandfathered Transmission Service and contracts for energy and/or Transmission Service, where executed prior to the effective date of a Transmission Service Provider's Open Access Transmission Tariff or "safe harbor tariff."*

PTP_F *is the firm capacity reserved for confirmed Point-to-Point Transmission Service.*

ROR_F *is the firm capacity reserved for Roll-over rights for contracts granting Transmission Customers the right of first refusal to take or continue to take Transmission Service when the Transmission Customer's Transmission Service contract expires or is eligible for renewal.*

OS_F *is the firm capacity reserved for any other service(s), contract(s), or agreement(s) not specified above using Firm Transmission Service as specified in the ATCID.*

Non-Firm ETC:

$ETC_{NF} = NITS_{NF} + GF_{NF} + PTP_{NF} + OS_{NF}$

Where:

$NITS_{NF}$ *is the non-firm capacity set aside for Network Integration Transmission Service serving Load (i.e., secondary service), to include losses, and load growth not otherwise included in Transmission Reliability Margin or Capacity Benefit Margin.*

GF_{NF} *is the non-firm capacity set aside for grandfathered Transmission Service and contracts for energy and/or Transmission Service, where executed prior to the effective date of a Transmission Service Provider's Open Access Transmission Tariff or "safe harbor tariff."*

PTP_{NF} *is non-firm capacity reserved for confirmed Point-to-Point Transmission Service.*

OS_{NF} *is the non-firm capacity reserved for any other service(s), contract(s), or agreement(s) not specified above using non-firm transmission service as specified in the ATCID.*

5.2.2 Calculation methodology used to determine transmission capacity to be set aside for native load and non-OATT customers

When calculating firm Existing Transmission Commitments for a specified period, Transmission Provider bases capacity reserved for Native and network load on the following:

Native Load and Network Load: Transmission Provider uses the load and resource forecasts provided by Transmission Provider's generation dispatch function for native load capacity set aside for the day-ahead and scheduling periods. Transmission Provider uses the load and resource forecasts provided by network customers to determine the transmission capacity to be set aside for each network customer. A Native Load obligation is forecast for each time period requiring ATC calculations. Uncertainty around Native Load is included in TRM if risk is considered significant for a specific path.

For non-OATT customers capacity reserved is based on the following:

Non-OATT customers (i.e., grandfathered transmission service): Point-to-point type contracts are reserved using the specified megawatt quantity, point of receipt, point of delivery, and contract term.

Non-Point-to-Point type contracts are reserved to ensure adequate capacity is set aside to meet the contractual terms contained in the agreement.

5.2.3 Incorporation of point-to-point transmission service requests

Point-to-point type contracts are reserved using the specified megawatt quantity, point of receipt, point of delivery, and contract term.

Accounting for Rollover Rights

Transmission Provider takes into consideration an existing transmission customer's rollover rights for its existing long-term transmission service request when assessing whether to confirm a request for long-term firm point-to-point transmission service. Transmission Provider posts potentially available ATC on OASIS, including capacity associated with the rollover rights, but it does not release transmission associated with such rollover rights until such rollover rights are expired. This approach allows customers viewing Transmission Provider's posted ATC to consider all potentially available ATC and submit a request to obtain a queue position, should the existing transmission customer allow its rollover rights to expire. If the existing customer does exercise their rollover rights, a System Impact Study Agreement may be tendered to the transmission customer with the queued requests. If the existing customer does not exercise their rollover rights, the queued requests are honored up to the amount available based upon their queue order.

5.2.4 Processes for ensuring the proper release of non-firm capacity

In the operating horizon and scheduling horizon, reserved capacity that is not scheduled will be posted back as non-firm ATC. This occurs automatically based on the schedules entered into the scheduling system which are compared against transmission reservations and existing commitments. More detailed information on reserved capacity that is returned as either firm or non-firm ATC can be found in Transmission Provider's Postback Methodology document on OASIS in the ATC Information folder at the following:

<http://www.oatioasis.com/pnm/index.html>

5.2.5 Step-by-step modeling study methodology and criteria for adding or eliminating flowgates

Transmission Provider does not currently use the flowgate methodology.

5.3 Transmission Reliability Margin

5.3.1 Definition of TRM

The definition of TRM is the amount of transmission transfer capability necessary to provide reasonable assurance that the interconnected transmission network will be secure. TRM accounts for the inherent uncertainty in system conditions and the need for operating flexibility to ensure reliable system operation as system conditions change.

5.3.2 TRM calculation methodology

TRM is used on a limited number of paths. Determination of TRM is discussed in the Transmission Reliability Margin Implementation Document (TRMID) posted on OASIS in the ATC Information folder at the following:

<http://www.oatioasis.com/pnm/index.html>

Values for TRM are determined off-line for inclusion in the ATC calculations. Transmission Provider used two components of uncertainty when establishing TRM: aggregate load forecast and variations in generation dispatch.

5.3.3 Databases used in its TRM assessments

TRM is based on information determined in calculating TTC related to impacts of resource outages that would increase flows on an ATC Path and potential increased loadings that can occur for higher than forecast loads.

5.3.4 Conditions under which Transmission Provider uses TRM

Transmission Provider only uses TRM on ATC Paths where flows on an ATC path can exceed the reliability limit if a resource included in the period under consideration becomes curtailed or unavailable or for load forecast errors that could result in a path exceeding the reliability limit. TRM is released as non-firm ATC in the scheduling and operating horizon.

5.3.5 Capacity Benefit Margin

Transmission Provider does reserve or set aside CBM on ATC Paths.

6. Transmission Providers Scheduling and Operating Horizon Calculations

The following mathematical algorithms are used to calculate firm and non-firm ATC for Transmission Provider's Scheduling and Operating Horizons (same day, real-time and day ahead ATC) and Planning Horizon (beyond the Scheduling/Operating Horizon):

webTrans/OASIS Calculated ATC_F and ATC_{NF}

$ATC_F = TTC – ETC_F – CBM - TRM + Postbacks_F + Counterflow_F$

$ATC_{NF} = TTC – ETC_F – ETC_{NF} - CBM_S - TRM_U + Postbacks_{NF} + Counterflow_{NF}$

Where:

Scheduling Horizon:

Scheduling Horizon (2 hours sliding window Real-time): Only confirmed TSRs (PTP) are included in ETC_F calculation. Implemented firm tags (PTP) and non-firm tags (PTP) are included in ETC_{NF} calculation.

Operating Horizon:

Operating Horizon (24 hours fixed based on WECC Prescheduling calendar Day-ahead): Only confirmed TSRs are included in ETC_F calculation. Implemented firm tags and non-firm tags are included in ETC_{NF} calculation.

Planning Horizon:

Planning Horizon (10 years sliding window Long-term): Only confirmed TSRs are included in ETC_F calculation. Confirmed TSRs and non-firm TSRs are included in ETC_{NF} calculation.

ATTACHMENT D

Methodology for Completing a System Impact Study, Facilities Addition Study, Generation Interconnection Evaluation Study and Generation Interconnection Facilities Study

The Transmission Provider will assess the impact on the Transmission Provider's transmission service capability and ability to provide Network Integration Transmission Service, Firm Point-to-Point Transmission Service, and Generation Interconnection Service using the criteria and processes included in Transmission Provider's Annual FERC Form 715 filing.

In determining Transmission Provider's ability to provide Network Integration Transmission Service, Firm Point-to-Point Transmission Service or Generator Interconnection Service, Transmission Provider will determine the impact of the applicable service request on Transmission Provider's system incorporating capacity being used or reasonably forecast to be used to provide transmission service to native load customers, existing Network Integration Transmission Service and Firm Point-to-Point Transmission Service, existing Interconnection Customers under executed Interconnection Service Agreements, Interconnection Requests in the Transmission Provider's Interconnection Queue, and any existing contractual obligations for transmission service.

ATTACHMENT E

Index Of Point-To-Point Transmission Service Customers

PNM's Index of Point-to-Point Transmission Service Customers is Posted Publicly in PNM's Electric Quarterly Report.

ATTACHMENT F

Service Agreement For Network Integration Transmission Service

This Service Agreement, is entered into this ___ day of _____, 20__, (hereinafter referred to as the Service Agreement), by and between Public Service Company of New Mexico, a New Mexico corporation ("Transmission Provider"), and _____ _____ ("Transmission Customer" to be identified by legal description). Transmission Provider and Transmission Customer may hereinafter be referred to individually as a "Party" or collectively as "Parties."

In consideration of the mutual covenants and agreements herein contained, the Parties agree to the following:

Section 1: Purpose of Agreement

1.1 The purposes of the Parties entering into this Service Agreement are as follows:

1.1.1 To provide for the terms and conditions under which Transmission Provider will provide Network Integration Transmission Service to Transmission Customer.

1.1.2 To establish the terms and conditions for the direct or indirect interconnection of the Parties' systems.

Section 2: Term of Agreement

This Service Agreement shall become effective as of the date of its execution by the Parties, subject to any required acceptance for filing by the Federal Energy Regulatory Commission ("Commission") and shall remain in force unless terminated in accordance with the provisions of this Service Agreement.

Section 3: Services to be Rendered

The terms and conditions for the provision of Network Integration Transmission Service are as contained in this Service Agreement and Transmission Provider's Open Access Transmission Tariff, as filed with the Commission (the "OATT") as it may be amended from time to time or superseded due to appropriate filings with the Commission. The OATT is incorporated by reference into this Service Agreement. In the event of conflicts between this Service Agreement and the OATT, the Service Agreement shall govern.

Section 4: Administration

4.1 As a means of securing effective cooperation in system planning, maintenance, and operation, and of dealing on a prompt and orderly basis with the various operating and

technical problems which may arise in connection with delivery of power and energy, ancillary services, and system coordination under changing conditions, the Parties hereby establish a "Network Operating Committee," charged with certain responsibilities hereunder.

4.2 The Network Operating Committee shall consist of two "Operating Representatives," one designated by each Party, and each such Operating Representative shall be authorized by the Party to act on its behalf with respect to those matters herein provided to be responsibilities of the Network Operating Committee. The functions and responsibilities of the Operating Committee shall be as follows:

4.2.1 To negotiate and complete a Network Operating Agreement between the Parties addressing general operating procedures, practices and policies for the guidance of the Parties in implementing the Network Integration Transmission Service.

4.2.2 To review periodically the prospective transmission capabilities of the Parties' systems, to arrange for investigations with respect to additional transmission facilities, including possible interconnections with other systems, in order to provide for additional transmission capacity and/or reliability, and to present recommendations as to such matters to the Parties.

4.2.3 To establish appropriate curtailment procedures consistent with Sections 33.4 and 33.5 of the OATT.

4.2.4 To establish detailed arrangements for scheduling, communication and implementation of operating procedures.

4.2.5 To establish appropriate record keeping and accounting systems for and between the Parties.

4.2.6 To do such other things as are provided for herein and as may be specified from time to time by the Parties; provided that the Network Operating Committee shall have no authority to modify any of the provisions of this Service Agreement or the OATT. Any decision or agreement by the Network Operating Committee shall be effective when signed by both members of the Network Operating Committee. Each Party shall notify the other Party promptly in writing of the designation of its member on the Network Operating Committee and of any subsequent change in such designation within thirty (30) days of such change. Either Party may designate, in writing, an alternate or substitute to act as its member on the Network Operating Committee on specified occasions or with respect to specific matters.

4.2.7 In the event of a dispute or disagreement between the members of the Network Operating Committee, the subject shall be refereed to executive officers of Transmission Provider and Transmission Customer for resolution.

4.2.8 Written minutes shall be kept of all meetings of the Network Operating Committee.

Section 5: Direct Assignment Facilities

The following Direct Assignment Facilities shall be constructed or (caused to be constructed) by Transmission Provider to facilitate the service to be provided to Transmission Customer under this Service Agreement: [List to be provided].

Section 6: Credit for Existing Transmission Facilities

Transmission Customer is entitled to receive the following credit(s) for existing transmission facilities which it owns and which facilities are integrated with and support Transmission Provider's Transmission System: [List to be provided].

Section 7: Member Systems

Transmission Customer hereby designates the following individual Member systems on whose behalf Transmission Provider shall provide Network Integration Transmission Service: [List to be provided].

Section 8: General Provisions

8.1 A waiver at any time by either Party of its rights with respect to a default under this Service Agreement, or with respect to any other matter arising in connection with this Service Agreement, shall not be deemed a waiver with respect to any subsequent default or matter. No delay short of the statutory period of limitations in asserting or enforcing any right hereunder shall be deemed a waiver of such right.

8.2 Any formal notice, demand, or request provided for in this Service Agreement, shall be in writing and deemed properly served, given or made if delivered in person or sent by express overnight delivery or by registered or certified mail, postage prepaid, to the person(s) specified:

To or upon Transmission Provider:
To be completed

To or upon Transmission Customer:
To be completed

8.3 This Service Agreement may be amended upon mutual agreement of the Parties, which amendment shall be reduced to writing and, if applicable, submitted to the

Commission.

8.4 Except as otherwise provided in the OATT, nothing contained in this Service Agreement and any attachment hereto, as modified from time to time, shall be construed as affecting in any way the right of Transmission Provider to unilaterally make application to the Commission for a change in rates, charges, classification of service or in any rules, regulation or contract relating thereto, or the right of the Transmission Customer to oppose such application, under Section 205 of the Federal Power Act and pursuant to the Commission's Rules and Regulations promulgated under the Federal Power Act.

8.5 The undertakings of the Parties contained herein shall not constitute a dedication of either Party's system or any portion of those systems to the public or to the other Party except as otherwise may be provided in the OATT.

8.6 This Service Agreement constitutes and expresses the entire agreement between the Parties concerning the subject matter hereof and all prior discussions and negotiations are merged herein.

8.7 This Service Agreement is made under and shall be governed by the laws of the State of New Mexico, except as governed by federal law.

8.8 From time to time after the execution of this Service Agreement, the Parties may execute such instruments as may be necessary or appropriate to carry out the intent of this Service Agreement.

8.9 The execution date of this Service Agreement shall be the date appearing at the beginning of this Service Agreement.

8.10 Nothing contained herein shall restrict the right of either Party from interconnecting with or terminating an interconnection with any entity that is not a party to this Service Agreement.

8.11 Terms used with capitalization in this Service Agreement shall, unless the context otherwise requires, have the same meanings as set out in the OATT.

In witness whereof, the duly authorized representatives of Transmission Provider and the Transmission Customer have executed this Service Agreement as of the day and year first herein written.

TRANSMISSION CUSTOMER

BY:_____

NAME:_____

TITLE:_____

DATE:_____

TRANSMISSION PROVIDER

BY:_____

NAME: _____

TITLE:_____

DATE:_____

ATTACHMENT G

Network Operating Agreement

To be completed by Transmission Provider and Transmission Customer.

ATTACHMENT H

Annual Transmission Revenue Requirement

For Network Integration Transmission Service

1. The Annual Transmission Revenue Requirement and the gross rate for Network Integration Transmission Service shall be derived from the Current Year Formula Rate in Attachment H - 1. The rate determined pursuant to Attachment H - 1 shall be implemented pursuant to the Formula Rate Implementation Protocols in Attachment H - 2.

2. The ATRR developed in accordance with Attachment H-1 shall be effective until amended by PNM in accordance with the Implementation Protocols or modified by the Commission pursuant to a Commission Order.

3. For purposes of Network Integration Transmission Service, all load and capacity quantities used in developing the Network Load and PNM's total load in calculating the Network Customer's Load Ratio Share shall be adjusted to the Transmission System input level to include the transmission capacity amount associated with applicable real power losses.

ATTACHMENT H - 1

PNM Formula Rate

Public Service Company of New Mexico
Attachment H-1 - Current Year Formula Rate

Note - Shaded Cells Require Input			Current Year
Line No	**Line Item Description**	**Reference FERC Form 1 Page or Schedule**	
	Allocators		
1	**Wages and Salary Allocation Factor**		
2	Transmission Wages Expense	page 354, line 21, column b	
3			
4	Total Wages Expense	page 354, line 28, column b	
5	Less A&G Wages Expense	page 354, line 27, column b	
6	**Total**	(Line 4 - line 5)	-
7			
8	**Wages and Salary Allocator**	(Line 2 / Line 6)	#DIV/0!
9			
10	**Plant Allocation Factor**		
11	Average Electric Plant In Service	Schedule 1	#DIV/0!
12	Less Average Accumulated Depreciation Electric Plant In Service	Schedule 1	-
13	Net Average Electric Plant in Service	(Line 11 - line 12)	#DIV/0!
14			
15	Transmission Gross Plant	(line 34)	#DIV/0!
16	**Gross Plant Allocation Factor**	(line 15 / line 11)	#DIV/0!
17			
18	Transmission Net Plant	(line 49)	#DIV/0!
19	**Net Plant Allocation Factor**	(line 18 / line 13)	#DIV/0!
20			
21	**Plant Calculations**		
22			
23	**Plant In Service**		
24	Transmission Plant In Service	Schedule 1	#DIV/0!
25	**Total Transmission Plant in Service**		#DIV/0!
26			
27			
28	General and Intangible Plant in Service	Schedule 1	-
29	Wages and Salary Allocation Factor	(Line 8)	#DIV/0!
30	Allocated to Transmission	(line 28 * line 29)	#DIV/0!
31	General and Intangible Plant In Service (Allocated from Shared Services)	Schedule 1A	#DIV/0!
32	**General and Intangible Plant Allocated to Transmission**	(line 30 + line 31)	#DIV/0!
33			
34	**Total Transmission Plant In Service**	(line 25 + line 32)	#DIV/0!
35			
36	**Accumulated Depreciation**		
37			

38	Transmission Accumulated Depreciation	Schedule 1	-
39	Total Transmission Accumulated Depreciation		-
40			
41	General and Intangible Accumulated Depreciation	Schedule 1	-
42	Wages and Salary Allocation Factor	(Line 8)	#DIV/0!
43	Allocated to Transmission	(line 41 * line 42)	#DIV/0!
44	General and Intangible Accumulated Depreciation (Allocated from Shared Services)	Schedule 1A	#DIV/0!
45	**General and Intangible Accumulated Depreciation Allocated to Transmission**	(line 43 + line 44)	#DIV/0!
46			
47	**Total Transmission Accumulated Depreciation**	(line 39 + line 45)	#DIV/0!
48			
49	**Total Transmission Net Plant In Service**	(line 34 - line 47)	#DIV/0!
50			
51	**Projected Net Plant in Service**		
52	New Transmission Plant In Service, Placed in Service in Current Year	Schedule 1B	-
53	Accumulated Depreciation for New Transmission Plant in Service	Schedule 1B	-
54	Accumulated Deferred Income Taxes for New Transmission Plant in Service	Schedule 1B	-
55	True-Up for Projected Plant In Service, Based on Prior Year Formula Rate	Schedule 1B	-
56	True-Up for Projected Accumulated Depreciation, Based on Prior year Formula Rate	Schedule 1B	-
57	True-Up for Projected Accumulated Deferred Income Taxes, Based on Prior year Formula Rate	Schedule 1B	-
58	**Total Projected Net Plant In Service, Net of True-Up**	(sum of line 52 through line 57)	-
59			
60	**Total Requested Transmission Net Plant in Service**		#DIV/0!
61			
62	**Other Rate Base Items**		
63			
64			
65	Accumulated Deferred Income Taxes	Schedule 2	#DIV/0!
66			
67			-
68			
69	Regulatory Assets	Schedule 4	-
70			
71	Miscellaneous Deferred Debits	Schedule 5	-
72			
73	Prepaid Pension Asset	Schedule 6	-
74	Wages and Salary Allocator	(line 8)	#DIV/0!
75	Total Prepaid Pension asset	(line 73 * line 74)	#DIV/0!
76			
77	Working Capital		
78	Materials and Supplies	Schedule 7	-
79	Prepayments	Schedule 7	-

80	Total Working Capital		-
81			
82	Injuries and Damages Reserve	Schedule 8	-
83	Wages and Salaries Allocator	(line 8)	#DIV/0!
84	Total Injuries and Damages Reserve	(line 82 * line 83)	#DIV/0!
85			
86	Other Deferred Credits	Schedule 8	-
87			
88	**Total Other Rate Base Items**	(line 65 + line 69 + line 71 + line 75 + line 80 + line 84 + line 86)	#DIV/0!
89			
90	**Total Transmission Rate Base**	(line 60 + line 88)	#DIV/0!
91			
92	**Operations and Maintenance Expense**		
93			
94	**Transmission O&M**		
95	Transmission O&M	page 321, line 112, column b	
96	Less Account 561	Page 321, line 84 through line 92, column b	
97	Less Account 565	Page 321, line 96, column b	
98	**Transmission O&M**	(line 95 - line 96 - line 97)	-
99			
100	**Administrative and General Expenses**		
101	Total Administrative and General Expenses	page 323, line 197, column b	
102	Less FERC 924 - Property Insurance	page 323, line 185, column b	
103	Less FERC 928 - Regulatory commission Expenses	page 323, line 189, column b	
104	Less FERC 922 - Administrative Expenses Transferred - Credit	page 323, line 183, column b	
105	Less EPRI dues	Schedule 9	-
106	Add FERC 928 - Regulatory Commission Expenses, Common	Schedule 9	-
107	Add FERC 922 - Admin Exp Transferred - Credit, excluding Corp. Allocation	Schedule 9	-
108	**Total Administrative and General Expenses**		-
109	Wages and Salaries Allocator	(line 8)	#DIV/0!
110	**General Expenses Allocated to Transmission**	(line 108 * line 109)	#DIV/0!
111			
112	FERC 924 - Property Insurance	(line 102)	-
113	Net Plant Allocator	(line 19)	#DIV/0!
114	**Property Insurance Allocated to Transmission**	(line 112 * line 113)	#DIV/0!
115			
116			
117	**Total Transmission Operations and Maintenance Expense**	(line 98 + line 110 + line 114)	#DIV/0!
118			
119	**Depreciation and Amortization Expense**		
120			
121	**Depreciation and Amortization Expense**		
122	Transmission Depreciation Expense	page 336, line 7, column f	
123	New Transmission Plant Depreciation Expense	Schedule 1B	

				-
124	True-Up to Plant Depreciation Expense from Prior Year Formula Rate	Schedule 1B		-
125	Less Depreciation Expense Related to Direct Assigned	Schedule 13		-
126	**Total Transmission Depreciation Expense**	(line 122 + line 123 + line 124 - line 125)		-
127				
128				
129	General Depreciation	page 336, line 10, column f		
130	Intangible Amortization	page 336, line 1, column f		
131	General Depreciation - Corporate Allocation	Schedule 9		-
132	Intangible Amortization - Corporate Allocation	Schedule 9		-
133	Total General and Intangible Depreciation and Amortization	(sum of line 129 through line 132		-
134	Wages and Salary Allocator	(line 8)	#DIV/0!	
135	General and Intangible Depreciation and Amortization Allocated to Transmission	(line 133 * line 134)	#DIV/0!	
136				
137	**Total Depreciation and Amortization**	(line 126 + line 135)	#DIV/0!	
138				
139	**Taxes Other than Income**			
140				
141	**Taxes other than income**			
142	Payroll Taxes Allocated to Transmission	Schedule 10	#DIV/0!	
143	Property Taxes Allocated to Transmission	Schedule 10	#DIV/0!	
144	Native American Taxes Allocated to Transmission	Schedule 10		-
145				
146	**Total Taxes other than income**		#DIV/0!	
147				
148				
149				
150				-
151				
152	**Income Taxes**			
153				
154	**Federal Income Tax Calculation**			
155				
156	**Allowed Return on Rate Base**			
157	Total Transmission Rate Base	(line 90)	#DIV/0!	
158	Weighted cost of Capital	(line 248)	#DIV/0!	
159	Return on Rate Base	(line 157 * line 158)	#DIV/0!	
160				
161	**Less: Return Adjustments - Federal**			
162	Total Transmission Rate Base	(line 90)	#DIV/0!	
163	Long Term Debt Cost of Capital	(line 245)	#DIV/0!	
164	Interest on Long Term Debt	(line 162 * line 163 * -1)	#DIV/0!	
165	Permanent and Flow-Through Book/Tax Adjustments	Schedule 11		-
166	Total Return Adjustments	(line 164 + line 165)	#DIV/0!	
167				
168	**Net Taxable Equity Return - Federal**	(line 159 + line 166)	#DIV/0!	
169				
170	**Income Tax Adjustments - Federal**			
171	Net Provision for Deferred Income Tax	Schedule 11		

	Adjustments		-
172	Investment Tax Credit Amortization	Schedule 11	
			-
173	Total Federal Tax Adjustments		
			-
174			
175	**Income Tax Calculation - Federal**		
176	Adjusted Equity Return - Federal	(line 168 + line 173)	#DIV/0!
177	Federal Tax Factor (Rate/1-Rate), Federal Tax Rate = 35%	(Fed Tax Rate / 1 - Fed Tax Rate)	
178	Federal Income Tax	(line 176 * line 177)	#DIV/0!
179			
180	**Additions to Income Tax - Federal**		
181	Net Provision for Deferred Income Tax Adjustments	(line 171)	-
182	EIP Amortization	Schedule 11	
			-
183	Investment Tax Credit Amortization	(line 172)	
			-
184	Total Additions to Federal Income Tax	(line 181 + line 182 + line 183)	-
185			
186	**Net Allowable Income Tax - Federal**	(line 178 + line 184)	#DIV/0!
187			
188	**State Income Tax Calculation**		
189			
190	**Allowed Return on Rate Base**	(line 159)	#DIV/0!
191			
192	**Less: Return Adjustments - State**		
193	Interest on Long Term Debt	(line 164)	#DIV/0!
194	Permanent and Flow-Through Book/Tax Adjustments	(line 165)	-
195	Less: EIP Prepaid Tax Reversal	(line 182 * -1)	
			-
196	Net Allowable Income Tax - Federal	(line 186)	#DIV/0!
197	Total Return Adjustments - State	(sum of line 193 through line 196)	#DIV/0!
198			
199	**Net Taxable Equity Return - State**	(line 190 + line 197)	#DIV/0!
200			
201	**Income Tax Calculation - State**		
202	Net Taxable Equity Return - State	(line 199)	#DIV/0!
203	State Tax Factor		
204			
205	**Net Allowable Income Tax - State**	(line 202 * 203)	#DIV/0!
206			
207	**Total Allowable Income Tax - Federal & State**	(line 186 + line 205)	#DIV/0!
208			
209	**Total Operating Expenses**	(line 117 + line 137 + line 146 + line 150 + line 207)	#DIV/0!
210			
211	**Capitalization Calculations**		
212			
213	**Long Term Interest**		
214	Long Term Interest	Schedule 15	
			-
215	**Total Long Term Interest**		
			-
216			
217	**Preferred Dividends**	page 118, line 24, column c	

218				
219	**Common Stock**			
220	Proprietary Capital	page 112, line 16, column c		
221	Less Preferred stock	page 112, line 3, column c		
222	Less Accumulated Other Comprehensive Income	page 112, line 15, column c		
223	**Common Stock**	(line 220 - line 221 - line 222)		-
224				
225				
226				
227	**Long Term Debt**			
228	Long Term Debt	page 112, line 24, column c		
229	**Total Long-Term Debt**			-
230				
231	**Capitalization**			
232	Long Term Debt	(line 229)		-
233	Preferred Stock	(line 221)		-
234	Common Stock	(line 223)		-
235	**Total Capitalization**	(line 232 + line 233 + line 234)		-
236				
237	Long Term Debt %	(line 232 / line 235)	#DIV/0!	
238	Preferred Stock %	(line 233 / line 235)	#DIV/0!	
239	Common Stock %	(line 234 / line 235)	#DIV/0!	
240				
241	Cost of Debt	(line 214 / line 232)	#DIV/0!	
242	Preferred Stock Cost	(line 217 / line 233)	#DIV/0!	
243	Common Stock Cost	Note 1		
244				
245	Weighted Cost of Debt	(line 237 * line 241)	#DIV/0!	
246	Weighted Cost of Preferred Stock	(line 238 * line 242)	#DIV/0!	
247	Weighted Cost of Common Stock	(line 239 * line 243)	#DIV/0!	
248	**Total Return**	(line 245 + line 246 + line 247)	#DIV/0!	
249				
250	**Return on Rate Base**	(line 90 * line 248)	#DIV/0!	
251				
252	**Revenue Requirement Summary**			
253				
254	Rate Base	(line 90)	#DIV/0!	
255				
256	O&M	(line 117)	#DIV/0!	
257	Depreciation and Amortization	(line 137)	#DIV/0!	
258	Taxes other than income	(line 146)	#DIV/0!	
259				-
260	Income Taxes	(line 207)	#DIV/0!	
261	Return on Rate Base	(line 250)	#DIV/0!	
262				
263	**Revenue Requirement before Revenue Credits and True-Up Adjustment**	(sum of line 256 through line 261)	#DIV/0!	
264	True-Up Adjustment to Revenue Requirement	Schedule 14		-
265	**Revenue Requirement before Revenue Credits**	(line 263 + line 264)	#DIV/0!	
266				
267				

268	**Revenue Credits**		
269			
270	Applicable to Network and Point to Point Service	Note 2	
271	Schedule 8 Non firm Transmission Service	Schedule 12	-
272	Schedule 8 Conditional Firm Transmission Service	Schedule 12	-
273	Deferral Payments	Schedule 12	-
274	Account 454 Pole Rentals and Rents from Electric Property	Schedule 12	-
275	**Total Revenue Credits Applicable to All Customers**	(line 271 + line 272 + line 273 + line 274)	-
276			
277	**Annual Transmission Revenue Requirement**		
278			
279	**Annual Transmission Revenue Requirement before True-Up Adjustment**	(line 263 - line 275)	#DIV/0!
280	True-Up Adjustment to Revenue Requirement	Schedule 14	-
281	**Annual Transmission Revenue Requirement**	(line 277 + line 278)	#DIV/0!

Note 1 The rate of return on common equity will not change without a filing with FERC under Sections 205 or 206 of the FPA.

Note 2 See Rate Design worksheet for allocation of revenue credits applicable only to point-to-point customers.

Note 3 **See Rate Design worksheet for Final ATRR including direct assigned expenses.**

Public Service Company of New Mexico
Schedule 1 - Plant
Calculations

Plant In Service
Calculation

Transmission Plant In Service

Month	***Source***	***Balance***	***Direct Assignment***	**Adjusted Balance**	
December	page 206, line 58, column b		-	-	
January	company records		-	-	
February	company records		-	-	
March	company records		-	-	
April	company records		-	-	
May	company records		-	-	
June	company records		-	-	
July	company records		-	-	
August	company records		-	-	
September	company records		-	-	
October	company records		-	-	
November	company records		-	-	
December	page 207, line 58, column g		-	-	
Average Transmission Plant In Service		#DIV/0!	-	#DIV/0!	line 24, Attachment H-1

Distribution Plant In Service

Month	***Source***	***Balance***	***Direct Assignment***	**Adjusted Balance**
December	page 206, line 75, column b		-	-
January	company records		-	-
February	company records			

March	company records		-	-
April	company records		-	-
May	company records		-	-
June	company records		-	-
July	company records		-	-
August	company records		-	-
September	company records		-	-
October	company records		-	-
November	company records		-	-
December	page 207, line 75, column g		-	-
Average Distribution Plant In Service		#DIV/0!	-	-

Intangible Plant In Service

Month	***Source***	***Balance***	***Direct Assignment***	**Adjusted Balance**
December	page 204, line 5, column b			-
January	company records			-
February	company records			-
March	company records			-
April	company records			-
May	company records			-
June	company records			-
July	company records			-
August	company records			-
September	company records			-
October	company records			-

November	company records			-
December	page 205, line 5, column g			-
Average Intangible Plant In Service		#DIV/0!	#DIV/0!	-

General Plant In Service

Month	***Source***	***Balance***	***Direct Assignment***	**Adjusted Balance**
December	page 206, line 99, column b			-
January	company records			-
February	company records			-
March	company records			-
April	company records			-
May	company records			-
June	company records			-
July	company records			-
August	company records			-
September	company records			-
October	company records			-
November	company records			-
December	page 207, line 99, column g			-
Average General Plant In Service		#DIV/0!	#DIV/0!	-

Production Plant In Service

Month	***Source***	***Balance***	***Direct Assignment***	**Adjusted Balance**
December	page 204, line 46, column b			-
January	company records			-
February	company records			

March	company records			-	
April	company records			-	
May	company records			-	
June	company records			-	
July	company records			-	
August	company records			-	
September	company records			-	
October	company records			-	
November	company records			-	
December	page 205, line 46, column g			-	
Average Production Plant In Service		#DIV/0!	#DIV/0!	-	
Total Average Plant in Service as of December	Sum of averages above	#DIV/0!		#DIV/0!	line 11, Attachment H-1
Total Average Plant In Service General and Intangible Plant in Service		#DIV/0!		-	line 28, Attachment H-1

Accumulated Depreciation Calculation

Transmission Accumulated Depreciation

Month	***Source***	***Balance***	***Direct Assignment***	***Adjusted Balance***
December	Prior year, page 219, line 25, column b		-	-
January	company records		-	-
February	company records		-	-
March	company records		-	-
April	company records		-	-
May	company records			

June	company records		-	-	
July	company records		-	-	
August	company records		-	-	
September	company records		-	-	
October	company records		-	-	
November	company records		-	-	
December	page 219, line 25, column b		-	-	
Average Transmission Accumulated Depreciation		#DIV/0!	-	-	line 38, Attachment H-1

Distribution Accumulated Depreciation

Month	***Source***	***Balance***	***Direct Assignment***	***Adjusted Balance***	
December	Prior year, page 219, line 26, column b		-	-	
January	company records		-	-	
February	company records		-	-	
March	company records		-	-	
April	company records		-	-	
May	company records		-	-	
June	company records		-	-	
July	company records		-	-	
August	company records		-	-	
September	company records		-	-	
October	company records		-	-	
November	company records		-	-	
December	page 219, line 26, column b		-	-	
Average Distribution Accumulated Depreciation		#DIV/0!	-	-	

Intangible Accumulated Depreciation

Month	*Source*	*Balance*	*Direct Assignment*	*Adjusted Balance*
December	Prior year, page 200, line 21, column b			-
January	company records			-
February	company records			-
March	company records			-
April	company records			-
May	company records			-
June	company records			-
July	company records			-
August	company records			-
September	company records			-
October	company records			-
November	company records			-
December	page 200, line 21, column b			-
Average Intangible Accumulated Depreciation		#DIV/0!	#DIV/0!	-

General Accumulated Depreciation

Month	*Source*	*Balance*	*Direct Assignment*	*Adjusted Balance*
December	Prior Year, page 219, line 28, column b			-
January	company records			-
February	company records			-
March	company records			-
April	company records			-
May	company records			-
June	company records			-

July	company records			-
August	company records			-
September	company records			-
October	company records			-
November	company records			-
December	page 219, line 28, column b			-
Average General Accumulated Depreciation		#DIV/0!	#DIV/0!	-

Production Accumulated Depreciation

Month	***Source***	***Balance***	***Direct Assignment***	***Adjusted Balance***
December	Prior Year, page 219, line 20 thru line 24, column b			-
January	company records			-
February	company records			-
March	company records			-
April	company records			-
May	company records			-
June	company records			-
July	company records			-
August	company records			-
September	company records			-
October	company records			-
November	company records			-
December	page 219, line 20 thru line 24, column b			-
Average Production Accumulated Depreciation		#DIV/0!	#DIV/0!	-

Total Average Accumulated Depreciation

as of December	Sum of averages above	#DIV/0!	-	line 12, Attachment H-1
Total Average Accumulated Depreciation General and Intangible Accumulated Depreciation		#DIV/0!	-	line 41, Attachment H-1

Notes

1 Monthly plant balances are derived from plant management system.
2 See Schedule 13 for detail of direct assignment.
3 Certain generation step up and interconnection facilities are classified in transmission plant accounts.
These items are reclassified in the Direct Assignment column to be reflected as production plant accounts.
4 Averages are based on 13-months.
5 Adjusted Balance column reflects the reclassification or removal of directly assigned plant.

Public Service Company of New Mexico

Schedule 1A - Allocation of Shared Services General and Intangible Plant to Transmission

Note: PNM Resources, Inc. ("PNMR") holds assets that benefit its subsidiaries, including PNM. Costs associated with these assets are allocated to subsidiaries of PNMR. The assets have been allocated to PNM Transmission based on Cost Allocation Methods as reported to the New Mexico Public Regulation Commission ("NMPRC"). These allocations are updated annually and filed with the NMPRC.
The Allocation to Transmission Function is based on the Cost Allocation Methods and percentages calculated for the current year period.

Below is a reconciliation of the December beginning and ending period balances to PNMR Services Company FERC Form No. 60. All other amounts are from company records.

Plant in Service - PNM Resources

	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	13 month average
PNM Resources Holding Co.														
PNMR Services Company **														
Total Plant In Service - PNM Resources	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Accumulated Depreciation - PNM Resources

	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	13 month average
PNM Resources Holding Co.														

PNM Shared Services ***														
Total Accumulated Depreciation - PNM Resources	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Plant in Service - Allocation of Shared Services to Transmission Function

	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	13 month average	
Plant In Service - Allocated to Transmission Function														#DIV/0!	line 31, Attachment H-1

Accumulated Depreciation - Allocation of Shared Services to Transmission Function

	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	13 month average	
Total Accumulated Depreciation-Allocated to Transmission Function														#DIV/0!	line 44, Attachment H-1

Public Service Company of New Mexico
Schedule 1B - Projected Plant Calculations

Note 1: Under "Plant in Service Calculation, Projected" - original cost of plant in service is included in the month the project is projected to be in-service. These are the projections to be included in year 1, Attachment H-1

Plant In Service Calculation, Projected

Transmission Plant In Service

Month	*Source*	*Project 1*	*Project 2*	*Project 3*	*Project 4*	*Project 5*	*Project 6*	*Project 7*	*Project 8*	*Project 9*	*Total*	
December	Estimated	-	-	-	-	-	-	-	-	-	-	
January	Estimated	-	-	-	-	-	-	-	-	-	-	
February	Estimated	-	-	-	-	-	-	-	-	-	-	
March	Estimated	-	-	-	-	-	-	-	-	-	-	
April	Estimated	-	-	-	-	-	-	-	-	-	-	
May	Estimated	-	-	-	-	-	-	-	-	-	-	
June	Estimated	-	-	-	-	-	-	-	-	-	-	
July	Estimated	-	-	-	-	-	-	-	-	-	-	
August	Estimated	-	-	-	-	-	-	-	-	-	-	
September	Estimated	-	-	-	-	-	-	-	-	-	-	
October	Estimated	-	-	-	-	-	-	-	-	-	-	
November	Estimated	-	-	-	-	-	-	-	-	-	-	
December	Estimated	-	-	-	-	-	-	-	-	-	-	
Average Transmission Plant In Service		-	-	-	-	-	-	-	-	-	-	line 52, Attachment H-1

Note Accumulated Depreciation is estimated based on estimated depreciation expense calculated under "Calculated Depreciation Expense". Balance is accumulated

2: by summarizing each months of projected depreciation expense.

Accumulated Depreciation Calculation, Projected

Transmission Accumulated Depreciation

Month	*Source*	*Project 1*	*Project 2*	*Project 3*	*Project 4*	*Project 5*	*Project 6*	*Project 7*	*Project 8*	*Project 9*	*Total*	
December	Estimated	-	-	-	-	-	-	-	-	-	-	
January	Estimated	-	-	-	-	-	-	-	-	-	-	
February	Estimated	-	-	-	-	-	-	-	-	-	-	
March	Estimated	-	-	-	-	-	-	-	-	-	-	
April	Estimated	-	-	-	-	-	-	-	-	-	-	
May	Estimated	-	-	-	-	-	-	-	-	-	-	
June	Estimated	-	-	-	-	-	-	-	-	-	-	
July	Estimated	-	-	-	-	-	-	-	-	-	-	
August	Estimated	-	-	-	-	-	-	-	-	-	-	
September	Estimated	-	-	-	-	-	-	-	-	-	-	
October	Estimated	-	-	-	-	-	-	-	-	-	-	
November	Estimated	-	-	-	-	-	-	-	-	-	-	
December	Estimated	-	-	-	-	-	-	-	-	-	-	
Average Transmission Accumulated Depreciation		-	-	-	-	-	-	-	-	-	-	line 53, Attachment H-1

Note 3: Under "Accumulated Deferred Income Tax Calculation, projected" the associated ADIT balances are calculated, related to the new projected plant in service.

Accumulated Deferred Income Tax Calculation, Projected

Transmission Accumulated Deferred Income Taxes

Month	*Source*	*Project 1*	*Project 2*	*Project 3*	*Project 4*	*Project 5*	*Project 6*	*Project 7*	*Project 8*	*Project 9*	*IRS Required Proration*	*Total*
December	Estimated	-	-	-	-	-	-	-	-	-		-

January	Estimated	-	-	-	-	-	-	-	-	-		-	
February	Estimated	-	-	-	-	-	-	-	-	-		-	
March	Estimated	-	-	-	-	-	-	-	-	-		-	
April	Estimated	-	-	-	-	-	-	-	-	-		-	
May	Estimated	-	-	-	-	-	-	-	-	-		-	
June	Estimated	-	-	-	-	-	-	-	-	-		-	
July	Estimated	-	-	-	-	-	-	-	-	-	-	-	
August	Estimated	-	-	-	-	-	-	-	-	-	-	-	
September	Estimated	-	-	-	-	-	-	-	-	-	-	-	
October	Estimated	-	-	-	-	-	-	-	-	-	-	-	
November	Estimated	-	-	-	-	-	-	-	-	-	-	-	
December	Estimated	-	-	-	-	-	-	-	-	-	-	-	
Average Transmission Accumulated Deferred Income Taxes		-	-	-	-	-	-	-	-	-	-	-	line 54, Attachment H-1

Note 4: Under "Calculated Depreciation Expense on Projected Projects" depreciation expense is estimated utilizing the composite transmission depreciation rate. Depreciation expense is calculated starting on the first month following the month placed in service.

Note 5: The composite transmission depreciation rate will be updated upon a new depreciation study performed by PNM, pursuant to protocols discussed in Attachment H-2.

Calculated Depreciation Expense on Projected Projects

Transmission Depreciation Expense

Month	***Source***	***Project 1***	***Project 2***	***Project 3***	***Project 4***	***Project 5***	***Project 6***	***Project 7***	***Project 8***	***Project 9***	***Total***
January	Estimated	-	-	-	-	-	-	-	-	-	-
February	Estimated	-	-	-	-	-	-	-	-	-	-
March	Estimated	-	-	-	-	-	-	-	-	-	-
April	Estimated										

			-	-	-	-	-	-	-	-	-	-	
May	Estimated											
			-	-	-	-	-	-	-	-	-	-	
June	Estimated											
			-	-	-	-	-	-	-	-	-	-	
July	Estimated											
			-	-	-	-	-	-	-	-	-	-	
August	Estimated											
			-	-	-	-	-	-	-	-	-	-	
September	Estimated											
			-	-	-	-	-	-	-	-	-	-	
October	Estimated											
			-	-	-	-	-	-	-	-	-	-	
November	Estimated											
			-	-	-	-	-	-	-	-	-	-	
December	Estimated											
			-	-	-	-	-	-	-	-	-	-	
Total Depreciation Expense													line 123,
			-	-	-	-	-	-	-	-	-	-	Attachment H-1

Composite Depreciation Transmission Rate | See Note 5

Note 6: The "Calculation of Tax Depreciation Expense on Projected Projects" schedule is used to calculate the ADIT balances discussed in Note 3.

Calculation of Tax Depreciation Expense on Projected Projects

Transmission Tax Depreciation Expense

Month	***Source***		***Project 1***	***Project 2***	***Project 3***	***Project 4***	***Project 5***	***Project 6***	***Project 7***	***Project 8***	***Project 9***	***Total***
January	Estimated	1										
			-	-	-	-	-	-	-	-	-	-
February	Estimated	2										
			-	-	-	-	-	-	-	-	-	-
March	Estimated	3										
			-	-	-	-	-	-	-	-	-	-
April	Estimated	4										
			-	-	-	-	-	-	-	-	-	-
May	Estimated	5										
			-	-	-	-	-	-	-	-	-	-
June	Estimated	6										
			-	-	-	-	-	-	-	-	-	-
July	Estimated	7										
			-	-	-	-	-	-	-	-	-	-

August	Estimated	8	-	-	-	-	-	-	-	-	-	-
September	Estimated	9	-	-	-	-	-	-	-	-	-	-
October	Estimated	10	-	-	-	-	-	-	-	-	-	-
November	Estimated	11	-	-	-	-	-	-	-	-	-	-
December	Estimated	12	-	-	-	-	-	-	-	-	-	-
Total Tax Depreciation Expense			-	-	-	-	-	-	-	-	-	-

Note 7: In the following section, a true-up calculation will be performed on projected plant from Year 1. In Year 2, the actual plant in service original cost and in-service date, actual accumulated depreciation, depreciation expense, and ADIT balances will be calculated.
In Year 2, under "Plant In Service Calculation, True-Up to Prior year" the actual original cost of plant in service and the actual month placed in service will be included for projects projected in Year 1.
These amounts will be compared to amounts included in Year 1 filing. Any adjustment, will be included in Attachment H-1, line 55 - line 57, and line 124.

Plant In Service Calculation, True-Up to Prior Year

Transmission Plant In Service

Month	***Source***	***Project 1***	***Project 2***	***Project 3***	***Project 4***	***Project 5***	***Project 6***	***Project 7***	***Project 8***	***Project 9***	***Total***
December	company records	-	-	-	-	-	-	-	-	-	-
January	company records	-	-	-	-	-	-	-	-	-	-
February	company records	-	-	-	-	-	-	-	-	-	-
March	company records	-	-	-	-	-	-	-	-	-	-
April	company records	-	-	-	-	-	-	-	-	-	-
May	company records	-	-	-	-	-	-	-	-	-	-
June	company records	-	-	-	-	-	-	-	-	-	-
July	company records	-	-	-	-	-	-	-	-	-	-
August	company records	-	-	-	-	-	-	-	-	-	-
September	company records	-	-	-	-	-	-	-	-	-	-

October	company records	-	-	-	-	-	-	-	-	-	-	
November	company records	-	-	-	-	-	-	-	-	-	-	
December	company records	-	-	-	-	-	-	-	-	-	-	
Average Transmission Plant In Service		-	-	-	-	-	-	-	-	-	-	
Amount Reflected in Prior Year Formula Rate Schedule												See Note 7
Adjustment to Current year Formula Rate Schedule											-	line 55, Attachment H-1

Accumulated Depreciation Calculation, True-Up to Prior Year

Transmission Accumulated Depreciation

Month	***Source***	***Project 1***	***Project 2***	***Project 3***	***Project 4***	***Project 5***	***Project 6***	***Project 7***	***Project 8***	***Project 9***	***Total***
December	company records	-	-	-	-	-	-	-	-	-	-
January	company records	-	-	-	-	-	-	-	-	-	-
February	company records	-	-	-	-	-	-	-	-	-	-
March	company records	-	-	-	-	-	-	-	-	-	-
April	company records	-	-	-	-	-	-	-	-	-	-
May	company records	-	-	-	-	-	-	-	-	-	-
June	company records	-	-	-	-	-	-	-	-	-	-
July	company records	-	-	-	-	-	-	-	-	-	-
August	company records	-	-	-	-	-	-	-	-	-	-
September	company records	-	-	-	-	-	-	-	-	-	-
October	company records	-	-	-	-	-	-	-	-	-	-
November	company records	-	-	-	-	-	-	-	-	-	-
December	company										

	records	-	-	-	-	-	-	-	-	-	-	
Average Transmission Accumulated Depreciation		-	-	-	-	-	-	-	-	-	-	

Amount Reflected in Prior Year Formula Rate Schedule — See Note 7

Adjustment to Current year Formula Rate Schedule — line 56, Attachment H-1

Accumulated Deferred Income Taxes on Projected Projects, True-Up to Prior Year

Transmission Accumulated Deferred Income Taxes

Month		***Project 1***	***Project 2***	***Project 3***	***Project 4***	***Project 5***	***Project 6***	***Project 7***	***Project 8***	***Project 9***	***IRS Required Proration***	***Total***
December	company											
	records	-	-	-	-	-	-	-	-	-		
January	company											
	records	-	-	-	-	-	-	-	-	-		-
February	company											
	records	-	-	-	-	-	-	-	-	-		-
March	company											
	records	-	-	-	-	-	-	-	-	-		-
April	company											
	records	-	-	-	-	-	-	-	-	-		-
May	company											
	records	-	-	-	-	-	-	-	-	-		-
June	company											
	records	-	-	-	-	-	-	-	-	-		-
July	company											
	records	-	-	-	-	-	-	-	-	-	-	-
August	company											
	records	-	-	-	-	-	-	-	-	-	-	-
September	company											
	records	-	-	-	-	-	-	-	-	-	-	-
October	company											
	records	-	-	-	-	-	-	-	-	-	-	-
November	company											
	records	-	-	-	-	-	-	-	-	-	-	-
December	company											
	records	-	-	-	-	-	-	-	-	-	-	-
Average Accumulated Deferred Income Taxes		-	-	-	-	-	-	-	-	-	-	-

Amount Reflected in Prior Year Formula Rate Schedule		See Note 7
Adjustment to Current year Formula Rate Schedule	-	line 57, Attachment H-1

Depreciation Expense on Projected Projects, True-Up To Prior Year

Transmission Depreciation Expense

Month	***Source***	***Project 1***	***Project 2***	***Project 3***	***Project 4***	***Project 5***	***Project 6***	***Project 7***	***Project 8***	***Project 9***	***Total***
January	company records	-	-	-	-	-	-	-	-	-	-
February	company records	-	-	-	-	-	-	-	-	-	-
March	company records	-	-	-	-	-	-	-	-	-	-
April	company records	-	-	-	-	-	-	-	-	-	-
May	company records	-	-	-	-	-	-	-	-	-	-
June	company records	-	-	-	-	-	-	-	-	-	-
July	company records	-	-	-	-	-	-	-	-	-	-
August	company records	-	-	-	-	-	-	-	-	-	-
September	company records	-	-	-	-	-	-	-	-	-	-
October	company records	-	-	-	-	-	-	-	-	-	-
November	company records	-	-	-	-	-	-	-	-	-	-
December	company records	-	-	-	-	-	-	-	-	-	-
Total Depreciation Expense		-	-	-	-	-	-	-	-	-	-

Amount Reflected in Prior Year Formula Rate Schedule		See Note 7
Adjustment to Current year Formula Rate		line 124,

Schedule	-	Attachment H-1

Calculation of Tax Depreciation Expense on Projected Projects

Transmission Tax Depreciation Expense

Month			***Project 1***	***Project 2***	***Project 3***	***Project 4***	***Project 5***	***Project 6***	***Project 7***	***Project 8***	***Project 9***	***Total***
January	company records	1	-	-	-	-	-	-	-	-	-	-
February	company records	2	-	-	-	-	-	-	-	-	-	-
March	company records	3	-	-	-	-	-	-	-	-	-	-
April	company records	4	-	-	-	-	-	-	-	-	-	-
May	company records	5	-	-	-	-	-	-	-	-	-	-
June	company records	6	-	-	-	-	-	-	-	-	-	-
July	company records	7	-	-	-	-	-	-	-	-	-	-
August	company records	8	-	-	-	-	-	-	-	-	-	-
September	company records	9	-	-	-	-	-	-	-	-	-	-
October	company records	10	-	-	-	-	-	-	-	-	-	-
November	company records	11	-	-	-	-	-	-	-	-	-	-
December	company records	12	-	-	-	-	-	-	-	-	-	-
Total Tax Depreciation Expense			-	-	-	-	-	-	-	-	-	-

Schedule 2 - Accumulated Deferred Income Taxes

Note: ADIT Balances are included in the formula rate based on amounts included in rate base. ADIT amounts are reconciled to FERC Form No. 1 pages.

FERC Account 190	Reference	12/31/2010	12/31/2011	Average	Transmission Allocator	Transmission Balance	Notes
Injuries & Damages	Page 234 detail, Lines 14, 15, & 25			-	#DIV/0!	#DIV/0!	Calculated on amount included in rate base
Prepaid Pension	Page 234 detail, Line 1			-	#DIV/0!	#DIV/0!	Calculated on amount included in rate base
Eastern Interconnect Project	Page 234 detail, Line 4			-	100.00%	-	
Eastern Interconnect Project Refinancing Costs	Page 234 detail, Line 17			-	100.00%	-	
Rate Hearing Adjustment	Page 234 detail, Line 28			-	0.00%		Allocation included in 283 Def Reg Com Exp
Interest Capitalized for Tax Purposes	Page 234 detail, Line 7			-	#DIV/0!	#DIV/0!	Allocated on Net Plant
Tax Credit Carryforwards	Page 234 detail, Line 35			-	#DIV/0!	#DIV/0!	Allocated on Net Plant
Net Operating Loss Carryforward to be allocated	Company Records			-	#DIV/0!	#DIV/0!	Allocated on Net Plant
Not Operating Loss related to renewables	Company Records			-	0.00%	-	
Net Operating Loss Carryforward per Form 1	Page 234 detail, Line 34	-	-	-			
Non-Transmission related accounts				-	0.00%	-	

Total Account 190	**Page 234, Line 8, Columns (b) & (c)**			**-**		**#DIV/0!**	

FERC Account 281	**Reference**	**12/31/2010**	**12/31/2011**	**Average**	**Transmission Allocator**	**Transmission Balance**	**Notes**
Non-Transmission related accounts				-	0.00%	-	
Total Account 281	**Pages 272 & 273, Line 8, Columns (b) &(k)**	**-**	**-**	**-**		**-**	

FERC Account 282	**Reference**	**12/31/2010**	**12/31/2011**	**Average**	**Transmission Allocator**	**Transmission Balance**	**Notes**
Liberalized Depreciation - Transmission	Company Records			-	100.00%	-	
FERC Customer Depreciation	Company Records			-	#DIV/0!	#DIV/0!	Allocated on Net Plant
Debt AFUDC	Company Records			-	#DIV/0!	#DIV/0!	Allocated on Net Plant
Repair Allowance on pre-1981 assets	Company Records			-	#DIV/0!	#DIV/0!	Allocated on Net Plant
Asset Retirement Obligations - Generation	Company Records			-	0.00%	-	
Asset Retirement Obligations - Other	Company Records			-	#DIV/0!	#DIV/0!	Allocated on Wages & Salaries

Non-Transmission related accounts				-	0.00%	-	
Total Account 282	**Pages 274 & 275, Line 9, Columns (b) &(k)**			-		#DIV/0!	
Liberalized Depreciation - General & Intangible (Corporate Allocation)	Company Records			-	#DIV/0!	#DIV/0!	Allocated based on SS plant allocation
Liberalized Depreciation on Direct Assignment	Schedule 13	#DIV/0!	#DIV/0!	#DIV/0!	100.00%	#DIV/0!	
Total Account 282, Corporate Allocation & Direct Assignment		**#DIV/0!**	**#DIV/0!**	**#DIV/0!**		**#DIV/0!**	

FERC Account 283	**Reference**	**12/31/2010**	**12/31/2011**	**Average**	**Transmission Allocator**	**Transmission Balance**	**Notes**
Interest Capitalized for Book Purposes	Footnote to Page 276.1, Line 7n			-	#DIV/0!	#DIV/0!	Allocated on Net Plant
Prepaid Expenses	Footnote to Page 276.1, Line 7o			-	#DIV/0!	#DIV/0!	Allocated on Prepayments
RTO Transition Costs	Footnote to Page 276.1, Line 7h			-	#DIV/0!	-	Calculated on amount included in rate base
Deferred Regulatory Commission Expenses	Footnote to Page 276.1, Line 7p			-	#DIV/0!	-	Calculated on amount included in rate base
Pension Curtailment	Footnote to Page 276.1, Line 7b			-	0.00%		Allocation included in 190 Pension
Non-Transmission related accounts				-	0.00%	-	

Total Account 283	**Pages 276 & 277, Line 9, Columns (b) &(k)**				**#DIV/0!**	
				-		

Total Accumulated Deferred Income Taxes	**#DIV/0!**	**#DIV/0!**	**#DIV/0!**		**#DIV/0!**	line 65, Attachment H-1
				-		

Public Service Company of New Mexico

Schedule 3 - Reserved for Future Use

Public Service Company of New Mexico

Schedule 4 Regulatory Assets

Note: Regulatory Assets are identified in the FERC Form No. 1. Additional line items will be added or removed from schedule to reflect changes in regulatory assets.

Description	*Source*	*Balance at Beginning Of Year*	
Transmission Related Regulatory Assets			
Total Transmission Related Regulatory Assets		0	{A}
Non-Transmission Related Regulatory Assets			
Electric - Income taxes	Page 232, line 1, column b		
Coal Mine Decommissioning	Page 232, line 2, column b		
PCB Refinancing Hedge	Page 232, line 3, column b		
Renewable Energy Costs	Page 232, line 4, column b		
Rate Case, NM Retail	Page 232, line 5, column b		
SUNs Refinancing Costs	Page 232, line 6, column b		
Deferred Coal Costs	Page 232, line 7, column b		
Pension	Page 232, line 8, column b		
Rate Case, NM Retail	Page 232, line 9, column b		
PV2 Carrying Costs	Page 232, line 10, column b		
Energy Efficiency Program Costs	Page 232, line 11, column b		
Biomass Assessment	Page 232, line 12, column b		
2005 25 KW PV Project	Page 232, line 13, column b		
Underground Rate Riders	Page 232, line 14, column b		
Fuel Clause Deferral	Page 232, line 15, column b		
MTM, NM Retail	Page 232, line 16, column b		
Las Vegas Decommissioning	Page 232, line 17, column b		
Energy Efficiency	Page 232, line 18, column b		
Total Non-Transmission Related Regulatory Assets		-	
Total Regulatory Assets	Page 111, line 72, column d	-	

Description	*Source*	*Balance at End of Year*	
Transmission Related Regulatory Assets			
Total Transmission Related Regulatory Assets		0	{B}
Non-Transmission Related Regulatory Assets			
Electric - Income taxes	Page 232, line 1, column f		
Coal Mine Decommissioning	Page 232, line 2, column f		
PCB Refinancing Hedge	Page 232, line 3, column f		
Renewable Energy Costs	Page 232, line 4, column f		
Rate Case, NM Retail	Page 232, line 5, column f		
SUNs Refinancing Costs	Page 232, line 6, column f		
Deferred Coal Costs	Page 232, line 7, column f		
Pension	Page 232, line 8, column f		

Rate Case, NM Retail	Page 232, line 9, column f		
PV2 Carrying Costs	Page 232, line 10, column f		
Energy Efficiency Program Costs	Page 232, line 11, column f		
Biomass Assessment	Page 232, line 12, column f		
2005 25 KW PV Project	Page 232, line 13, column f		
Underground Rate Riders	Page 232, line 14, column f		
Fuel Clause Deferral	Page 232, line 15, column f		
MTM, NM Retail	Page 232, line 16, column f		
Las Vegas Decommissioning	Page 232, line 17, column f		
Energy Efficiency	Page 232, line 18, column f		
Total Non-Transmission Related Regulatory Assets		-	
Total Regulatory Assets	Page 111, line 72, column c	-	
Average Balance Transmission Related Regulatory Assets	({A} + {B}) / 2	-	line 69, Attachment H-1

Public Service Company of New Mexico
Schedule 5 - Miscellaneous Deferred Debits

Note: Miscellaneous Deferred Debits are identified in the FERC Form No. 1. Additional line items will be added or removed from schedule to reflect changes in miscellaneous deferred debits.

Description	Source	Balance at Beginning Of Year	
Transmission Related Deferred Debits			
RTO Transmission Project	Page 233, line 7, column b		
Rights of Way Renewals	Page 233, line 3, column b		
Deferred Regulatory Commission Expenses	company records		
Total Transmission Related Deferred Debits		-	{A}
Non-Transmission Related Deferred Debits			
Distribution Rights of way Renewals	Page 233, line 4, column b		
REC Software	Page 233, line 5, column b		
Deferred Management Fee	Page 233, line 6, column b		
Afton CSA Maintenance	Page 233, line 8, column b		
Goodwill	Page 233, line 9, column b		
Deferred Regulatory Commission Expenses	company records		
Total Non-Transmission Related Deferred Debits		-	
Total Deferred Debits	Page 111, line 78, column d	-	

Description	Source	Balance at End of Year	
Transmission Related Deferred Debits			
RTO Transmission Project	Page 233, line 7, column f		
Rights of Way Renewals	Page 233, line 3, column f		
Deferred Regulatory Commission Expenses	company records		
Total Transmission Related Deferred Debits		-	{B}
Non-Transmission Related Deferred Debits			
Distribution Rights of way	Page 233, line 4,		

Renewals	column f		
REC Software	Page 233, line 5, column f		
Deferred Management Fee	Page 233, line 6, column f		
Afton CSA Maintenance	Page 233, line 8, column f		
Goodwill	Page 233, line 9, column f		
Deferred Regulatory Commission Expenses	company records		
Total Non-Transmission Related Deferred Debits		-	
Total Deferred Debits	Page 111, line 78, column c	-	
Average Balance Transmission Related Deferred Debits	({A} + {B}) / 2	-	line 71, Attachment H-1

Public Service Company of New Mexico

Schedule 6 - Prepaid Pension Asset

Note Prepaid Pension Benefit Costs and Adjustments for Non-Cash Impacts will be adjusted annually.

Line No.	Description	Source	Balance at Beginning Of Year
1	Prepaid Pension Benefit Costs at 12/31/10	company records	
	Adjust for Non-Cash Impacts		
2	Add: 88 retirement Window Impact	company records	
3	93 settlement/Curtailment	company records	
4	09 curtailment adjustment	company records	
5	Less: 1996 Curtailment Gain	company records	
6	Adjusted Total	(sum of line 1 through line 5)	-
7	% attributed to PNM Gas employees	company records	42.00%
8	Amount attributed to PNM Gas	(line 6 * line 7)	-
9	Prepaid Pension Asset for inclusion	(line 6 - line 9)	-
10	Prepaid Pension Benefit Costs at 12/31/11	company records	
	Adjust for Non-Cash Impacts		
11	Add: 88 retirement Window Impact	company records	
12	93 settlement/Curtailment	company records	
13	09	company	

	curtailment adjustment	records		
14	Less: 1996 Curtailment Gain	company records		
15	Adjusted Total	(sum of line 10 through line 14)	-	
16	% attributed to PNM Gas employees	company records	42.00%	
17	Amount attributed to PNM Gas	(line 15 * line 16)	-	
18	Prepaid Pension Asset for inclusion	(line 15 - line 17)	-	
19	Average Prepaid Pension Asset	((line 9 + line 18) / 2)	-	line 73, Attachment H-1

Public Service Company of New Mexico
Schedule 7 - Working Capital

Materials and Supplies

Description	Source	Balance at Beginning Of Year	
Transmission Related Materials and Supplies			
Transmission Materials and Supplies	Page 227, line 8, column b		
Total Transmission Related Materials and Supplies		-	{A}
Non-Transmission Related Materials and Supplies			
Production	Page 227, line 7, column b		
Other	Page 227, line 5 + 9 + 11, column b		
Total Non-Transmission Related Materials and Supplies		-	
Total Materials and Supplies	Page 110, line 48, column d	-	

Description	Source	Balance at End of Year	
Transmission Related Materials and Supplies			
Transmission M&S	Page 227, line 8, column c		
Total Transmission Related Materials and Supplies		-	{B}
Non-Transmission Related Materials and Supplies			
Production	Page 227, line 7, column c		
Other	Page 227, line 5 + 9 + 11, column c		
Total Non-Transmission Related Materials and Supplies		-	
Total Materials and Supplies	Page 110, line 48, column c	-	
Average Balance Transmission Related Materials and Supplies	({A} + {B} / 2)	-	line 78, Attachment H-1

Prepayments

Description	Source	Balance at Beginning Of Year	
Transmission Related Prepayments			
Transmission Prepayments	company records		
Total Transmission Related			{C}

Prepayments		-	
Non-Transmission Related Prepayments			
Production	company records		
Other	company records		
Total Non-Transmission Related Prepayments		-	
Total Prepayments	Page 111, line 57, column d	-	

Description	**Source**	**Balance at End of Year**	
Transmission Related Prepayments			
Transmission Prepayments	company records		
Total Transmission Related Prepayments		-	{D}
Non-Transmission Related Prepayments			
Production	company records		
Other	company records		
Total Non-Transmission Related Prepayments		-	
Total Prepayments	Page 111, line 57, column c	-	
Average Balance Transmission Related Prepayments	({C} + {D} / 2)	-	line 79, Attachment H-1

Public Service Company of New Mexico
Schedule 8- Other Deferred Credits

Note: Other Deferred Credits are identified in the FERC Form No. 1. Additional line items will be added or removed from schedule to reflect changes in other deferred credits.

Description	Source	Balance at Beginning Of Year	
Transmission Related Other Deferred Credits			
Gain on Sale of EIP Transmission Line	Page 269, line 5, column b		
Network Credits - High Lonesome Mesa	company records		
Total Transmission Related Other Deferred Credits		-	{A}
Non-Transmission Related Other Deferred Credits			
Legal Liabilities	Page 269, line 1, column b		
Environmental Reserves	Page 269, line 2, column b		
Right of Way Reserve	Page 269, line 3, column b		
Coal Mine Decommissioning	Page 269, line 4, column b		
Dry Cask - Spent Nuclear Fuel Storage	Page 269, line 6, column b		
Transmission Studies	company records		
Other	Page 269, line 8, column b		
Total Non-Transmission Related Other Deferred Credits		-	
Total Other Deferred Credits	Page 113, line 59, column d	-	

Description	Source	Balance at End of Year
Transmission Related Other		

Deferred Credits			
Gain on Sale of EIP Transmission Line	Page 269, line 5, column f		
Network Credits - High Lonesome Mesa	company records		
Total Transmission Related Other Deferred Credits		-	{B}
Non-Transmission Related Other Deferred Credits			
Legal Liabilities	Page 269, line 1, column f		
Environmental Reserves	Page 269, line 2, column f		
Right of Way Reserve	Page 269, line 3, column f		
Coal Mine Decommissioning	Page 269, line 4, column f		
Dry Cask - Spent Nuclear Fuel Storage	Page 269, line 6, column f		
Transmission Studies	company records		
Other	Page 269, line 8, column f		
Total Non-Transmission Related Other Deferred Credits		-	
Total Other Deferred Credits	Page 113, line 59, column c	-	
Average Balance Transmission Related Other Deferred Credits	({A} + {B} / 2) * -1	-	line 86, Attachment H-1

Description	**Source**	**Balance at Beginning Of Year**	
Injuries and Damages Reserve (Enter as a negative)	page 112, line 28, column c		{C}
		Balance at End of Year	
Injuries and Damages Reserve (Enter as a negative)	page 112, line 28, column c		{D}
Average Balance Injuries and Damages Reserve	({C} + {D} / 2)	-	line 82, Attachment H-1

Public Service Company of New Mexico
Schedule 9 - Operations and Maintenance Expense

Note 1: PNM will remove amounts paid to EPRI that are include in Operations and Maintenance Expense.

	Source	*Current Year Expense*	
EPRI Dues	company records		line 105, Attachment H-1

Note 2: In FERC Form No. 1, expenses from PNMR Services Company (corporate allocation), that are not reflected in FERC 501 - FERC 935, are included in FERC 922.
Below is a detail breakout of costs allocated to PNM from PNMR Services Company, that are reflected in FERC Form No. 1 in FERC 922.
Additional items will be added to this schedule, based on the current year activity.

Details of FERC 922 - Administrative Expenses Transferred Credit

	Source	*Current Year Expense*	
FERC 922 - Administrative Expenses Transferred Credit	company records		line 107, Attachment H-1
Corporate Allocation Expenses, by FERC account from PNMR Services Company, reported in FERC 922:			
FERC 403 Depreciation Expense	company records		line 131, Attachment H-1
FERC 404 Amortization Expense	company records		line 132, Attachment H-1
FERC 408 Taxes other than income	company records		see Schedule 10
FERC 416 M&J	company records		
FERC 418 Nonoperating rental income	company records		
FERC 426 Other deductions	company records		
FERC 427 Interest on long term debt	company records		
FERC 454 Rent from electric property	company records		
Misc	company records		
Misc	company records		

Total Corporate Allocation Expenses reported in FERC 922		-
Total FERC 922 - Administrative Expenses Transferred Credit	Page 323, line 183, column b	-

Note 3: Regulatory Commission Expenses are identified in the FERC Form No. 1. Additional line items will be added or removed from schedule to reflect changes in regulatory commission expenses.

Note 4: Pursuant to a proposed settlement agreement in FERC Docket No. ER11-1915-000,et al, PNM received recovery of certain rate case expenses incurred. Amortization of expenses will begin upon final approval of settlement at FERC, or upon implementation of formula rate. PNM adjusted the historical FERC 928 regulatory commission expense to reflect the amortization of these expenses with the implementation of these formula rates.

Details of FERC 928 - Regulatory Commission Expense

	Source	***Current Year Expense***	
Costs Direct Assigned to FERC Transmission			
RTO Transmission Costs	page 350, line 12, column d		
Costs Direct Assigned to FERC Transmission		-	{A}
Costs Direct Assigned to Other Jurisdictions			
FERC Wholesale Generation - Amortization of Rate Case Expenses			
NM Retail - Amortization of Rate Case Expenses	page 350, line 9 + 10, column d		
NM Retail - Energy Efficiency Program Costs	page 350, line 13, column d		
NM Retail - Other Specific Amortization costs	page 350, line 3 + 7 + 8 + 11, column d		
Production - Related costs	page 350, line 1 + 2, column d		
Total Costs Direct Assigned to Other Jurisdictions		-	
Common Costs for Regulatory Commission Expense			
FERC Annual Fee	page 350, line 4, column d		

Other	page 350, line 5, column d		
Total Common costs for Regulatory Commission Expense		-	line 106, Attachment H-1
Total FERC 928 - Regulatory Commission Expense	Page 323, line 189, column b	-	
Previously deferred rate case expenses from ER11-1915			Note 4
Period of recovery of rate case expenses from ER11-1915		3	years
Annual Amortization Expense direct assigned to FERC Transmission		-	{B}
Total FERC 928 - Regulatory Commission expense Direct Assigned to FERC Transmission	({A} + {B})	-	line 9, Rate Design worksheet

Public Service Company of New Mexico
Schedule 10 - Taxes other than income

Note 1: Taxes other than income are identified in the FERC Form No. 1. Additional line items will be added or removed from schedule to reflect changes in taxes other than income.

Details of FERC 408.1 - Taxes other than income				
	Source	***Current Year Expense***		
Payroll Related Costs				
FICA	page 263, line 2, column i			
FUTA	page 263, line 3, column i			
SUTA	page 263, line 11, column i			
Misc	page 263, line 29, column i			
Total Payroll related costs		-		
Wages and Salary Allocator		#DIV/0!		
Payroll Tax costs Allocated to Transmission		#DIV/0!		
Payroll Tax Costs - Corporate Allocation	See Calculation Below	#DIV/0!		
Total Payroll Tax Costs Allocated to Transmission		#DIV/0!	line 142, Attachment H-1	
Property Related Costs	page 263, line 14, column i			
Gross Plant Allocator		#DIV/0!		
Property Tax Costs Allocated to Transmission		#DIV/0!		
Property Tax Costs - Corporate Allocation	See Calculation Below	#DIV/0!		
Total Property Tax Costs Allocated to Transmission		#DIV/0!	line 143, Attachment H-1	
Other Tax items		Total	(per Company records) Transmission Related	(per Company records) Non-Transmission Related
Excise	page 263, line 4,			

	column i			
NM S&I Fees	page 263, line 13, column i			
Gross Receipts Tax	page 263, line 16, column i			
State Highway use	page 263, line 17, column i			
Misc	page 263, line 18, column i			
Local franchise	page 263, line 23, column i			
Native American	page 263, line 28, column i			
		-	-	-
			Note 2	
Total Taxes other than income	page 114, line 14, column c	-		

Note 2: Transmission Related Other Items agrees to line 144, Attachment H-1.

Note 3: Taxes other than income from Corporate Allocation are allocated between payroll related, property related, and other, similar to classifications on PNM above.

		Total	Payroll Related	Property Related	Other
Taxes other than Income Taxes - Corporate Allocation	Schedule 9	-			
	Gross Plant Allocator		#DIV/0!		
	Wages and Salary Allocator			#DIV/0!	
					-
Allocated to Transmission, included above		#DIV/0!	#DIV/0!	#DIV/0!	
					-

Public Service Company of New Mexico

Schedule 11 - Income Tax Expense

Permanent and Flow-Through Book/Tax Adjustments	Reference	2011	Transmission Allocator	Transmission Balance	Notes
ACRS Flow-through Reversal	Company Records		#DIV/0!		
San Juan ACRS Flow-through Reversal	Company Records		#DIV/0!		
Four Corners SO2 Flow-though Reversal	Company Records		#DIV/0!		
SL/GL Depreciation Flow-through Reversal	Company Records		#DIV/0!		
AFUDC Reversal on Retirements	Company Records		#DIV/0!		
Non-Deductible Meals	Page 261, Line 2 detail		#DIV/0!		
Palo Verde 1 & 2 Gain Amortization	Page 261, Line 2 detail		#DIV/0!		
Eastern Interconnect Project Gain Amortization	Page 261, Line 2 detail		#DIV/0!		
AFUDC Equity	Company Records		#DIV/0!		
Fines & Penalties	Page 261, Line 2 detail		#DIV/0!		
Palo Verde Prudency Audit Amortization	Company Records		#DIV/0!		
Tax Exempt Interest	Page 261, Line 2 detail		#DIV/0!		
Officers Compensation	Page 261, Line 2 detail		#DIV/0!		
Non-Deductible Dues	Page 261, Line 2 detail		#DIV/0!		
San Juan Violation Notice	Company Records		#DIV/0!		
Sec 1603 Grant Amortization	Company Records		#DIV/0!		
Amortization of EIP Prepaid	Company		#DIV/		line 182,

Tax	Records		0!		Attachment H-1
Total Permanent and Flow-Through Book/Tax Adjustments		**-**		**-**	line 165, Attachment H-1

Provision for Deferred Income Tax Adjustments	**Reference**	**2011**	**Transmission Allocator**	**Transmission Balance**	**Notes**
Excess Payroll Tax Reversal	Company Records		#DIV/0!		
ARAM Excess Deferred Tax Reversal	Company Records		#DIV/0!		
Total Provision for Deferred Tax Adjustments		**-**		**-**	line 171, Attachment H-1

Investment Tax Credit Amortization	**Reference**	**2011**	**Transmission Allocator**	**Transmission Balance**	**Notes**
Generation Investment Tax Credit Amortization	Company Records		0.00%		
Palo Verde Valley Transmission Investment Tax Credit Amortization	Company Records		100.00%		
Other Investment Tax Credit Amortization	Company Records		#DIV/0!		
Total Investment Tax Credit Amortization	**Page 266, Line 8, Column (f)**	**-**		**-**	line 172, Attachment H-1

Public Service Company of New Mexico

Schedule 12 - Revenue Credits

	Source	***Current Year***	
OATT Schedule 7 - Short Term, Firm	Schedule 12A	-	see Rate Design worksheet
OATT Schedule 8 - Non-Firm		-	line 271, Attachment H-1
OATT Schedule 8 - Conditional Firm		-	line 272, Attachment H-1
Total OATT Schedule 8	Schedule 12A	-	
Deferral Payments	Schedule 12A	-	line 273, Attachment H-1

Rent From Electric Property - FERC Account 454

	Source	***Current year***	
Rent from Electric Property - Transmission Related	Company records		line 274, Attachment H-1
Rent from Electric Property - Distribution Related	Company records		
Total FERC Account 454 - Rent from Electric Property	page 300, line 19, column b	-	

Public Service Company of New Mexico

Schedule 12A - Transmission Revenue - Tie out to FERC Form 1

Note: Columns A - Columns S reflect FERC Form No. 1 Page 328 -330 line item detail. Columns T through AE, reflect the allocation of revenues to identify applicable revenue credits for inclusion in Attachment H-1 and Rate Design worksheets.

Source: Company Records

Page	Line	payment_by	sttstcl_clssfctn	dmnd_charges	erg_charges	othr_charges	tot_revenues	Demand Allocator	Bilateral	Real power Losses	OATT Schedule 1	OATT Schedule 2	OATT Schedule 7	OATT Schedule 8	Deferral Payments	Redispatch Contract	Subject to Refund	intercompany elimination	Total
																			- -
																			- -
																			- -
				0.00	0.00	0.00	0.00	-	-	-	-	-	-	-	-	-	-	-	- -

Schedule 12 Schedule 12

Schedule 12	-	Conditional Firm (SPS - OLF classification)
Schedule 12	-	Remaining Schedule 8 revenues

Public Service Company of New Mexico
Schedule 13 - Direct Assignment

Note: Generation step up and interconnection facilities are reported in FERC Transmission Plant Accounts. These amounts are reclassified to production plant.

As necessary, other directly assigned facilities will be included.

Plant In Service - Direct Assignment

Transmission Plant In Service

Month	*Source*	*Generation step up Transformers*	*Generator interconnection Facilities*	*Noe Substation and 115kV Transmission Lines*	*Radial Lines*	*Item 5*	*Item 6*	*Total*
December	company records	-	-	-	-	-	-	-
January	company records	-	-	-	-	-	-	-
February	company records	-	-	-	-	-	-	-
March	company records	-	-	-	-	-	-	-
April	company records	-	-	-	-	-	-	-
May	company records	-	-	-	-	-	-	-
June	company records	-	-	-	-	-	-	-
July	company records	-	-	-	-	-	-	-
August	company records	-	-	-	-	-	-	-
September	company records	-	-	-	-	-	-	-

October	company records	-	-	-	-	-	-	-
November	company records	-	-	-	-	-	-	-
December	company records	-	-	-	-	-	-	-
Average Transmission Plant In Service		-	-	-	-	-	-	-

Accumulated Depreciation - Direct Assignment

Transmission Accumulated Depreciation

Month	*Source*	*Generation step up Transformers*	*Generator interconnection Facilities*	*Noe Substation and 115kV Transmission Lines*	*Radial Lines*	*Item 5*	*Item 6*	*Total*
December	company records	-	-	-	-	-	-	-
January	company records	-	-	-	-	-	-	-
February	company records	-	-	-	-	-	-	-
March	company records	-	-	-	-	-	-	-
April	company records	-	-	-	-	-	-	-
May	company records	-	-	-	-	-	-	-
June	company records	-	-	-	-	-	-	-
July	company records	-	-	-	-	-	-	-
August	company							

	records	-	-	-	-	-	-	-	
September	company records	-	-	-	-	-	-	-	
October	company records	-	-	-	-	-	-	-	
November	company records	-	-	-	-	-	-	-	
December	company records	-	-	-	-	-	-	-	
Average Transmission Accumulated Depreciation		-	-	-	-	-	-	-	

Accumulated Deferred Income Tax - Direct Assignment

Transmission Accumulated Deferred Income Taxes

Month	***Source***	***Generation step up Transformers***	***Generator interconnection Facilities***	***Noe Substation and 115kV Transmission Lines***	***Radial Lines***	***Item 5***	***Item 6***	***Total***	
December 2010	company records	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	input to Schedule 2 - ADIT
December 2011	company records	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	input to Schedule 2 - ADIT
Average Transmission Accumulated Deferred Income Taxes		#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	

Depreciation Expense - Direct Assignment

Transmission Depreciation Expense

Month	***Source***	***Generation step up***	***Generator interconnectio***	***Noe Substation and 115kV***	***Radial***	***Item 5***	***Item 6***	***Total***	

		Transformers	***n Facilities***	***Transmission Lines***	***Lines***				
January	company records	-	-	-	-	-	-	-	
February	company records	-	-	-	-	-	-	-	
March	company records	-	-	-	-	-	-	-	
April	company records	-	-	-	-	-	-	-	
May	company records	-	-	-	-	-	-	-	
June	company records	-	-	-	-	-	-	-	
July	company records	-	-	-	-	-	-	-	
August	company records	-	-	-	-	-	-	-	
September	company records	-	-	-	-	-	-	-	
October	company records	-	-	-	-	-	-	-	
November	company records	-	-	-	-	-	-	-	
December	company records	-	-	-	-	-	-	-	
Total Depreciation Expense		-	-	-	-	-	-	-	line 125, Attachment H-1

Public Service Company of New Mexico
Schedule 14 - Reconciliation for Changes to Annual Update

Note: Reconciliation is intended to capture changes from initial filed annual update from Formula Rate, and any adjustments to Formula Rate based on protocols as discussed in Attachment H-2.

Annual ATRR based on Prior Year - Current Year Formula Rate		
Annual ATRR as a Result of Procedures on Prior Year - Current Year Formula Rate Discussed in Attachment H-2		
True-Up to Be Applied to Annual Update , before interest	0	
Divide True-up by 2 to apply interest	0	
Interest Rate pursuant to 18 C.F.R. Section 35.19 (a) Based on 1st Quarter of Current Year		
Calculated True-up interest owed on True-Up	0	
Total Adjustment to ATRR to be applied in Current Year Formula Rate	0	line 278, Attachment H-1

Public Service Company of New Mexico

Schedule 15 - Interest Expense for Cost of Debt

Note1: Credit recorded to FERC 427 for capitalized interest is excluded in calculation for annual interest expense to calculate average cost of debt.

Note 2: Interest expense includes the amortization of a hedge loss incurred in 2003 associated with the refinancing of $182 million of PCBs. PNM had previously entered into various forward swaps to hedge the interest rate on the refinancing.

	Source	***Current Year Expense***	
Interest for year - Long-Term Debt	page 257, line 33, column i		{A}
Recording of capitalized interest	Footnote to page 257		
FERC 427, Interest on Long-Term Debt	page 114, line 62, column c	-	
FERC 428, Amort. Of Debt Disc. And Expense	page 117, line 63, column c		{A}
FERC 428.1, Amortization of Loss on Reacquired Debt	page 117, line 64, column c		{A}
Less FERC 429, Amort. Of Gain of Premium on Debt (credit)	Page 117, line 65, column c		{A}
Less FERC 429.1, Amort. Of Gain on Reacquired Debt (credit)	Page 117, line 66, column c		{A}
Details of FERC 425 - Miscellaneous Amortization			
TNMP Synergy Savings Amortization	company records		
Amortization of Debt Related Hedge Loss	company records		{A}
FERC 425, Miscellaneous Amortization	page 117, line 44, column i	-	
Total Interest Expense	(sum of {A's})	-	line 214, Attachment H-1

Public Service Company of New Mexico
Schedule 16 - Rate Design Sheet

Line No.		Source		Allocations	
1	ATRR for Network Transmission Customers	line 281, Attachment H-1	#DIV/0!		
2					
3	Allocation to Retail Native Load	(line 1 * allocation % on line 3)	#DIV/0!	#DIV/0!	Trans Demand Allocator Sheet
4	Allocation to Network Integration Transmission Service	(line 1 * allocation % on line 4)	#DIV/0!	#DIV/0!	Trans Demand Allocator Sheet
5	Allocation to GFA	(line 1 * allocation % on line 5)	#DIV/0!	#DIV/0!	Trans Demand Allocator Sheet
6	Allocation to OATT firm PTP Service	(line 1 * allocation % on line 6)	#DIV/0!	#DIV/0!	Trans Demand Allocator Sheet
7	Total Allocated to FERC Jurisdictional Classifications	(Line 4 + Line 5 + Line 6)	#DIV/0!		
8					
9	**Allocation of Regulatory Commission Expense to FERC Jurisdictional Class**	Schedule 9	$ -		
10	Allocation to Network Integration Transmission Service	(line 9 * allocation % on line 10)	#DIV/0!	#DIV/0!	Trans Demand Allocator Sheet
11	Allocation to GFA	(line 9 * allocation % on line 11)	#DIV/0!	#DIV/0!	Trans Demand Allocator Sheet
12	Allocation to OATT firm PTP Service	(line 9 * allocation % on line 12)	#DIV/0!	#DIV/0!	Trans Demand Allocator Sheet
13	*Check total to line 9*	(line 10 + line 11 + line 12)	#DIV/0!	#DIV/0!	
14					
15	Gross up of Regulatory Commission Expenses to Add to 100% ATRR	(line 9 / (1 - allocation % on line 3))	#DIV/0!		
16	ATRR for Network Transmission Service Customers with Regulatory Expenses	(line 1 + line 15)	#DIV/0!		
17					
18	**Allocated ATRR Including Allocated Regulatory Commission Expenses**				
19	Allocation to GFA	(Line 5 + Line 11)	#DIV/0!		
20	Allocation to OATT firm PTP Service	(Line 6 + Line 12)	#DIV/0!		

21						
22						
23	**Allocation of Short Term Firm PTP Transmission Sales**	Schedule 12	$ -			
24	Allocation to Retail Native Load	(line 23 * allocation % on line 24)	#DIV/0!	#DIV/0!	Non Jurisdictional	
25	Allocation to Network Integration Transmission Service	(line 23 * allocation % on line 25)	#DIV/0!	#DIV/0!	Already Credited by Inclusion in Monthly LRS	
26	Allocation to GFA	(line 23 * allocation % on line 26)	#DIV/0!	#DIV/0!	Reduce GFA ATRR	
27	Allocation to OATT firm PTP Service	(line 23 * allocation % on line 27)	#DIV/0!	#DIV/0!	Reduce OATT Firm PTP ATRR	
28	*Check total to line 23*	(line 24 + line 25 + line 26 + line 27)	#DIV/0!	#DIV/0!		
29						
30	**Allocated ATRR Net of Short Term Firm PTP Sales Revenue**					
31	Allocation to Network Integration Transmission Service	(Line 16)	#DIV/0!			
32	Allocation to GFA	(Line 19 + Line 26)	#DIV/0!			
33	Allocation to OATT firm PTP Service	(Line 20 +Line 27)	#DIV/0!			
34						
35						
36	Assignment of Allocated Third Party Transmission Service Expense to Requirements Customers					
37	Add Direct Assigned 3rd Party Transmission Service	Third Party Transmission Sheet	#DIV/0!	MW		%
38	Allocation to Gallup	Annual Charge to Pro Rate Monthly to Gallup	#DIV/0!	-		#DIV/0!
39	Allocation to Navopache	Annual Charge to Pro Rate Monthly to Navopache	#DIV/0!	-		#DIV/0!
40	Allocation to Aztec	Annual Charge to Pro Rate Monthly to Aztec	#DIV/0!	-		#DIV/0!
	Check total to line 37	(line 38 + line 39 + line 40)	#DIV/0!	-		#DIV/0!
41						
42	Removal of WAPA Contract 2425 and NAPI					

43	WAPA Contract 2425 Demand - MW	(allocation % = line 43 / line 45)		#DIV/0!
44	WAPA Contract P0695 Demand - MW	(allocation % = line 44 / line 45)		#DIV/0!
45		(line 43 + line 44)		
			-	
46	Breakdown of GFA Allocation			
47	WAPA combined 12CP	Trans Demand Allocator Sheet		MW
			-	
48				
49	Allocation to Contract 2425 - 140/239	(line 47 * allocation % on line 43)	#DIV/0!	#DIV/0!
50	Allocation to Contract P0695 - 99/239	(line 47 * allocation % on line 44)	#DIV/0!	#DIV/0!
51		(line 49 + line 50)	#DIV/0!	MW
52				
53	Total GFA Allocation MW			
54	El Paso Electric Company	Trans Demand Allocator Sheet		
			-	
55	WAPA P0695	(line 50)	#DIV/0!	
56	Total included in allocation and rate design		#DIV/0!	#DIV/0!
57				
58	Removed GFA			
59	WAPA 2425	(line 49)	#DIV/0!	
60	NAPI	Trans Demand Allocator Sheet		
			-	
61	Total excluded in allocation and rate design	(line 59 + line 60)	#DIV/0!	#DIV/0!
62				
63	Total GFA to proof to Trans Demand Allocator worksheet	(line 56 + line 61)	#DIV/0!	#DIV/0!
64				
65	Removal of ATRR for GFA	(line 32 * allocation % on line 61)	#DIV/0!	
66				
67	Remainder of GFA ATRR to PTP rate design	(line 32 - line 65)	#DIV/0!	
68	OATT PTP ATRR allocation	(line 33)	#DIV/0!	
69		(line 67 + line 68)	#DIV/0!	

70	Adjust for short term firm service				
71	Design for Firm Point to Point Transmission Service Rates				
72				Billing Units	
73					
74		Annual	(line 76 * 12)	#DIV/0!	Per KW/year
75					
76		Monthly	(line 69 / line 96 / 1000)	#DIV/0!	Per KW/month
77					
78		Weekly	(line 74 / 52)	#DIV/0!	Per KW/Week
79					
80		Daily	(line 78 / 6)	#DIV/0!	Per KW/Day
81					
82		Hourly	(line 80 / 16)	#DIV/0!	Per KW/hour
83					
84					
85	Monthly Billing Units - MW				
86					
87		El Paso Electric Company	Contract Demand		
88		Western P0695	Contract Demand (6 @ 107, 6 @ 91)		
89		Tri-State - Hidalgo-Greenlee	Trans Demand Allocator Sheet	-	
90		PNMM SJ-Coronado	Trans Demand Allocator Sheet	-	
91		B&B Argonne Mesa	Trans Demand Allocator Sheet	-	

92	EPE FC-WM	Trans Demand Allocator Sheet	-
93	NextEra Red Mesa to Four Corners	Trans Demand Allocator Sheet	-
94	High Lonesome Mesa	Trans Demand Allocator Sheet	-
95	Pacificorp	Trans Demand Allocator Sheet	-
96	Total Billing Units		0
97			
98	P0695 Rate Calculation		
99	OATT Monthly PTP Rate	Line 76	#DIV/0!
10 0	Less Diversity Discount of 15%		#DIV/0!
10 1	Net	Line 99 plus Line 100	#DIV/0!
10 2	Less WAPa Credit		
10 3	Net P0695 Monthly PTP Rate	Line 101 plus Line 102	#DIV/0!

Public Service Company of New Mexico
Schedule 17 - Transmission Demand Allocator Sheet

With Losses

Real Power Loss Rate		Jan	Feb	March	April	May	June	July	August	Sept	Oct	Nov	Dec	Total	Average		
Retail Native Load																	
Retail Native Load														0.0	#DIV/0!		
Add Adjustment for KAFB reading		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Net Co 2 Native Load		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	#DIV/0!	line 3, Rate Design sheet
Wholesale NITS Load																	
Western for Kirtland Air Force Base	Net of WAPA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Tri-State G&T	Net of WAPA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Los Alamos County	Net of WAPA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
City of Gallup	Net of WAPA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Navopache Electric Cooperative		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
City of Aztec	Net of WAPA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
NTUA		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Total Wholesale NITS Load		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	#DIV/0!	line 4, Rate Design sheet

Pre-OATT PTP Load																
El Paso Electric Company		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	line 26, Rate Design sheet
Western P0695 & 2425		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	line 19, Rate Design sheet
Navajo Agricultural Products Industry		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	line 32, Rate Design sheet
Total Pre-OATT PTP Load		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	#DIV/0! line 5, Rate Design sheet
OATT Long Term Firm PTP	TSR															
Tri-State - Hidalgo-Greenlee	71452501	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
PNMM SJ-Coronado	71674788	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
B&B Argonne Mesa	71639149	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
EPE FC-WM	70353428	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
NextEra Red Mesa to Four Corners		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
High Lonesome		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	

Mesa																	
Pacificorp		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Total Long Term Firm PTP		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	#DIV/0!	line 6, Rate Design sheet
Total Unadjusted Transmission Demand		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	#DIV/0!	

Incremental Priced Service

HLM Willard - Four Corners	71486937+71532643		0.0	#DIV/0!

Allocation Factor for Third Party Transmission Service

City of Gallup	Net of WAPA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Navopache Electric Cooperative		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
City of Aztec	Net of WAPA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	

Allocation Factor for FERC Regulatory Commission Expenses	**Ave MW**		**Source**
Network Integration Transmission Service	0.0	#DIV/0!	Cell N21
GFA	0.0	#DIV/0!	Cell N27
OATT Firm PTP	0.0	#DIV/0!	Cell N36
Total	0.0	#DIV/0!	

Customer Demand Unadjusted for Losses

Western for Kirtland Air Force Base	Western for Kirtland Air Force Base		0.0

Tri-State G&T	Tri-State G&T	0.0		
Los Alamos County	Los Alamos County	0.0		
City of Gallup	NTUA	0.0		
Navopache Electric Cooperative	Navopache	0.0		
City of Aztec	City of Gallup	0.0		
NTUA	City of Aztec	0.0		
El Paso Electric Company		0.0		line 59, Rate Design Sheet
Western P0695 & 2425		0.0	#DIV/0!	
Navajo Agricultural Products Industry		0.0		
Tri-State - Hidalgo-Greenlee		0.0		line 61, Rate Design sheet
PNMM		0.0		line 62, Rate Design sheet
SJ-Coronado B&B Argonne		0.0		line 63, Rate Design sheet
Mesa EPE FC-WM		0.0		line 64, Rate Design sheet
NextEra Red Mesa to Four Corners		0.0		line 65, Rate Design sheet
High Lonesome Mesa		0.0		line 66, Rate Design sheet
Pacificorp		0.0		

Public Service Company of New Mexico
Schedule 18 - Computation of Imputed Unrecovered Cost of WAPA Transmission Service

		WAPA 12 month Total Demand from Trans Demand Allocator Worksheet	PNM Transmission Rate In Historical Period
Revenues to PNM if WAPA paid for transmission service	$ -	-	January - May June - December
Actual Test Period WAPA Revenue	$ -		
Deficiency - Revised Costs Imputed to WAPA	$ -	See Third Party Transmission Worksheet	

WAPA Revenue - Historical Period		Settled / Actual including rate increase	Demand	Final Revenue	
	Jan-11			$ -	Actual
	Feb-11		-	$ -	Actual
	Mar-11		-	$ -	Actual
	Apr-11		-	$ -	Actual
	May-11		-	$ -	Actual
	Jun-11	Reflects higher filed rate	-	$ -	Settled
	Jul-11		-	$ -	Settled
	Aug-11		-	$ -	Settled
	Sep-11		-	$ -	Settled

			-	-	
Oct-11				$	Settled
			-	-	
Nov-11				$	Settled
			-	-	
Dec-11				$	Settled
			-	-	
	$	$		$	
	-	-	-	-	
WAPA rate	$	$			
	-	-			
Less diversity credit	0	0			
Net	0	0			
Less service credit					
Net Western Service rate	0	0			

Notes:
The OATT monthly firm transmission rate for January through May is $2.07/Kw month
The OATT monthly firm transmission rate for June through December is $2.01/Kw month
Revenue billing units are 91 MW for April - September, 107 MW October - March
Service credit is included in Section 8 of P0695

Public Service Company of New Mexico
Schedule 19 - Third Party Transmission Services Sheet

	Allocation	**Source**	**0**	Allocated to Requirements	
Arizona Public Service Company					
130 MW Palo Verde to Four Corners	Generation Demand	Form 1, p 332, line 2		#DIV/0!	
10 MW Kyrene to Four Corners	Generation Demand	Form 1, p 332, line 3		#DIV/0!	
Western Area Power Administration					
Contracts P0695 and 2425	Generation Demand	Imputed WAPA Transmission Exp Sheet	$ -	#DIV/0!	
El Paso Electric Company					
25 MW West Mesa to Amrad	100 % Retail Native Load	Form 1, p 332, line 4		$ -	
111 Afton to west Mesa	Generation Demand	Form 1, p 332, line 7		#DIV/0!	
30 MW Afton to West Mesa	Generation Demand	Form 1, p 332, line 5		#DIV/0!	
94 MW Luna to Springerville	Generation Demand	Form 1, p 332, line 9		#DIV/0!	
60 MW Luna to Springerville	Generation Demand	Form 1, p 332, line 10		#DIV/0!	
Tucson electric Power Company					
14 MW San Juan to Greenlee	100% Retail Native Load	Form 1, p 332.1, line 1		$ -	
Tri-State Generation and Transmission Inc					
Network Transmission Service to Clayton	100% Retail Native Load				
Network Transmission Service to Gallup	100% to Gallup				
Total Third Party Transmission Allocated to Requirement NITS Customers				#DIV/0!	line 9, Rate Design sheet

Public Service Company of New Mexico															
Schedule 20 - Generation Demand Allocator Sheet															
	Jan	**Feb**	**March**	**April**	**May**	**June**	**July**	**August**	**Sept**	**Oct**	**Nov**	**Dec**	**Total**	**Average**	**Source**
Monthly Peak load														#DIV/0!	Form 1, page 401b
City of Gallup Net of WAPA															
Navopache Electric Cooperative															
City of Aztec - Net of WAPA															
Total Requirements Load	-	-	-	-	-	-	-	-	-	-	-	-		0.0	
Firm Requirements Allocation for third Party transmission	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!		#DIV/0!	
Gallup Net Peak															
Measured															

WAPA															
Net Generation by PNM	-	-	-	-	-	-	-	-	-	-	-	-			
Aztec Net peak															
Measured															
WAPA															
Net Generation by PNM	-	-	-	-	-	-	-	-	-	-	-	-			

ATTACHMENT H-2

Formula Rate Implementation Protocols

Section 1 Annual Updates

a. The Annual Transmission Revenue Requirements ("ATRR") applicable under Attachment H and the Network Integration Transmission Service and Point-to-Point rates derived therefrom shall be determined and updated annually through the PNM Formula Rate that is comprised of the Current Year Formula Rate in Attachment H-1, the protocols set forth in this Attachment H-2 ("Implementation Protocols"), and the PNM Criteria set forth in Attachment H-3. The PNM Formula Rate shall be applicable to services on and after June 1 of a given calendar year through May 31 of the subsequent calendar year (the "Rate Year").

b. Beginning in 2013 and continuing each year thereafter, on or before May 1 of each year, PNM shall calculate its ATRR, producing the "Current Year Formula Rate" for the upcoming Rate Year, and post such Current Year Formula Rate on PNM's OASIS.

c. If the date for making the Current Year Formula Rate posting/filing should fall on a weekend or a holiday recognized by the FERC, then the posting/filing shall be due on the next business day.

d. The later of (i) the date on which the last of the events listed in Section 1.b. or 1.c. occurs or (ii) the actual date of the posting of the Annual Update shall be that year's "Publication Date."

e. In addition to posting each Current Year Formula Rate on PNM's OASIS, PNM shall provide copies of the Current Year Formula Rate to all long-term firm point-to-point transmission service customers, network integration transmission service customers, any entity that is or may become a customer taking transmission service from PNM, any regulatory commission with jurisdiction over PNM transmission services, and any party having standing under Section 206 of the Federal Power Act ("Interested Parties"). The Current Year Formula Rate shall be filed with the Federal Energy Regulatory Commission ("FERC" or "Commission") as an informational filing ("Informational Filing"). PNM will provide the Current Year Formula Rate to Interested Parties, including any consultant designated by any Interested Parties, and the Commission, in both a Portable Document Format and Microsoft Excel file format, with formulae intact, containing the Current Year Formula Rate data. PNM's failure to timely provide copies of the Current Year Formula Rate to the Interested Parties in accordance with this Section 1(e), shall toll the application of the repose period that otherwise would apply under the provisions of Section 3(d).

f. The Formula Rate is premised upon the following predicates (i) - (iv) ("Fundamental Predicates")[1] as they exist as of the date of the initial filing by PNM of the Formula Rate:
   (i) The FERC's Uniform System of Accounts ("USoA");
   (ii) FERC's Form No. 1[2] reporting requirements as applicable;
   (iii) FERC's orders establishing generally applicable transmission ratemaking policies, accounting directives and precedents; and
   (iv) PNM's accounting policies, practices and procedures that are consistent with Sections 1.f.(i) and (iii).

   Challenges involving Fundamental Predicates are limited solely to changes in the above specified Fundamental Predicates that may produce consequences from the application of the PNM Formula Rate subsequent to such change. Challenges involving Fundamental Predicates are not intended to serve as a means of pursuing other revisions to the PNM Formula Rate.

g. The Current Year Formula Rate and PNM's associated Informational Filing for the Rate Year:
   (i) Shall, to the extent specified in the PNM Formula Rate, be based upon data properly recorded in PNM's FERC Form No. 1 data for the most recent calendar year and the books and records of PNM consistent with the USoA and FERC accounting policies;
   (ii) Shall, as and to the extent specified in the PNM Formula Rate or through information requests pursuant to Section 2, provide supporting documentation for data not otherwise available in the FERC Form No. 1 that are used in the PNM Formula Rate; [3]
   (iii) Shall provide notice of material changes in PNM's accounting policies and practices from those in effect for the calendar year upon which the immediately preceding Annual Update was based ("Material Accounting Changes");[4]
   (iv) Shall be subject to review and challenge, in accordance with the procedures set forth in this Attachment H-2, as to whether the input data are properly recorded, with respect to the prudence of the costs and

[1] Fundamental Predicate(s) are subject to changes in accordance with the procedures provided for in this Attachment H-2 or by the Commission.

[2] If the referenced form is superseded, the successor form(s) shall be utilized and supplemented as necessary to provide equivalent information as that provided in the superseded form. If the referenced form(s) is (are) discontinued, equivalent information as that provided in the discontinued form(s) shall be utilized.

[3] It is the intent of the PNM Formula Rate, including the supporting explanations and allocations described therein, that each input to the Current Year Formula Rate will be either taken directly from the FERC Form No. 1 or reconcilable to the FERC Form No. 1 by the application of clearly identified and supported information. Where the reconciliation is provided through a worksheet included in the filed Current Year Formula Rate template, the inputs to the worksheet must meet this transparency standard, and doing so will satisfy this transparency requirement for the amounts that are output from the worksheet and input to the main body of the PNM Formula Rate.

[4] Such notice may incorporate by reference applicable disclosure statements filed with the Securities and Exchange Commission ("SEC").

expenditures included for recovery in the Current Year Formula Rate[5] and as to the accuracy of the data and the consistency with the PNM Formula Rate, including the terms and procedures in this Attachment H-2, of the charges shown in the Current Year Formula Rate; and

(v) Shall not seek to modify the PNM Formula Rate and shall not be subject to challenge by seeking to modify the PNM Formula Rate *(i.e.,* all such modifications to the PNM Formula Rate, items specified in Section 1(h), will require, as applicable, a Federal Power Act ("FPA") Section 205 or Section 206 filing).

h. Current Year Formula Rate inputs for (i) rate of return on common equity and (ii) depreciation and amortization rates shall be stated values to be used in the Current Year Formula Rate until changed pursuant to an FPA filing approved or accepted by the Commission; provided, however, that notwithstanding the foregoing limitations, PNM may make a limited issue Section 205 filing to seek to change its amortization/depreciation rates or add new amortization/depreciation rates, in which the sole issue for examination in any such limited issue Section 205 filing shall be whether such proposed changes are just and reasonable, and shall not include other aspects of the PNM Formula Rate.

i. All change(s) to the Fundamental Predicates set forth in Section 1.f., above, (other than through Ministerial Filings pursuant to Section 5 hereof that update FERC Form No. 1 or USoA references and do not make substantive changes to the PNM Formula Rate), subsequent to the date specified in Section 1.e, shall warrant a reassessment of all of the elements of the PNM Formula Rate that are affected by the change or changes in one or more Fundamental Predicates to ensure that the PNM Formula Rate operates together to produce a just, reasonable and not unduly discriminatory or preferential PNM Formula Rate. Changes to the Fundamental Predicates that require a change to the PNM Formula Rate will be perfected by PNM through a filing under FPA Section 205.

j. Any Interested Party challenging the application of the PNM Formula Rate due to a change in one or more of the Fundamental Predicates shall raise the matter with PNM. If such changes to the application of the PNM Formula Rate for the current Annual Update are not resolved within two-hundred and seventy (270) days of the Publication Date, any Interested Party shall have the right to challenge such application of the PNM Formula Rate due to the change(s) in such Fundamental Predicates. The final resolution of any such challenge(s), including interest calculated in accordance with 18 C.F.R. § 35.19a, (a) shall be effective on June 1of the year in which the Current Year Formula Rate was performed; and, (b) shall be applied to the true up for the calendar year upon which the Current Year Formula Rate is based.

[5] Challenges to prudency of costs shall apply the then-existing criteria and evidentiary burdens established in FERC policy. Nothing in these Protocols alters or changes those criteria and evidentiary burdens. See also Section 3.c. of the Protocols.

k. All data provided pursuant to and in accordance with the procedures set forth in this Attachment H-2 may be used in any challenge to the Current Year Formula Rate of the Formula Rate.

Section 2 Annual Review Procedures

Each Current Year Formula Rate shall be subject to the following review procedures ("Annual Review Procedures"):

a. Each year PNM shall organize a meeting or conference call among Interested Parties ("Customer Meeting") during which PNM shall present details about its Current Year Formula Rate. The Customer Meeting shall also provide other parties the chance to seek information and clarifications from PNM about the Current Year Formula Rate. The Customer Meeting shall take place no later than thirty (30) days after the Publication Date, at a date and time posted on PNM's internet website on or before the Publication Date but in no event less than fifteen (15) days before such Customer Meeting.

b. Interested Parties shall have until the later of two hundred and ten (210) days after the Publication Date (unless such period is extended with the written agreement of PNM) or fifteen (15) days after PNM's last response to reasonable information requests submitted pursuant to Section 3.c. to review the calculations ("Review Period") and to notify PNM in writing of any specific challenges, including challenges related to Material Accounting Changes, to the application of the PNM Formula Rate ("Preliminary Challenge").

c. Interested Parties shall have up to one hundred and eighty (180) days after each annual Publication Date (unless such period is extended with the written agreement of PNM) to serve reasonable information requests on PNM; provided, however, that the Interested Parties shall make a good faith effort to submit consolidated sets of information requests that limit the number and overlap of questions to the extent practicable. Information requests shall be limited to what is necessary to determine if PNM has properly applied the PNM Formula Rate and the procedures in this Attachment H-2, to verify that the input Data are properly recorded, to determine the prudence of the costs and expenditures included for recovery in the Current Year Formula Rate, and as to the accuracy of the data and the consistency with the PNM Formula Rate of the charges shown in the Annual Update. In addition, information requests shall not solicit information concerning costs or allocations where the cost or allocation method has been determined by FERC, except that such information requests shall be permitted if they seek to determine if there has been a material change in circumstances, Material Accounting Change or pursuant to discovery of a calculation error in subsequent Current Year Formula Rate, unless modified pursuant to Section 3.d.

d. PNM shall make a good faith effort to respond to information requests pertaining to the Current Year Formula Rate within fifteen (15) business days of receipt of such requests. PNM may give reasonable priority to responding to requests that satisfy the practicable coordination and consolidation provision of Section 2.c., above.

e. To the extent PNM and any Interested Party are unable to resolve disputes related to information requests submitted in accordance with these Annual Review Procedures, such dispute will be discussed by senior representatives of PNM and the Interested Party(ies). If the senior representatives are unsuccessful in resolving the dispute, PNM or Interested Party(ies) may petition the FERC to appoint an Administrative Law Judge as a discovery master ("Formal Challenge"). The discovery master shall have the power to issue binding orders to resolve discovery disputes and compel the production of discovery, as appropriate, in accordance with the Annual Review Procedures and consistent with the FERC's discovery rules.

f. Preliminary Challenges or Formal Challenges, except those related to Material Accounting Changes or Fundamental Predicates, are not intended to serve as a means of pursuing other changes to the PNM Formula Rate. Failure to make a Preliminary Challenge or a Formal Challenge with respect to a Current Year Formula Rate shall not act as a bar with respect to that Current Year Formula Rate nor shall it bar a subsequent Preliminary Challenge or Formal Challenge related to a subsequent Current Year Formula Rate.

g. Preliminary Challenges or Formal Challenges related to Material Accounting Changes or Fundamental Predicates shall be subject to the resolution procedures and limitations in Section 4. In any proceeding initiated to address a Preliminary Challenge or Formal Challenge or *sua sponte* by the FERC, a party or parties (other than PNM) seeking to modify the Formula Rate in any respect, other than as provided in Sections 1.i. and j., above, shall bear the burden of proving that the Formula Rate is no longer just and reasonable without such modification and that the proposed modification is just, reasonable and consistent with the original intent of the Formula Rate and the procedures in this Attachment H-2; provided, however, that in any such proceeding, in determining whether the Formula Rate is no longer just and reasonable without modification to reflect a Material Accounting Change or Fundamental Predicate change and whether the proposed modification is just and reasonable, no offsets unrelated to the applicable Material Accounting Change(s) or Fundamental Predicate change(s) may be considered.

Section 3 Resolution of Challenges

a. If PNM and any Interested Party have not resolved any Preliminary Challenge to the Current Year Formula Rate within sixty (60) days after the Review Period (*unless such* period is extended with the written agreement of PNM), an Interested Party shall have the right to make a Formal Challenge with the FERC, pursuant to 18 C.F.R. § 385.206, which shall be served on PNM by electronic service on the date of such filing. However, there shall be no need to make a Formal Challenge or to await conclusion of the time periods in Sections 3 and 4 if the FERC already has initiated a proceeding to consider the Current Year Formula Rate.

b. Any response by PNM to a Formal Challenge must be submitted to the FERC within thirty (30) days of the date of the filing of the Formal Challenge, and shall be served on the filing party(ies) by electronic service on the date of such filing.

c. In any proceeding initiated by the FERC concerning the Current Year Formula Rate or in response to a Formal Challenge, PNM shall bear the burden of proving that it has reasonably applied the terms of the PNM Formula Rate, including the applicable procedures in these Protocols, in that year's Current Year Formula Rate.

d. Except as specifically provided herein, nothing herein shall be deemed to limit in any way the right of PNM to file unilaterally, pursuant to Section 205 of the FPA and the regulations thereunder, to seek to change the PNM Formula Rate or any of its inputs or the right of any other party to oppose such changes or to seek changes to the PNM Formula Rate or any of its inputs pursuant to Section 206 of the FPA and the regulations thereunder.

e. It is recognized that resolution of Formal Challenges concerning Material Accounting Changes or Fundamental Predicates may necessitate adjustments to the PNM Formula Rate input data for the applicable Current Year Formula Rate or changes to the PNM Formula Rate for the applicable Current Year Formula Rate to achieve a just and reasonable end result consistent with the intent of the PNM Formula Rate.

Section 4 Update of Current Year Formula Rate for FERC Form No. 1 and USoA Reference

At such time as PNM finds appropriate, it may make a filing with FERC under FPA Section 205 that updates the FERC Form No. 1 and USoA references in its Current Year Formula Rate to reflect any FERC-mandated changes in the format for the FERC Form No. 1 or USoA that do not affect the rates for Transmission Service derived from the Annual Update (the "Ministerial Filing"), which proceeding may not be used to raise issues unrelated to the proposed changes.

Section 5 Changes to Annual Informational Filings

Any changes to the data inputs, including but not limited to revisions to PNM's FERC Form No. 1, or as the result of any FERC proceeding to consider the Current Year Formula Rate, or as a result of the procedures set forth herein, shall be incorporated into the PNM Formula Rate and the charges produced by the PNM Formula Rate (with interest calculated pursuant to Schedule 14 of the Attachment H-1) in the Current Year Formula Rate for the next effective Rate Period. This reconciliation mechanism shall apply in lieu of mid-Rate Year adjustments and any refunds or surcharges. However, actual refunds or surcharges (with interest) for the then current rate year shall be made in the event that the Formula Rate is replaced by a stated rate for PNM.

ATTACHMENT H-3

PNM Criteria for Determining Whether a Facility is Integrated into the PNM Transmission System

The purposed of this Attachment H-3 is to determine whether a facility is integrated into the PNM Transmission System. If a facility is integrated into the PNM Transmission System, then the costs associated with that facility will be included in rate base in the Current Year Formula Rate calculation in Attachment H-1. If a facility is not integrated into the PNM Transmission System, then the costs associated with that facility will be directly assigned to the customer(s) that are being served by that facility.

To determine whether a facility is integrated into the PNM Transmission System, PNM shall first determine whether the voltage level of a facility is at or above 115 kV. If the facility is at or above a voltage level of 115 kV, then that facility will be deemed to be integrated into the PNM Transmission System. If the facility is below a voltage level of 115 kV, then the following criteria ("PNM Criteria") shall be applied to the facility to determine if it is integrated:

1. Whether the facilities are radial, or whether they loop back into the transmission system;
2. Whether energy flows only in one direction, from the transmission system to the customer over the facilities, or in both directions, from the transmission system to the customer, and from the customer to the transmission system;
3. Whether the transmission provider is able to provide transmission service to itself or other transmission customers . . . over the facilities in question;
4. Whether the facilities provide benefits to the transmission grid in terms of capability or reliability, and whether the facilities can be relied on for coordinated operation of the grid; and
5. Whether an outage on the facilities would affect the transmission system.

If a facility fails to satisfy all five of the PNM Criteria, then the costs associated with that facility shall be directly assigned to the customer(s) that is served by that facility.

On an annual basis commensurate with the annual update process set forth in Attachment H-2, PNM will evaluate all of the facilities owned and operated by PNM to determine if any of

those facilities fail all five of the PNM Criteria. Upon completion of this evaluation, and to the extent applicable, PNM shall reflect the costs of facilities that fail to meet the PNM Criteria in Schedule 13 of the Current Year Formula Rate in Attachment H-1 and exclude such costs from the ATRR.

ATTACHMENT I

Index Of Network Integration Transmission Service Customers

PNM's Index of Network Integration Transmission Service Customers is Posted Publicly in PNM's Electric Quarterly Report.

ATTACHMENT J - Procedures for Addressing Parallel Flows

The North American Electric Reliability Corporation's ("NERC")'s Qualified Path Unscheduled Flow Relief for the Western Electricity Coordinating Council (WECC), Reliability Standard WECC-IRO-STD-006-0 filed by NERC in Docket No. RR07-11-000 on March 26, 2007, and approved by the Commission on June 8, 2007, and any amendments thereto, are hereby incorporated and made part of this Tariff. See <http://www.nerc.com/> for the current version of the NERC's Qualified Path Unscheduled Flow Relief Procedures for WECC.

Public Service Company of New Mexico

ATTACHMENT K

ATTACHMENT K - Transmission Planning Process

I. Overview of the PNM Transmission Planning Process.

PNM is a vertically integrated public utility engaged in the generation and transmission of electric power and energy in the states of New Mexico and Arizona and in the distribution of electric power and energy in the State of New Mexico. PNM provides electric transmission and related reliability services under state and federal statutes and regulations. PNM's transmission planning process is based on the following three core objectives:

- Maintain safe and reliable electric service;
- Improve the efficiency of electric system operations, including the provision of open and non-discriminatory access to the transmission facilities under its control; and
- Identify and promote new investments in transmission infrastructure in a coordinated, open, transparent and participatory manner.

PNM's transmission planning process is intended to facilitate a timely, coordinated and transparent process that fosters the development of electric infrastructure that both maintains reliability and meets load growth so that PNM can continue to provide reliable and cost-effective service to its customers.

The PNM transmission planning process includes a series of open planning meetings that PNM will conduct at least twice a year to allow anyone including, but not limited to, network and point-to-point transmission service customers, sponsors of transmission solutions, generation solutions and solutions utilizing non-transmission alternatives ("NTAs"), interconnected neighbors, regulatory and state bodies and other stakeholders, input into and comment on the PNM transmission plan through all stages of its development.

In addition to its local transmission planning process, PNM coordinates its transmission planning with other transmission providers and stakeholders in the Desert Southwest area, and the Western Interconnection as a whole, through its active participation in the Southwest Area Transmission Planning ("SWAT") group, membership in WestConnect,[1] membership in the Western Electricity Coordinating Council ("WECC") and participation in the WECC Transmission Expansion Planning Policy Committee ("TEPPC") and its Technical Advisory Subcommittee ("TAS").

~~1 WestConnect was formed under~~ a memorandum of understanding (the "MOU") voluntarily entered into by FERC jurisdictional and non-jurisdictional transmission providing electric utilities in the Western Interconnection. The purposes of WestConnect are to investigate the feasibility of wholesale market enhancements, work cooperatively with other Western Interconnection organizations and market stakeholders, and address seams issues in appropriate forums. WestConnect has initiated an effort to facilitate and coordinate regional transmission planning across the WestConnect footprint. Following the effective date of PNM's September 20, 2013 Order No. 1000 compliance filing, the WestConnect Order No. 1000 regional transmission planning management committee will commence the regional transmission planning process under the principles set forth in FERC's order *Preventing Undue Discrimination and Preference in Transmission Service*, Order No. 890, FERC Stats. & Regs. ¶ 31,241 (2007), et al. (collectively, "Order No. 890"), and carried forward in FERC's order *Transmission Planning and Cost Allocation by Transmission Owning and Operating Utilities*, Order No. 1000, 136 FERC ¶ 61,051 (2011), et al. (collectively, "Order No. 1000").

Three subregional planning groups operate within the WestConnect footprint: SWAT, Colorado Coordinated Planning Group ("CCPG") and the Sierra Subregional Planning Group ("SPPG"). WestConnect's planning effort, which includes funding and provision of planning management, analysis, report writing and communication services, supports and manages the coordination of the subregional planning groups and their respective studies. Such responsibilities are detailed in the WestConnect Project Agreement for Subregional Transmission Planning (WestConnect "STP Project Agreement") dated May 23, 2007 (see Hyperlinks List on PNM's Open Access Same-Time Information System ("OASIS") at www.oasis.oati.com/pnm/index.html). PNM is a signatory to the STP Project Agreement.

The subregional planning groups within the WestConnect footprint, assisted by the WestConnect planning manager, coordinate with other Western Interconnection transmission providers and their subregional planning groups through TEPPC. TEPPC provides for the development and maintenance of an economic transmission study database for the entire Western Interconnection and performs annual congestion studies at the Western Interconnection region level.

II. PNM Local Transmission Planning

A. PNM Planning Process

Participation in PNM's local planning process is open to all affected parties, including but not limited to, all network and point-to-point transmission customers, sponsors of transmission solutions, generation solutions and solutions utilizing NTAs, interconnected neighbors, regulatory and state bodies, and other stakeholders.

1. PNM Contact for Transmission Planning Process

   (see Hyperlinks List on PNM's OASIS at www.oasis.oati.com/pnm/index.html)

2. Confidential or Proprietary Information

   PNM's local transmission planning studies may include base case data that are WECC proprietary data or classified as Critical Energy Infrastructure Information ("CEII") by the Federal Energy Regulatory Commission ("FERC" or "Commission"). A stakeholder must hold membership in or execute a non-disclosure agreement with WECC (see Hyperlinks List on PNM's OASIS at www.oasis.oati.com/pnm/index.html or the WestConnect Website at http://www.westconnect.com/planning_non_disclosure_agreement.php) in order to obtain requested base case data from PNM. A stakeholder may obtain PNM transmission planning information classified as CEII from PNM by following PNM's Procedures for Requesting Access to CEII posted on PNM's OASIS at www.oasis.oati.com/pnm/index.html.

3. Types of Planning Studies

   a. Transmission Planning Studies. PNM will conduct local reliability studies to

ensure that all North American Electric Reliability Corporation ("NERC"), WECC, and local reliability standards are met for each year of the ten-year planning horizon, including all PNM customer's requirements for planned loads and resources, including NTAs. These reliability studies will be coordinated with the other regional transmission planning organizations through SWAT studies.

b. Economic Studies. Economic planning studies are performed to identify significant and recurring congestion on the transmission system and the effects of load growth, load management programs and adding new resources Such studies may analyze any, or all, of the following: (i) the location and magnitude of the congestion, (ii) possible remedies for the elimination of the congestion, in whole or in part, including transmission solutions, generation solutions, and solutions utilizing NTAs, (iii) the associated costs of congestion, (iv) the cost associated with relieving congestion through system enhancements (or other means), and as appropriate (v) the economic impacts of load growth , load management programs and adding new resources. PNM will perform, or cause to be performed, economic planning studies at the request of any transmission customer or stakeholder. All economic planning studies performed, either by PNM or TEPPC, will utilize the TEPPC public data base or other appropriate public data.

c. Consideration of Public Policy Requirements. For purposes of this Attachment K, "Public Policy Requirements" means those requirements enacted by state or federal laws or regulations, including those enacted by local governmental entities, such as a municipality or county. Enacted Public Policy Requirements, as applicable, are incorporated into the load forecasts and/or are modeled in the local planning studies. For example, PNM incorporates existing and planned energy efficiency, demand response and distributed generation programs that are required as a result of state-mandated renewable energy standards and energy efficiency rules in its transmission planning analysis. Proposed public policy (public policy proposed before a governmental authority, but not yet enacted), may be studied if time and resources permit.

4. PNM's Local Transmission Planning Study Process

a. Overview. PNM's local transmission planning process consists of an assessment of the following needs:

i. Provide adequate transmission to access sufficient resources in order to reliably and economically serve retail and network loads.

ii. Where feasible, identify NTA's that could meet or mitigate the need for transmission additions or upgrades

iii. Support PNM's local transmission and sub-transmission systems.

iv. Provide for interconnection of new generation resources.

v. Coordinate new interconnections with other transmission systems.

vi. Accommodate requests for long-term transmission access.

vii. Consider transmission needsdriven by Public Policy Requirements.

b. PNM's Local Transmission Planning Cycle.

i. Calendar Year Planning Cycle. PNM conducts its local transmission planning on a calendar year cycle for a ten-year planning horizon.

ii. Annually Updated Ten-year Plan. PNM updates its ten-year plan annually and publishes an annual Ten-year Transmission Plan on its OASIS in the first quarter of each calendar year (see Section II.A.4.c. below).

c. Transmission Customer's Responsibility for Providing Data

i. Use of Customer Data. PNM uses the information provided by its transmission customers to, among other things, assess network load and resource projections (including NTAs), transmission needs, operating dates and retirements for generation resources in PNM's system and to update regional models used to conduct planning studies.

ii. Submission of Data by Network Transmission Customers. Network Customers are required, pursuant to the PNM Open Access Transmission Tariff ("OATT") to submit their ten-year projected network load and network resources (including NTAs) to PNM on an annual basis. Such information shall be submitted annually by March 1st of each year to the PNM Contact for Transmission Planning Process: (see Section II.A.1).

iii. Submission of Data by Other Transmission Customers. All other transmission customers shall provide their ten-year needs in the form of relevant data for inclusion in the PNM transmission planning process. Such information shall be submitted annually by March 1st each year by forwarding such data to the PNM Contact for Transmission Planning Process (see Section II.A.1.).

iv. Transmission Customer Data to be submitted. To the maximum extent practical and consistent with protection of proprietary information, data submitted by network transmission customers and other transmission customers shall include for the ten-year planning horizon:

a. Generators - planned additions or upgrades (including status and expected in-service date), planned retirements and environmental restrictions.

b. NTAs - include, without limitation, technologies that defer or possibly eliminate the need for new and/or upgraded transmission lines, such as distributed generation, demand side management (load management, such as energy efficiency and demand response programs), energy storage facilities and smart grid equipment that can help eliminate or mitigate a grid reliability problem, reduce uneconomic grid congestion, and/or help to meet grid needs driven by Public Policy Requirements.

c. Network customers - forecast information for load and resource requirements over the planning horizon and identification of demand response reductions.

d. Point-to-Point transmission customers - projections of need for service over the ten-year planning horizon, including transmission capacity, duration, and receipt and delivery points.

v. Notification of Material Changes to Transmission Customer Data. Each transmission customer shall submit timely written notice to PNM of material changes in any of the information previously provided to PNM related to the transmission customer's load, resources (including NTAs), or other aspects of its facilities or operations which may, directly or indirectly, affect PNM's ability to provide service.

d. Stakeholder Participation

i. During its 1st Quarter open public meeting, PNM shall: (a) review its transmission planning process and current study plan with stakeholders; (b) request stakeholder review and input on any aspect of PNM's current study plan (including, but not limited to, methodology, study inputs, Public Policy Requirements, and potential stakeholder-suggested transmission needs driven by Public Policy Requirements and study results) and transmission planning process; (c) invite the submittal of transmission study requests from stakeholders for review and discussion; (d) solicit information from its transmission customers on loads and resources (including NTAs) and other needs for the preparation of its ten-year plan; and (e) provide updates on its planned projects.

After the 1st Quarter meeting, but not less than 30 days before the 4th Quarter meeting, PNM will post on its OASIS an explanation of those transmission needs driven by Public Policy Requirements that have been identified for evaluation for potential solutions in the local transmission planning process and an explanation of why any suggested transmission needs driven by Public Policy Requirements will not be evaluated.

ii. During its 4th Quarter open public meeting, PNM will present a draft of its Ten-year Plan for the following calendar year for stakeholder review and comment.

iii. This schedule may be modified to coordinate with subregional and regional transmission planning processes, subject to updated postings on the PNM OASIS and WestConnect websites.

e. Coordination of Transmission Study Cycle with SWAT and WestConnect Study Cycle. PNM will coordinate the timing of its local transmission planning study cycle process with the development of the assumptions, and coordinated base cases, used within the SWAT and WestConnect planning group, which is open to participation by all interested parties.

f. PNM Point of Contact for Local Reliability Study Requests. Customer/stakeholder questions regarding modeling, criteria, assumptions and data underlying system plans shall be directed to the PNM Contact for Transmission Planning Process (see Section II.A.1.).

g. PNM Local Study Criteria and Guidelines. Customers are advised to refer to the PNM Study Criteria and Guidelines on the PNM OASIS. (see Hyperlinks List on PNM's OASIS at www.oasis.oati.com/pnm/index.html).

h. PNM and Stakeholder Alternative Solutions Evaluation Basis. PNM's local planning process is an objective process that evaluates use of the transmission system on a comparable basis for all customers. All solution alternatives that have been presented on a timely basis (per Section II.A.4.c. and II.A.4.d. of this Attachment K), including transmission solutions, generation solutions and solutions utilizing NTAs, whether presented by PNM or another stakeholder, will be evaluated on a comparable basis. The same criteria and evaluation process will be applied to competing solutions and/or projects, regardless of type or class of stakeholder. Solution alternatives will be evaluated against one another on the basis of the following criteria to select the preferred solution or combination of solutions: (1) ability to practically fulfill the identified need; (2) ability to meet applicable reliability criteria or NERC Transmission Planning Standards issues; (3) technical, operational and financial feasibility; (4) operational benefits/constraints or issues; (5) cost-effectiveness over the time frame of the study or the life of the facilities, as appropriate (including adjustments, as necessary, for operational benefits/constraints or issues, including dependability); and (6) where applicable, consistency with State or local integrated resource planning requirements, or regulatory requirements, including cost recovery through regulated rates.

5. PNM Economic Planning Study Process.

a. Requesting Economic Planning Studies. Any PNM transmission customer or

other interested stakeholder, including sponsors of transmission solutions, generation solutions and solutions utilizing NTAs ("Requester") may submit a study request for an economic planning study directly to PNM, WestConnect, or TEPPC. PNM's Economic Planning Study Request Form may be downloaded from PNM's OASIS (see Hyperlinks List on PNM's OASIS at www.oasis.oati.com/pnm/index.html). The Requester must submit its study request(s) no later than September 30th of each year for PNM to review the study request(s) with stakeholders at its 4th Quarter open public meeting. All such requests submitted to PNM shall be sent to the PNM Contact for Transmission Planning Process (see Section II.A.1.). PNM will make reasonable efforts to coordinate the timing of its economic planning study cycle process with WestConnect and TEPPC planning processes.

b. Process for Handling Economic Transmission Planning Study Requests. PNM shall manage any economic planning study requests it receives under this Attachment K in the following manner:

i. TEPPC Master List. PNM shall forward the request to TEPPC for inclusion in the TEPPC Master List of economic planning studies for the Western Interconnection and for consideration by TEPPC as a priority request. TEPPC's Master List is publicly available (see Hyperlinks List on PNM's OASIS at www.oasis.oati.com/pnm/index.html).

ii. Stakeholder Review of Economic Transmission Study Requests. PNM shall review local requests timely submitted per II.A.4.a. above in the PNM 4th Quarter open public meeting. Based on stakeholder input, PNM shall determine whether (i) the study should be considered a local priority request and performed by PNM; (ii) whether the study request encompasses a sub-region or region, in which case PNM will transfer the request to WestConnect for consideration as a regional priority request at WestConnect's stakeholder meeting; or (iii) whether the study request encompasses the Western Interconnection, in which case PNM will transfer the request to TEPPC for consideration as a Western Interconnection priority request at TEPPC's stakeholder meeting. The criteria WestConnect utilizes to prioritize requests for regional economic studies is described in Section III below. The criteria TEPPC utilizes to prioritize requests for regional economic studies are posted on the TEPPC page of the WECC website (see Hyperlinks List on PNM's OASIS at www.oasis.oati.com/pnm/index.html).

iii. Criteria Used for Local Priority Economic Transmission Planning Study Request. Based in part on the number and type of local study requests received, PNM shall consider the following criteria to determine whether the economic transmission planning study request is a local priority request:

(a) Whether the study request does not affect interconnected transmission systems, and

(b) Whether the remedies are confined to a local area and can be resolved within the PNM's transmission system.

iv. Economic Transmission Planning Study Requests Determined to be a Local Priority.

(a) If PNM determines, with input from stakeholders obtained through the PNM open public meeting that the economic planning study request is a local priority, *e.g.*, if the study request does not affect interconnected transmission systems, and the remedies are confined to a local area and can be resolved within the PNM transmission system, then PNM may conduct the study internally and coordinate assumptions and results with its customers, stakeholders and interconnected neighbors. PNM will have no obligation to conduct more than three priority local economic planning studies per calendar year.

(b) If PNM receives more than three requests for local economic studies that are determined to be priority local requests, it may perform one or more additional studies at its sole discretion. If PNM elects not to perform such additional study, the Requester may request, and PNM will provide, PNM's assistance in having a third party perform the economic planning study at the Requester's expense. The Requester will have use of the TEPPC economic study data base and PNM will support the Requester in ensuring that the study is coordinated as necessary through local, subregional or regional planning groups.

c. Process for Handling Economic Study Requests Received by TEPPC. TEPPC will review economic planning study requests received from Transmission Providers or from Requesters directly. TEPPC shall review such study requests during its open stakeholder meeting and, together with its stakeholders, prioritize requests for economic planning studies in accordance with TEPPC's Transmission Planning Protocol. PNM shall participate in the TEPPC prioritization process and provide input as to whether a study request should be included in the TEPPC study plan. The Requester is also encouraged to participate and provide input in the TEPPC prioritization process. Additionally, WestConnect will provide advice, on an as needed basis, to TEPPC regarding prioritizing regional economic planning study requests and potential clustering of requested regional economic planning studies, if those studies involve facilities in the WestConnect footprint. For more detail regarding the TEPPC economic planning study process, see the TEPPC Transmission Planning Protocol (see Hyperlinks List on PNM's

OASIS at www.oasis.oati.com/pnm/index.html .

d. Low Priority Economic Study Requests. If either PNM, WestConnect and/or TEPPC determine, after reviewing through an open stakeholder process, that the requested economic planning study is not a priority study, the Requester may request PNM's assistance in having a third party perform the economic planning analysis at the Requester's expense. The Requester will have use of the TEPPC economic study data base, or other appropriate public data, and PNM will support the Requester in ensuring that the study is coordinated as necessary through local, subregional or regional planning groups.

e. Clustering Local Priority Economic Planning Studies. PNM may determine that any number of Requester's economic planning study requests should be studied together or a Requester may request that PNM study its request together with other requests. PNM will combine such studies as it deems appropriate in accordance with the following criteria:

i. Transmission Provider Proposed Clusters
In the event that PNM proposes to cluster certain Local Priority Studies on any reasonable grounds, including without limitation, upon its determination that the proposed cluster of studies are sufficiently similar, from an electrical perspective, to be feasibly and meaningfully studied as a group, it shall provide notice to each Requester that it proposes to include in the study. Each Requester shall be provided the opportunity to opt out of the cluster within ten (10) days of notice from PNM, such notice to be given in writing to the PNM Contact for Transmission Planning Process (see Section II.A.1.).

ii. Requester Proposed Clusters
If a Requester wishes to propose a cluster study, such request must be provided in writing to the PNM Contact for Transmission Planning Process (see Section II.A.1.). Prior to submitting an economic planning study cluster request to PNM, the Requester must contact all of the other Requesters whose requests it proposes to cluster, and obtain written consent that they are willing to have their request clustered with other identified requests. PNM will reasonably determine whether the economic planning study requests that the Requester proposes to cluster and for which the other affected Requesters have provided consent, are sufficiently similar, from an electrical perspective, to be feasibly and meaningfully studied together. PNM reserves the right to reject a Requester-proposed cluster on any reasonable grounds, including, without limitation, upon its determination that the proposed cluster cannot be feasibly studied as a group or if the proposed clustering impairs administration or timely processing of the economic study process. PNM will make the determination whether to reject a proposed cluster, and provide notice of any decision to reject, within twenty (20) days of receipt of all of the written consents of the Requesters that propose to be

clustered.

f. Cost Responsibility for Economic Studies

i. Priority Local Economic Planning Studies. Priority local economic planning studies selected pursuant to Section II.A.5.b.iv. including clustered priority local economic planning studies selected pursuant to Section II.A.5.e. will be performed or caused to be performed by PNM at PNM's expense. PNM shall recover the costs of such studies through its transmission rates.

ii. Priority Regional Economic Planning Studies. Regional economic studies performed by TEPPC will be funded by WECC.

iii. Other Local Economic Study Requests. Local economic study requests not selected pursuant to Section II.A.5.b.iv. or II.A.5.e. will be performed at the Requester's expense. At the Requester's request, PNM may perform the study work or work with the Requester and its third party contractor.

g. Exchange of Data Unique to Economic Planning Studies

i. Data Used for Economic Planning Studies. PNM obtains all data used for its economic planning studies from the TEPPC data base, or uses other appropriate public data.

ii. Request for Base Case Data. Requester requests for detailed base case data must be submitted to WECC in accordance with the WECC procedures.

iii. Posting of Customer's Requests for Economic Planning Studies. All requests for economic planning studies and responses to such requests shall be posted on the PNM OASIS and the WestConnect website (see Hyperlinks List posted on PNM's OASIS at www.oasis.oati.com/pnm/index.html), subject to confidentiality requirements.

h. PNM Point of Contact for Study Requests. Customer/Requester questions regarding modeling, criteria, assumptions and data underlying economic planning studies shall be directed to the PNM Contact for Transmission Planning Process (see Section II.A.1.).

i. PNM Study Criteria and Guidelines. Requesters are advised to refer to the PNM Study Criteria and Guidelines posted on the PNM OASIS (see Hyperlinks List posted on PNM's OASIS at www.oasis.oati.com/pnm/index.html).

6. Communication of Transmission Study Plans and Study Results . PNM transmission study plans and study results will be communicated through presentations at the PNM Open Public Meetings (*see* Section II.B.2. below) and all documents and presentations will be posted on the PNM OASIS or the WestConnect website (see Hyperlinks List posted on PNM's OASIS at www.oasis.oati.com/pnm/index.html).

B. PNM Open Public Meetings

PNM will hold at least two open local public meetings a year that will allow, and promote, all network and point-to-point transmission customers, interconnected neighbors, regulatory and state bodies, sponsors of transmission solutions, generation solutions and solutions utilizing NTAs, and other stakeholders to participate in a coordinated, nondiscriminatory process for development of the PNM local transmission plan.

1. Purpose and Scope
   PNM's open public meetings will provide an open transparent forum whereby electric transmission stakeholders can comment and provide advice to PNM during all stages, including the early stages, of its local transmission planning. Open public meetings will serve to:

   a. Provide a forum for open and transparent communications among New Mexico transmission providers, state regulatory authorities, customers, sponsors of transmission solutions, generation solutions and solutions utilizing NTAs, and other interested stakeholders;

   b. Promote discussion of all aspects of the PNM local transmission planning activities, including, but not limited to, methodology, study inputs and study results; and

   c. Provide a forum for PNM to understand better the specific electric transmission interests of key stakeholders.

2. PNM Public Local Planning Process
   a. Open Public Meetings. PNM public planning meetings will be open to all stakeholders.

   b. PNM Local Planning Meeting Schedule. PNM will establish its open local public meeting schedule as needed, but such meetings will occur no less than twice annually.

   c. Meeting Purpose. Open public meetings will be conducted to: (i) allow PNM to maximize its understanding of its customers' forecast needs for the PNM transmission system; (ii) offer customers' sponsors of transmission solutions, generation solutions and solutions utilizing NTAs, and other stakeholders an opportunity to be informed about and offer input to the PNM local planning process and any proposed upgrades identified by PNM; (iii) review study results; and (iv) review local transmission plans.

d. Coordination with SWAT and WestConnect. PNM anticipates that much of its local transmission planning process will be conducted through and coordinated with SWAT and WestConnect (see Section III.B. below).

e. Posting of Meeting Notices. All open public meeting notices, including date, time, place and proposed meeting agenda, will be posted on the PNM OASIS and WestConnect website (see Hyperlinks List on PNM's OASIS at www.oasis.oati.com/pnm/index.html) and circulated to PNM's distribution list at least thirty (30) days prior to the PNM open local public meeting.

f. Posting of Study Plans and Planning Results. Local study plans and planning results will be posted on the PNM OASIS or WestConnect website (see Hyperlinks List on PNM's OASIS at www.oasis.oati.com/pnm/index.html) and notice of such posting will be circulated to PNM's distribution list at least two (2) weeks prior to the PNM open local public meeting.

g. Meeting Process. At the PNM open local public meetings, PNM shall: (i) review its local transmission planning process and current local study plan with stakeholders; (ii) request stakeholder review of the current local study plan; (iii) provide opportunity for comment on any aspect of its local transmission planning process; (iv) invite the submittal of local transmission study requests from stakeholders for review and discussion; (v) review local economic planning study requests; (vi) solicit information from its transmission customers on loads and resources and other needs for the preparation of its ten-year plan; and (vii) provide updates on its planned projects. During the meeting and for fifteen (15) calendar days following the meeting, all stakeholders and interested parties are encouraged to submit comments to PNM on study results presented during the meetings.

h. Input and Comments. Stakeholders and interested parties are also encouraged to provide input, comments, advice and questions on PNM's local transmission planning process at any time by sending them to the PNM Contact for Transmission Planning Process (see Section II.A.1.).

i. PNM's Local Open Public Meeting Schedule and Agenda. PNM holds at least two open public meetings each year with respect to the development of the PNM transmission plan, one in the 1st Quarter and one in the 4th Quarter. At the 1st Quarter meetings, PNM will solicit information on loads and resources (including NTAs), and other needs from its transmission customers for the preparation of its ten-year plan. At the 4th Quarter meetings, PNM will present a draft of its ten-year plan for stakeholder review and comment. This schedule may be modified to coordinate with the subregional, regional and Western Interconnection-wide transmission planning processes, subject to updated postings on the PNM OASIS and WestConnect website (see Hyperlinks List on PNM's OASIS at www.oasis.oati.com/pnm/index.html).

j. PNM Distribution List. All existing PNM network and point-to-point transmission customers and interconnection service customers will be included on PNM's distribution list and actively notified *via* email of all upcoming local open public meetings. Any other stakeholder, including but not limited to sponsors of transmission solutions, generation solutions, and solutions utilizing NTAs, wanting to be included on PNM's email distribution list should submit its information to the PNM Contact for Transmission Planning Process (see Section II.A.1)

k. Posting of Meeting Documents. PNM will post all meeting-related notes, documents and draft or final reports on its OASIS or the WestConnect website at (see Hyperlinks List on PNM's OASIS at www.oasis.oati.com/pnm/index.html).

l. Posting of Public Documents. In order to permit all stakeholders access to the information posted on the PNM OASIS and WestConnect website, only public information will be shared, and public business conducted, in the PNM open public meetings.

C. Planning for Public Policy Requirements in the Local Planning Process

1. Procedures for Identifying Transmission Needs Driven by Public Policy Requirements.

Stakeholders may participate in identifying local transmission needs driven by Public Policy Requirements by contacting PNM's point of contact on PNM's OASIS at www.oasis.oati.com/pnm/index.html. In addition, stakeholders have the opportunity to offer input or make proposals at PNM's open meetings held pursuant to this Attachment K.

The process by which PNM is to identify those local transmission needs for which a local transmission solution(s) will be evaluated, out of what may be a larger set of local transmission needs, is to utilize the two communication channels it has in place with stakeholders, identified above, through which local transmission needs driven by Public Policy Requirements are to be part of the open dialogue: (a) direct electronic communication to the PNM dedicated email address, through which a stakeholder desiring to communicate directly with PNM transmission planners may offer its views on which local transmission needs are ripe for evaluation for solutions, and (b) through participation in PNM's open meetings held pursuant to this Attachment K.

In selecting those local transmission needs driven by Public Policy Requirements that will be evaluated for solutions in the current planning cycle, PNM is to consider, on a non-discriminatory basis, factors, including but not limited to, the following:

(i) whether the Public Policy Requirement is driving a local transmission need that can be reasonably identified in the current planning cycle;

(ii) the feasibility of addressing the local transmission need driven by the Public Policy Requirement in the current planning cycle;

(iii) the factual basis supporting the local transmission need driven by the Public Policy Requirement; and

(iv) whether the Public Policy Requirement has been identified for which a local transmission need has not yet materialized, or for which there may exist a local transmission need but the development of a solution to that need is premature. One example is a renewables portfolio increase that is enacted for implementation in a future year, and for which the process by which the renewable resource is to be identified, selected, and sited under the governing state-regulated resource adequacy process has not yet begun (making it premature to identify the location and scope of the local transmission need and/or the appropriate solution for the need).

No single factor shall necessarily be determinative in selecting among the potential transmission needs driven by Public Policy Requirements.

PNM is not required to identify any particular set of local transmission needs driven by Public Policy Requirements, but if PNM chooses not to identify any stakeholder suggested local transmission need driven by a Public Policy Requirement as a transmission need for which solutions will be evaluated in the local transmission planning process, PNM will post on its OASIS an explanation of why the suggested transmission need will not be evaluated. PNM's OASIS posting will include both an explanation of those local transmission needs driven by Public Policy Requirements that have been identified for evaluation for potential solutions in the local transmission planning process, and an explanation why other stakeholder suggested transmission needs driven by Public Policy Requirements were not identified for further evaluation. After considering the input of stakeholders, PNM is to determine whether to move forward with the identification of a local solution to a particular local need driven by Public Policy Requirements.

2. Procedures for Evaluating Solutions to Identified Transmission Needs.

Stakeholders may use the two communication avenues identified above (direct electronic communication via email and/or participation in PNM's open meetings) to participate in the evaluation of solutions to identified local transmission needs driven by Public Policy Requirements that are selected by PNM for further evaluation. Stakeholders may provide comments on proposed solutions or may submit other proposed solutions to such local transmission needs.

After seeking the input of stakeholders, PNM is to determine whether to select a particular solution in its local transmission plan. PNM will post its local transmission plan, which will include any such solutions selected.

The procedures for evaluating potential solutions to the identified local transmission needs driven by Public Policy Requirements are the same as those procedures used to evaluate any other project proposed in the local planning process.

3. Posting of Public Policy Needs.

PNM will maintain on its OASIS (i) a list of transmission needs identified that are driven by Public Policy Requirements and that are included in the studies for the current local planning cycle; and (ii) an explanation of why other suggested transmission needs driven by Public Policy Requirements will not be evaluated.

D. Ten-year Transmission System Plan

Each year PNM uses the planning process described in Section II.A above to update its Ten-year Transmission System Plan. The PNM Ten-year Transmission System Plan identifies all of its new transmission facilities, 115 kV and above, and all facility replacements/upgrades required over the next ten-years to reliably and economically serve its loads (see Hyperlinks List on PNM's OASIS at www.oasis.oati.com/pnm/index.html).

III. Regional Transmission Planning

A. Overview

PNM participates in a regional transmission planning process through its participation in the WestConnect planning region (the "WestConnect Planning Region"). The WestConnect Planning Region is defined by the transmission owners and
transmission provider members (referred to generally as "transmission owners") participating in the regional transmission planning process (the "Regional Planning Process") and for whom WestConnect is conducting regional planning. The service areas of the transmission providers consist of all or portions of nine states: Arizona, California, Colorado, Nebraska, New Mexico, Nevada, South Dakota, Texas and Wyoming.

The purpose of the WestConnect Regional Planning Process is to produce a regional transmission plan (the "Regional Plan") and provide a process for evaluating projects submitted for cost allocation in accordance with the provisions of this Attachment K and those business practices adopted by WestConnect in the WestConnect Regional Planning Process Business Practice Manual, as may be amended from time to time, available on the WestConnect website

(http://www.westconnect.com/planning_order_1000_bpm.php) (the "Business Practice Manual").

PNM actively participates in SWAT and the WestConnect planning processes to ensure PNM's local transmission plans, together with data and assumptions are included in and coordinated with any applicable subregional or regional transmission plans.

Following the effective date of PNM's September 20, 2013 Order No. 1000 compliance filing ("Effective Date"), the WestConnect Order No. 1000 regional transmission planning management committee (the "Planning Management

Committee") will commence the Regional Planning Process. This committee will be responsible for administering the Regional Planning Process. In order to align its regional process with the western interregional coordination process, it is
WestConnect's intent to begin its biennial process in even-numbered years. Should FERC acceptance of WestConnect's compliance filing result in an effective date in an odd numbered year, WestConnect will conduct an abbreviated planning process in its first year and begin its biennial process the next year. To effectuate such an abbreviated process, the Planning management Committee will develop a study scope for the first year, including project submission deadlines, and post it to the WestConnect website within the first thirty (30) days of the year.

In connection with the establishment of the Planning Management Committee, the WestConnect members, in consultation with interested stakeholders, will establish a separate project agreement (the "Planning Participation Agreement") to permit interested stakeholders to participate in the Regional Planning Process. Although, the Regional Planning Process is open to the public, stakeholders interested in having a voting right with respect to projects submitted through the Regional Planning Process will be required to execute the Planning Participation Agreement and any necessary confidentiality agreements (as further described below). The Planning Management Committee will implement the stakeholder developed Regional Planning Process, which results in a Regional Plan for the ten-year transmission planning cycle.

PNM has been a party to the WestConnect STP Project Agreement (see Hyperlinks List on PNM's OASIS at www.oasis.oati.com/pnm/index.html) for purposes of coordinating the local transmission plans of PNM with those developed through subregional and regional transmission planning processes. The committees formed under the WestConnect STP Project Agreement and the WestConnect Steering Committee have no authority over the Planning Management Committee and the Planning Management Committee's decision making in implementing the Regional Planning Process.

1. WestConnect Planning Participation Agreement.

   Each WestConnect member will be a signatory to the Planning Participation Agreement, which formalizes the members' relationships and establishes obligations, including transmission owner coordination of regional transmission planning among the WestConnect participants and the local transmission planning processes and production of a Regional Plan.

2. Members.

   WestConnect has two types of members: (i) transmission owners that enroll in WestConnect to comply with the Order No. 1000 planning requirements, as well as non-public utility transmission owners that are not subject to Order No. 1000, but elect to participate in the WestConnect Regional Planning Process for Order No. 1000 cost allocation purposes; and (ii) stakeholders who wish to have voting

input on the methodologies, studies and decisions made in the execution of the Order No. 1000 requirements.

a. Joining the WestConnect Planning Region.

A transmission owner that wishes to enroll or participate in the WestConnect Planning Region may do so by executing the Planning Participation Agreement and paying its share of costs as provided for in the Planning Participation Agreement.

A stakeholder that wishes to have voting input may join the WestConnect Planning Region by executing the Planning Participation Agreement paying annual dues and complying with applicable provisions, as outlined in such agreement. For further information regarding membership dues please see WestConnect's Planning Participation Agreement, located on the WestConnect website (at http://www.westconnect.com./planning_agreement.php), and on file with FERC .

b. Exiting the WestConnect Planning Region.

Should a transmission owner wish to exit the WestConnect Planning Region, it must submit notice in accordance with the Planning Participation Agreement and pay its share of any WestConnect expenditures approved prior to the effective date of the formal notice of withdrawal from the WestConnect Planning Region.

Should a stakeholder wish to exit the WestConnect Planning Region, it may do so by providing notice in accordance with the Planning Participation Agreement. Withdrawing stakeholders will forfeit any monies or dues paid to the Planning Management Committee and agree to remit to the Planning Management Committee any outstanding monies owed to the committee on or prior to the effective date of such withdrawal.

c. List of Enrolled Entities.

Transmission owners enrolled in the WestConnect Planning Region for purposes of Order 1000:

- Arizona Public Service Company
- Black Hills Colorado Electric Utility Company, LP
- Black Hills Power, Inc.
- Cheyenne Light, Fuel, & Power Company
- El Paso Electric Company
- NV Energy, Inc. Operating Companies

- Public Service Company of Colorado
- Public Service Company of New Mexico
- Tucson Electric Power Company
- UNS Electric, Inc.

3. WestConnect Objectives and Procedures for Regional Transmission Planning.

The Regional Planning Process will produce a Regional Plan that complies with existing Order No. 890 principles as carried forward in Order No. 1000:

- Coordination
- Openness
- Transparency
- Information exchange
- Comparability
- Dispute Resolution

PNM, along with the other Planning Participation Agreement participants, will work through the regional planning group processes, as applicable, to integrate their transmission plans into a single, ten year Regional Plan for the WestConnect footprint by:

a. Actively coordinating development of the Regional Plan, including incorporating information, as appropriate, from all stakeholders;

b. Coordinating, developing and updating common base cases to be used for all study efforts within the Regional Planning Process and ensuring that each plan adheres to the methodology and format developed for the Regional Plan;

c. Providing funding for the Planning Participation Agreement planning management functions pursuant to the Planning Participation Agreement;

d. Maintaining a regional planning section on the WestConnect website at http://www.westconnect.com/ where all WestConnect planning information, including meeting notices, meeting minutes, reports, presentations, and other pertinent information is posted;

e. Posting detailed notices of all regional and local planning meeting agendas on the WestConnect website; and

f. Establishing a cost allocation process for regional transmission projects selected in the Regional Planning Process for cost allocation.

B. Roles in the Regional Transmission Planning Process

1. WestConnect Role.

The Planning Management Committee is responsible for bringing transmission planning information together and sharing updates on active projects. The Planning Management Committee provides an open forum where any stakeholder interested in the planning of the regional transmission system in the WestConnect footprint can participate and obtain information regarding base cases, plans, and projects and provide input or express its needs as they relate to the transmission system. On a biennial basis and in coordination with its members, transmission owners, and other interested stakeholders, the Planning Management Committee will develop the Regional Plan. The Planning Management Committee, after considering the data and comments supplied by customers and other stakeholders, is to develop a regional transmission plan that treats similarly-situated customers (e.g., network, retail network, and native load) comparably in transmission system planning.

The Planning Management Committee charged with development and approval of the Regional Plan. The Planning Management Committee will be comprised of representatives from each stakeholder sector, as described in Section III.B.5, below. The Planning Management Committee will be empowered to create and dissolve subcommittees as necessary to facilitate fulfillment of its responsibilities in developing the Regional Plan.

2. Stakeholder Participation and Assistance

Stakeholders may participate in the Regional Planning Process by any one or more of the following ways: (a) joining one of five WestConnect regional transmission planning membership sectors described below; (b) by attending publicly-posted WestConnect regional transmission planning stakeholder meetings; and/or (c) by submitting project proposals for consideration and evaluation in the Regional Planning Process.

Attendance at meetings is open to all interested stakeholders. These meetings will include discussion of models, study criteria and assumptions, and progress updates. Formal participation, including voting as allowed by the process, can be achieved through payment of applicable fees and annual dues in accordance with the Planning Participation Agreement. Transmission owners with load serving obligation shall be the default funding source to support WestConnect transmission planning activities beyond dues paid by other organizations. As such, transmission owners with load serving obligations shall not be responsible for annual dues.

WestConnect Planning Region members will assist stakeholders interested in becoming involved in the Regional Planning Process by directing them to appropriate contact persons and websites (see Hyperlinks List on PNM's OASIS at www.oasis.oati.com/pnm/index.html). All stakeholders are encouraged to bring their plans for future generators, loads or transmission services or NTAs to

the WestConnect planning meetings. Each transmission planning cycle will contain a period during which project ideas are accepted for potential inclusion in that cycle's Regional Plan.

3. Forum for Evaluation

The WestConnect Regional Planning Process provides a forum for transmission project sponsors to introduce their specific projects to interested stakeholders and potential partners and allows for joint study of these projects by interested parties, coordination with other projects, and project participation, including ownership from other interested parties. This may include evaluation of transmission alternatives or NTAs in coordination with the Regional Planning Process.

4. Stakeholder Meetings

WestConnect will hold open stakeholder meetings on at least a semi-annual basis, or as needed and noticed by the Planning Management Committee with thirty (30) days advanced notice to update stakeholders about its progress in developing the Regional Plan and to solicit input regarding material matters of process related to the regional transmission plan. Notice for such meetings will be posted on the WestConnect website and via e-mail to the WestConnect Regional Transmission Planning e-mail distribution list.

The meeting agendas for all WestConnect planning meetings will be sufficiently detailed, posted on the WestConnect website, and circulated in advance of the meetings in order to allow stakeholders the ability to choose their meeting attendance most efficiently.

5. WestConnect Planning Governance Process.

a. Membership Sectors.

The Regional Planning Process will be governed by the Planning Management Committee, which will be tasked with executing the Regional Planning Process and will have authority for approving the Regional Plan. For those entities desiring to be a part of the management of the Regional Planning Process, one of five Planning Management Committee membership sectors is available:

- Transmission Owners with Load Serving Obligations
- Transmission Customers
- Independent Transmission Developers and Owners
- State Regulatory Commissions
- Key Interest Groups

Only transmission owners that have load serving obligations individually or through their members may join the Transmission Owners with Load Serving Obligations membership sector. The Transmission Owners with Load Serving Obligations sector will be comprised of (a) those transmission owners that enroll in the WestConnect Planning Region for purposes of Order No. 1000 and (b) those transmission owners that elect to participate in the WestConnect Regional Planning Process as Coordinating Transmission Owners.

Except for Public Utilities that are required to comply with Order No. 1000, any entity may join any membership sector for which it qualifies, but may only participate in one membership sector at a time. If a non-public utility is qualified to join the Transmission Owners with Load Serving Obligations sector as well as one or more other sectors, and the non-public utility elects to join a sector other than the Transmission Owners with Load Serving Obligations sector, the Planning Management Committee will not perform the function of regional transmission planning for that entity. Additionally, if a member of the Transmission Owner with Load Serving Obligations sector owns transmission facilities located in another planning region, the Planning Management Committee will not perform the function of regional planning for such facilities located in another planning region.

b. Planning Management Committee.

The Planning Management Committee will be empowered to, without limitation, create and dissolve subcommittees as necessary to ensure timely fulfillment of its responsibilities; to assess fees for membership status on the Planning Management Committee; and to assess fees for projects submitted for evaluation as part of the Regional Planning Process. The Planning Management Committee is to manage the Regional Planning Process, including approval of the Regional Plan that includes application of regional cost allocation methodologies.

The Planning Management Committee is to coordinate and have the decision making authority over whether to accept recommendations from the Planning Subcommittee and Cost Allocation Subcommittee. The Planning Management Committee, among other things, is to develop and approve the Regional Plan based on recommendations from the Planning Subcommittee and Cost Allocation Subcommittee; and develop and approve a scope of work, work plan, and periodic reporting for
WestConnect planning functions, including holding a minimum of two stakeholder informational meetings per year. The Planning Management Committee is to appoint the chair of the Planning Subcommittee and Cost Allocation Subcommittee. The chair for each subcommittee must be a representative of the Transmission Owners with Load Serving Obligations member sector.

The Planning Subcommittee responsibilities include, but are not limited to, reviewing and making recommendations to the Planning Management Committee for development of study plans, establishing base cases, evaluating potential solutions to regional transmission needs, producing and recommending the Regional Plan for Planning Management Committee approval and coordinating with the Cost Allocation Subcommittee. The Planning Subcommittee shall provide public notice of committee meetings and provide opportunities for stakeholders to provide comments on the process and proposed plan.

The Cost Allocation Subcommittee responsibilities include, but are not limited to, performing and/or overseeing the performance of the cost allocation methodology. The Cost Allocation Subcommittee also is to review and make recommendations to the Planning Management
Committee for modifying definitions of benefits and cost allocation methodology as necessary to meet WestConnect planning principles on identification of beneficiaries and cost allocation. The Cost Allocation Subcommittee is to review and recommend projects to the Planning Management Committee for purposes of cost allocation identified in the Regional Planning Process. The Cost Allocation Subcommittee shall provide public notice of committee meetings and provide opportunities for stakeholders to provide comments on the process and proposed cost allocation.

All actions of the Planning Management Committee (including approval of the Regional Plan) will be made possible by satisfying either of the following requirements:

- 75% of the members voting within at least three sectors approve a motion, where one of the three sectors approving is the
  Transmission Owners with Load Serving Obligation sector; or

- 75% of the members voting within the four member sectors other than the Transmission Owners with Load Serving Obligation sector approve a motion, and where two-thirds (2/3's) of the members voting within the Transmission Owners with Load Serving Obligation sector also approve the same motion

Each entity within a membership sector is entitled to one vote on items presented for decision.

Any closed executive sessions of the Planning Management Committee will only be to address matters outside of the development of the Regional Planning Process, including matters involving contracts, personnel, financial matters, or legal matters, such as, but not limited to, litigation (whether active or threatened).

C. Submission of Data by Customers, Transmission Developers, and Transmission Owners

When stakeholder feedback on modeling assumptions is requested, the data submittal period for such feedback will be established by the Planning
Management Committee. In all cases, requests for submittal of data from WestConnect members and stakeholders will be followed by a submittal window lasting no less than thirty (30) days from the date of such requests. In addition, consistent with the Regional Planning Process, any interested stakeholder may submit project ideas for consideration in the Regional Plan without a need for that

stakeholder's project to qualify for a project submittal for purposes of cost allocation. Specific project submittals are treated differently than generalized project ideas. For any project seeking study by the Planning Management Committee in the Regional Planning Process (without regard to whether the project seeks cost allocation), a project submittal deposit will be collected and made subject to later true-up based upon the actual cost of the study(ies) performed. Project submittals are to be accepted through the fifth ($5^{th)}$ quarter of the planning cycle (or first (1^{st}) quarter of the second (2^{nd}) year), and are addressed in Section III.C.5 of this Attachment K. A timeline detailing the timing and notice for submission of information and input can be found in Attachment K-2 to this Attachment K.

1. Transmission Customers.

Transmission customers shall generally submit their load forecast and other relevant data through the WestConnect Planning Region member's (i.e. PNM's) local transmission planning process. However, from time to time, there may be a need for transmission customers participating in the Regional Planning Process to submit data directly to WestConnect. This data may include, but is not limited to, load forecasts, generation resource plans, demand side management resources, proposed transmission upgrade recommendations, and feedback regarding certain assumptions in the planning process.

No less than thirty (30) days notice shall be given for customers to submit any required data and data submissions shall generally be able to be made via e-mail or by posting information to a designated website.

2. Independent Transmission Developers and Owners.

Transmission developers are entities with project ideas they wish to submit into the Regional Planning Process. These may include projects submittals that the developer wishes to be considered to address an identified regional need (whether or not the project is eligible for regional cost allocation).

Each regional transmission planning cycle will include a submission period for project submittals, as described in Section III.C.5, below. Notice of the submission period will be posted on the WestConnect website and will also be made via e-mail to WestConnect stakeholders. The submission period will last for no less than thirty (30) days and during this time, any entity that wishes to submit a transmission project for consideration in the Regional Planning Process to address an identified regional need may do so.

Projects proposed by Independent Transmission Developers and Owners are subject to the same reliability standards as projects submitted by Transmission Owners with Load Serving Obligations. The project developer shall register with NERC and WECC in accordance with the applicable registration rules in the NERC Rules of Procedure. In addition, project developers shall observe and

comply with regional requirements as established by the applicable regional reliability organization, and all local, state, regional, and federal requirements.

3. Merchant Transmission Developers.

Merchant transmission developers are entities pursuing completion of projects that do not wish to have their projects considered for regional cost allocation. Nonetheless, coordination between merchant projects and the Regional Planning Process is necessary to effect a coordinated Regional Plan that considers all system needs.

Each regional transmission planning cycle will include a submission period for project submittals to address an identified regional need, as described in Section III.C.5, below. Notice of the submission period will be posted on the WestConnect website and will also be made via e-mail to WestConnect stakeholders. In addition, it is necessary for merchant transmission developers to provide adequate information and data to allow the Planning Management Committee to assess the potential reliability and operational impacts of the merchant transmission developer's proposed transmission facilities on the other systems in the region. The submission period shall last for no less than thirty (30) days and during this time sponsors of merchant transmission projects that are believed to impact the WestConnect transmission system will be asked to provide certain project information.

Projects proposed by Merchant Transmission Developer projects are subject to the same reliability standards as projects submitted by Transmission Owners with Load Serving Obligations. The project developer is responsible for properly registering with NERC and WECC in accordance with the applicable registration rules in the NERC Rules of Procedure. In addition, project developers shall observe and comply with regional requirements as established by the applicable regional reliability organization and all local, state, regional, and federal requirements.

4. Transmission Owners with Load Serving Obligation.

Transmission owners and transmission providers that are members of the WestConnect Planning Region are responsible for providing all necessary system information through the Regional Planning Process.

At the beginning of each regional transmission planning cycle, transmission owners and transmission providers that are participating in the WestConnect Regional Planning Process shall be responsible for verifying the accuracy of any data (including, but not limited to system topology and project proposal information) they have previously submitted. Transmission owners shall also be required to submit all relevant data for any new projects being proposed for inclusion in the Regional Plan to address an identified regional

need in accordance with Section III.C.5, below. Transmission owners shall also be

responsible for submitting any project plans developed through their local transmission planning processes for inclusion in the Regional Plan models.

5. Transmission Project Submittals

All submittals of transmission projects to address an identified regional need, without regard to whether or not the project seeks regional cost allocation, are to contain the information set forth below, together with the identified deposit for study costs, and be submitted timely within the posted submittal period in order for the project submittal to be eligible for evaluation in the Regional Planning Process. A single project submittal may not seek multiple study requests. To the extent a project proponent seeks to have its project studied under a variety of alternative project assumptions, the individual alternatives must be submitted as individual project submittals. To be eligible to propose a project for selection in the Regional Plan, a project proponent must also be an active member in good standing within one of the five Planning Management Committee
membership sectors described above in Section III.B.5.a.

- Submitting entity contact information
- Explanation of how the project is a more efficient or cost effective solution to regional transmission needs*
- A detailed project description including, but not limited to, the following:
  - Scope
  - Points of interconnection to existing (or planned) system
  - Operating Voltage and Alternating Current or Direct Current status
  - Circuit Configuration (Single, Double, Double-Circuit capable, etc.)
  - Impedance Information
  - Approximate circuit mileage
- Description of any special facilities(series capacitors, phase shifting transformers, etc.) required for the project
- Diagram showing geographical location and preferred route; general description of permitting challenges
- Estimated Project Cost and description of basis for that cost*
- Any independent study work of or relevant to the project
- Any WECC study work of or relevant to the project
- Status within the WECC path rating process
- The project in-service date
- Change files to add the project to a standard system power flow model
- Description of plan for post-construction maintenance and operation of the proposed line

- A $25,000 deposit to support the cost of relevant study work, subject to true-up (up or down) based upon the actual cost of the study(ies)*. The true-up will include interest on the difference between the deposit and the actual cost, with such interest calculated in accordance with Section 35.19a(a)(2) of FERC's regulations. A description of the costs to which the deposit will be applied, how the costs will be calculated, and an accounting of the costs, will be provided to each project sponsor within 30 calendar days of completion of the study. Disputes resolution is addressed in Section V.
- Comparison Risk Score from WECC Environmental Data Task Force, if available
- Impacts to other regions. The applicant must provide transmission system impacts studies showing system reliability impacts to neighboring transmission systems or another transmission planning region. The information should identify all costs associated with any required upgrades to mitigate adverse impacts on other transmission systems*.

  If impact studies and costs are not available at the time of submittal, the transmission developer may request that impact studies be performed, at the project proponent's expense, as part of the analysis to determine whether the project is the more efficient or cost effective solution. Requests for transmission system impact studies are approved through the Planning Management Committee depending on whether the project proponent provides funding for the analysis. The Planning Management Committee will provide, subject to appropriate confidentiality and CEII restrictions, the information in the possession of the Planning Management Committee that an applicant needs to perform the transmission system impact study and to identify the costs associated with any upgrades required to mitigate adverse impacts.

*Merchant transmission developers are exempt from these requirements

There is to be an open submission period for project proposals to address identified regional needs. Notice of the submission period will be posted on the WestConnect website and will also be made via e-mail to WestConnect stakeholders. The submission period will last for no less than thirty (30) days and will end by the fifth (5^{th}) quarter of the WestConnect planning cycle (or first (1^{st}) quarter of the second (2^{nd}) year of the planning cycle). Proposals submitted outside that window shall not be considered. The Planning Management Committee will have the authority to determine the completeness of a project submittal. Project submittals being deemed incomplete will be granted a

reasonable opportunity to cure any deficiencies identified in writing by the Planning Management Committee.

Any stakeholder wishing to submit a project to address an identified regional need will be required to submit the data listed above to be considered in the Regional Planning Process. Should the submitting stakeholder believe certain information is not necessary, it shall identify the information it believes is not necessary and shall provide a justification for its conclusion that the information is not necessary. The Planning Management Committee retains the sole authority for determining completeness of the information submittal. After the completion of the project submittal period, The Planning Management Committee will post a document on the WestConnect website detailing why any projects were rejected as incomplete. Upon posting of the document, any project submittal rejected as incomplete will be given a reasonable opportunity to cure the reason(s) it was rejected to the satisfaction of Planning Management Committee in its sole discretion.

6. Submission of NTA Projects.

Any stakeholder may submit projects proposing NTAs to address an identified regional need for evaluation under the Regional Planning Process, as those projects are described in Section III.D.5 of Attachment K. The submission period will last for no less than thirty (30) days. The submission window will end by the fifth (5^{th}) quarter of the WestConnect planning cycle (or first (1^{st}) quarter of the second (2^{nd}) year of the planning cycle). The following criteria must be satisfied in order for a non-transmission alternative project submittal to be evaluated under the Regional Planning Process:

- Basic description of the project (fuel, size, location, point of contact)
- Operational benefits
- Load offset, if applicable
- Description of the issue sought to be resolved by the generating facility or non-transmission alternative, including reference to any results of prior technical studies
- Network model of the project flow study
- Short-circuit data
- Protection data
- Other technical data that might be needed for resources
- Project construction and operating costs
- Additional miscellaneous data (e.g., change files if available)

As with entities submitting a transmission project under Section III.C.5, those who submit under Section III.C.6 a non-transmission alternative under the Regional Planning Process must adhere to and provide the same or equivalent information (and deposit for study costs) as transmission alternatives. Should the submitting stakeholder believe certain information is not necessary, it shall identify the information it believes is not necessary and shall provide a

justification for its conclusion that the information is not necessary. Although non-transmission alternative projects will be considered in the Regional Planning Process, they are not eligible for regional cost allocation.

7. The WestConnect Regional Planning Cycle.

The WestConnect regional transmission planning cycle is biennial. The WestConnect Planning Management Committee will develop and publish a Regional Plan every other year.

D. Transmission Developer Qualification Criteria

1. In General

A transmission developer that seeks to be eligible to use the regional cost allocation methodology for a transmission project selected in the Regional Plan for purposes of cost allocation must identify its technical and financial capabilities to develop, construct, own, and operate a proposed transmission project. To be clear, satisfaction of the criteria set forth below does not confer upon the transmission developer any right to:

(i) construct, own, and/or operate a transmission project,
(ii) collect the costs associated with the construction, ownership and/or operation of a transmission project,
(iii) provide transmission services on the transmission facilities constructed, owned and/or operated.

The applicable governing governmental authorities are the only entities empowered to confer any such rights to a transmission developer. The Planning Management Committee is not a governmental authority.

2. Information Submittal

A transmission developers seeking eligibility for potential designation as the entity eligible to use the regional cost allocation for a transmission project selected in the Regional Plan for purposes of cost allocation must submit to the Planning Management Committee the following information during the first quarter of the WestConnect planning cycle, except that during the first
WestConnect planning cycle the Planning Management Committee shall have the discretion to extend the period for the submission of this information:

a) Overview

A brief history and overview of the applicant demonstrating that the applicant has the capabilities to finance, own, construct, operate and maintain a regional transmission project consistent with Good Utility Practices within the state(s) within the WestConnect planning region. The applicant should

identify all transmission projects it has constructed, owned, operated and/or maintained, and the states in which such projects are located.

b) Business Practices

A description of the applicant's experience in processes, procedures, and any historical performance related to engineering, constructing, maintaining electric transmission facilities, and managing teams performing such activities. A discussion of the types of resources, including relevant capability and experience (in-house labor, contractors, other transmission providers, etc.) contemplated for the licensing, design, engineering, material and equipment procurement, siting and routing, Right-of-Way (ROW) and land acquisition, construction and project management related to the construction of transmission projects. The applicant should provide information related to any current or previous experience financing, owning, constructing, operating and maintaining and scheduling access to regional transmission facilities.

c) Compliance History

The applicant should provide an explanation of any violation(s) of NERC and/or Regional Entity Reliability Standards and/or other regulatory requirements pertaining to the development, construction, ownership, operation and/or maintenance of electric transmission facilities by the applicant or any parent, owner, affiliate, or member of the applicant that is an Alternative Qualifying Entity(ies) under Section III.D.2.1. Notwithstanding the foregoing, if at the time the applicant submits the information required by this Section III.D.2, the applicant has not developed, constructed, owned, operated or maintained electric transmission facilities, the applicant shall instead submit such information for any electric distribution or generating facilities it develops, constructs, owns, operates and/or maintains, as applicable, to demonstrate its compliance history.

d) Participation in the Regional Planning Process

A discussion of the applicant's participation within the Regional Planning Process or any other planning forums for the identification, analysis, and communication of transmission projects.

e) Project Execution

A discussion of the capability and experience that would enable the applicant

to comply with all on-going scheduling, operating, and maintenance activities associated with project development and execution.

f) Right-of-Way Acquisition Ability

The applicant's preexisting procedures and historical practices for siting, permitting, landowner relations, and routing transmission projects including, acquiring ROW and land, and managing ROW and land acquisition for transmission facilities. Any process or procedures that address siting or routing transmission facilities through environmentally sensitive areas and mitigation thereof. If the entity does not have such preexisting procedures, it shall provide a detailed description of its plan for acquiring ROW and land and managing ROW and land acquisition.

g) Financial Health

The applicant must demonstrate creditworthiness and adequate capital resources to finance transmission projects. The applicant shall either have an investment grade credit rating from both S&P and Moody's or provide corporate financial statements for the most recent five years for which they are available. Entities that do not have a credit rating, or entities less than five years old, shall provide corporate financial statements for each year that is available. Alternatively, the applicant may provide a guarantee, a surety bond, letter of credit or other form of security that is reasonably acceptable to the Planning Management Committee.

The following ratios must be provided with any explanations regarding the ratios:

- Funds from operations-to-interest coverage.
- Funds from operation-to-total debt.
- Total debt-to-total capital.
- The applicant must indicate the levels of the above ratios the company will maintain during and following construction of the transmission element.

The Planning Management Committee may request additional information or clarification as necessary.

h) Safety Program

The applicant must demonstrate that they have an adequate internal safety program, contractor safety program, safety performance record and program execution.

i) Transmission Operations

The applicant must: demonstrate that it has the ability to undertake control center operations capabilities, including reservations, scheduling, and outage coordination, ability to become a transmission service provider; demonstrate that it has the ability to obtain required path ratings; provide evidence of its NERC compliance process and compliance history, as applicable;
demonstration of existing required NERC certifications or the ability to

obtain any applicable NERC certifications, establish required Total Transfer Capability; provide evidence of storm/outage response and restoration plans; provide evidence of its record of past reliability performance, as applicable; and provide a statement of which entity will be operating completed transmission facilities and will be responsible for staffing, equipment, and crew training. A potential transmission developer will not be required to have an operations entity under contract at the time it seeks to be eligible to use the regional cost allocation method for a transmission project selected in the Regional Plan for purposes of cost allocation.

j) Transmission Maintenance

The applicant must demonstrate that they have, or have plans to develop, an adequate transmission maintenance program, including staffing and crew training, transmission facility and equipment maintenance, record of past maintenance performance, NERC compliance process and any past history of NERC compliance or plans to develop a NERC compliance program, statement of which entity will be performing maintenance on completed transmission facilities. A potential transmission developer will not be required to have a maintenance entity under contract at the time it seeks to be eligible to use the regional cost allocation method for a transmission project selected in the Regional Plan for purposes of cost allocation.

k) Regulatory Compliance

The applicant must demonstrate the ability, or plans to develop the ability, to comply with Good Utility Practice, WECC criteria and regional reliability standards, NERC Reliability Standards, construction standards, industry standards, and environmental standards.

l) Affiliation Agreements

A transmission developer can demonstrate that it meets these criteria either on its own or by relying on an entity or entities with whom it has a corporate affiliation or other third-parties with relevant experience (Alternate Qualifying Entity(ies)). In lieu of a contractual or affiliate relationship with one or more Alternate Qualifying Entity(ies) and to the extent a transmission developer intends to rely upon third-parties for meeting these criteria, the transmission developer must provide in attestation form, an identification of its preferred third-party contractor(s) and indicate when it plans to enter into a definitive agreement with its third-party contractor(s). If the transmission developer seeks to satisfy the criteria in whole or in part by relying on one or more Alternate Qualifying Entity(ies), the transmission developer must submit: (1) materials demonstrating to Planning Management Committee's satisfaction that the Alternate Qualifying Entity(ies) meet(s) the criteria for which the transmission developer is relying upon the Alternate Qualifying Entity(ies) to satisfy; and (2) a commitment to provide in any project cost

allocation application an executed agreement that contractually obligates the Alternate Qualifying Entity(ies) to perform the function(s) for which the transmission developer is relying upon the Alternate Qualifying Entity(ies) to satisfy.

m) WestConnect Membership

A transmission developer must be a member of either the WestConnect Transmission Owners with Load Serving Obligations or Independent Transmission Developers and Owners sector, or must agree to join the WestConnect Transmission Owners with Load Serving Obligations or Independent Transmission Developers and Owners sector and agree to sign the Planning Participation Agreement if the transmission developer seeks to be an entity eligible to use the regional cost allocation method for a transmission project selected in the Regional Plan for purposes of cost allocation.

n) Other

Any other relevant project development experience that the transmission developer believes may demonstrate its expertise in the above areas.

3. Identification of Transmission Developers Satisfying the Criteria

a) Notification to Transmission Developers

No later than September 30 of each year, the Planning Management Committee is to notify each transmission developer whether it has satisfied the stated criteria. A transmission developer failing to satisfy one or more of the qualification criteria is to be informed of the failures(s) and accorded an additional opportunity to cure any deficiency(ies) within thirty (30) calendar days of notice from the Planning Management Committee by providing any additional information.

The Planning Management Committee is to inform the transmission developer whether the additional information satisfies the qualification criteria within forty-five (45) calendar days of receipt of the additional information.

The Planning Management Committee is to identify the transmission developers that have satisfied the qualification criteria (the "Eligible Transmission Developers") by posting on the WestConnect website, on or before December 31 of each year.

b) Annual Recertification Process and Reporting Requirements

By June 30 of each year, each Eligible Transmission Developer must submit

to WestConnect a notarized letter signed by an authorized officer of the Eligible Transmission Developer certifying that the Eligible Transmission Developer continues to meet the current qualification criteria.

The Eligible Transmission Developer shall submit to the Planning Management Committee an annual certification fee equal to the amount of the WestConnect annual membership fee. If the Eligible Transmission Developers is a member of WestConnect and is current in payment of its annual membership fee, then no certification fee will be required.

If at any time there is a change to the information provided in its application, an Eligible Transmission Developer shall be required to inform the Planning Management Committee chair within thirty (30) calendar days of such change so that the Planning Management Committee may determine whether the Eligible Transmission Developer continues to satisfy the qualification criteria. Upon notification of any such change, the Planning Management Committee shall have the option to: (1) determine that the change does not affect the status of the transmission developer; (2) suspend the transmission developer's eligibility status until any deficiency in the transmission developer's qualifications is cured; (3) allow the transmission developer to maintain its eligibility status for a limited time period, as specified by the Planning Management Committee, while the transmission developer cures the deficiency; or (4) terminate the transmission developer's eligibility status.

c) Termination of Eligibility Status

The Planning Management Committee may terminate an Eligible Transmission Developer's status if the Eligible Transmission Developer: (1) fails to submit its annual certification letter; (2) fails to pay the applicable WestConnect membership fees; (3) experiences a change in its qualifications and the Planning Management Committee determines that it may no longer qualify as an Eligible Transmission Developer; (4) informs the Planning Management Committee that it no longer desires to be an Eligible transmission developer; (5) fails to notify the Planning Management Committee of a change to the information provided in its application within thirty (30) days of such change; or (6) fails to execute the Planning Participation Agreement as agreed to in the qualification criteria within a reasonable time defined by the Planning Management Committee, after seeking to be an entity eligible to use the regional cost allocation method for a transmission project selected in the Regional Plan for purposes of cost allocation.

E. Regional Planning Methodology and Protocols; Evaluation and Selection of Solution Alternatives

1. Overview of Regional Planning Methodology and Evaluation Process.

The Regional Planning Process is intended to identify regional needs and more efficient or cost-effective solutions to satisfy those needs. Consistent with Order No. 890, qualified projects timely submitted through the Regional Planning Process will be evaluated and selected from competing solutions and resources such that all types of resources, as described below, are considered on a comparable basis. The same criteria and evaluation process will be applied to competing solutions and/or projects, regardless of type or class of stakeholder proposing them. Where a regional transmission need is identified, the Planning Management Committee is to perform studies that seek to meet that need through regional projects, even in the absence of project proposals advanced by
stakeholders or projects identified through the WECC process. When the Planning Management Committee performs a study to meet an identified regional need in circumstances where no stakeholder has submitted a project proposal to meet that regional need, the Planning Management Committee is to pursue such studies in a not unduly discriminatory fashion . The study methods employed for Planning Management Committee-initiated studies will be the same types of study methods employed for stakeholder-initiated studies (see, e.g., Sections III.E.2 addressing the use of NERC Transmission Planning (TPL) Reliability Standards for regional reliability projects, Section III.E.3 addressing the use of production modeling for regional economic projects, and Section III.E.4 addressing the identification of Public Policy Requirements for regional public policy driven projects).

The solution alternatives will be evaluated against one another on the basis of the following criteria to select the preferred solution or combination of solutions: (1) ability to practically fulfill the identified need; (2) ability to meet applicable reliability criteria or NERC Transmission Planning Standards issues; (3) technical, operational and financial feasibility; (4) operational benefits/constraints or issues; (5) cost-effectiveness over the time frame of the study or the life of the facilities, as appropriate (including adjustments, as necessary, for operational benefits/constraints or issues, including dependability); (6) where applicable, consistency with Public Policy Requirements, or regulatory requirements,
including cost recovery through regulated rates; and (7) a project must be determined by the Planning Management Committee to be a more efficient or more cost-effective solution to one or more regional transmission needs to be eligible for regional cost allocation, as more particularly described below in Section VII. The Regional Planning Process provides for an assessment of regional solutions falling in one or more of the following categories:

- Regional reliability solutions.
- Regional economic solutions
- Regional transmission needs driven by Public Policy Requirements.
- Non-transmission alternatives

PNM encourages all interested stakeholders to consult the Business Practice Manual for additional details regarding the planning process, timing, and

implementation mechanics. A flow chart depicting the Regional Planning Process is attached hereto as Attachment K-1.

All WestConnect Transmission Owners with Load Serving Obligations shall be responsible for submitting their local transmission plans for inclusion in the Regional Plan in accordance with the timeline stated in the Business Practice Manual. Those individual plans will be included in the Regional Plan base case system models.

2. WestConnect Reliability Planning Process.

Once the base case is established and verified, as detailed in the Business Practice Manual, WestConnect shall perform a regional reliability assessment in which the base case system models will then be checked for adherence to the relevant NERC Transmission Planning Standards through appropriate studies, including, but not limited to, steady-state power flow, voltage, stability, short circuit, and transient studies as more specifically outlined in the Business Practice Manual. If a reliability violation is identified in this power flow process, the violation will be referred back to the appropriate transmission owner.

The Planning Management Committee will identify projects to resolve any regional violations that impact more than one transmission owner of the relevant NERC or WECC Transmission Planning Standards or WECC criteria. In addition, as part of the Regional Planning Process, an opportunity will be afforded to any interested party to propose regional reliability projects that are more efficient or cost effective than other proposed solutions. The Planning Management Committee will then identify the more efficient or cost effective regional transmission project that meets the identified regional transmission need, taking into account factors such as how long the project will take to complete and the timing of the need. Because local transmission owners are ultimately responsible for compliance with NERC Reliability Standards and for meeting local needs, the local transmission plans will not be modified; however, the Planning Management Committee may identify more efficient or cost effective regional transmission projects. As seen in Attachment K-2 of this Attachment K, the Planning Management Committee will perform the regional reliability
assessment and, if necessary, identify a regional need for transmission projects to resolve any violations that impact more than one transmission owner in the fourth (4^{th}) quarter of the planning cycle.

3. WestConnect Economic Planning Process.

As part of the Regional Planning Process, the Planning Management Committee is to analyze whether there are projects that have the potential to reduce the total delivered cost of energy by alleviating congestion or providing other economic benefits to the transmission system located within the WestConnect Planning Region through production cost modeling. This analysis also shall take into account a WECC Board-approved recommendation to further investigate

congestion within the WestConnect Planning Region for congestion relief or economic benefits that has subsequently been validated by WestConnect.

Additional projects may also be proposed by stakeholders or developed through the stakeholder input process for evaluation of economic benefits. Under the Regional Planning Process, the Planning Management Committee will identify more efficient or cost effective regional transmission projects, but will not modify local transmission plans.

Generally speaking, the WestConnect economic planning process will analyze benefits via detailed production cost simulations. The models employed in the production cost simulations will appropriately consider the impact of transmission projects on production cost and system congestion. The WestConnect economic planning process will also consider the value of decreased reserve sharing requirements in the development of a Regional Plan that is more efficient or cost effective. As Seen in Attachment K-2 of this Attachment K, the Planning Management Committee will develop the production cost modeling analysis in the second (2^{nd}) and third (3^{rd}) quarters of the planning cycle and identify economic transmission projects in the sixth (6^{th}) quarter and parts of the fifth (5^{th}) and seventh (7^{th}) quarters of the planning cycle.

4. WestConnect Public Policy Planning Process

a. Procedures for Identifying Regional Transmission Needs Driven by Public Policy Requirements

It is anticipated that any regional transmission need that is driven by Public Policy Requirements will be addressed initially within the local planning cycles of the individual transmission owners in the WestConnect Planning Region (through the consideration of local transmission needs driven by a Public Policy Requirement), since a Public Policy Requirement is a requirement that is imposed upon individual transmission owners (as opposed to a requirement that is imposed on a geographic region). For those Public Policy Requirements that affect more than one transmission owner in the WestConnect Planning Region, a solution identified at the local level to satisfy the local needs of the affected transmission owner(s), may also satisfy a regional transmission need identified by the Planning Management Committee for the WestConnect Planning Region.

WestConnect transmission owner members that are planning consistent with Order No. 890 will continue to conduct local transmission planning processes (Section II.C of this Attachment K), which provide a forum for discussions on local transmission needs driven by Public Policy Requirements. These local processes provide the basis for the individual transmission owners' local transmission plans, which are then incorporated into the regional base case at the start of the Regional Planning Process under Order No. 1000.

The Planning Management Committee is to provide notice on the WestConnect website of both regional transmission planning meetings convened by the Planning Management Committee for the WestConnect region, and local transmission planning meetings of the individual transmission owners in the WestConnect region.

The Planning Management Committee will begin the evaluation of regional transmission needs driven by Public Policy Requirements by identifying any Public Policy Requirements that are driving local transmission needs of the transmission owners in the WestConnect Planning Region, and including them in the transmission system models (the regional base case) underlying the development of the Regional Plan. Then, the Planning Management Committee will seek the input of stakeholders in the WestConnect region on those Public Policy Requirements in an effort to engage stakeholders in the process of identifying regional transmission needs driven by Public Policy Requirements. The Planning Management Committee will communicate with stakeholders through public postings on the WestConnect website of meeting announcements and discussion forums. In addition, the Planning Management Committee is to establish an email distribution list for those stakeholders who indicate a desire to receive information via electronic list serves.

After allowing for stakeholder input on regional transmission needs driven by Public Policy Requirements and regional solutions to those needs, as part of the Regional Planning Process, the Planning Management Committee is to identify in the Regional Plan those regional transmission needs driven by Public Policy Requirements that were selected by the Planning Management Committee for evaluation of regional solutions.

In selecting those regional transmission needs driven by Public Policy Requirements that will be evaluated for regional solutions in the current planning cycle, the Planning Management Committee is to consider, on a non-discriminatory basis, factors, including but not limited to, the following:

(i) whether the Public Policy Requirement is driving a regional transmission need that can be reasonably identified in the current planning cycle:

(ii) the feasibility of addressing the regional transmission need driven by the Public Policy Requirement in the current planning cycle;

(iii) the factual basis supporting the regional transmission need driven by the Public Policy Requirement; and

(iv) whether a Public Policy Requirement has been identified for which a regional transmission need has not yet materialized, or for which there may exist a regional transmission need but the

development of a solution to that need is premature.

No single factor shall necessarily be determinative in selecting among the potential regional transmission needs driven by Public Policy Requirements.

The process by which Planning Management Committee is to identify those regional transmission needs for which a regional transmission solution(s) will be evaluated, out of what may be a larger set of regional transmission needs, is to utilize the communication channels it has in place with stakeholders, identified above (open meetings and discussion forums convened by the Planning Management Committee), through which regional transmission needs driven by Public Policy Requirements are to be part of the open dialogue.

b. Procedures for Identifying Solutions to Regional Transmission Needs Driven by Public Policy Requirements.

Stakeholders are to have opportunities to participate in discussions during the Regional Planning Process with respect to the development of solutions to regional transmission needs driven by Public Policy Requirements. Such participation may take the form of attending planning meetings, offering comments for consideration by the Planning Management Committee on solutions to regional needs driven by Public Policy Requirements, and offering comments on proposals made by other stakeholders or by the Planning Management Committee. Stakeholders that are members of the WestConnect Planning Management Committee are performing the function of regional transmission planning, and, developing regional solutions to identified regional transmission needs driven by Public Policy Requirements through membership on subcommittees of the Planning Management
Committee.

After allowing for stakeholder input on solutions to regional transmission needs driven by Public Policy Requirements, as part of the Regional Planning Process, the Planning Management Committee is to identify in the Regional Plan those regional transmission solutions driven by Public Policy Requirements that were selected by the Planning Management Committee and any regional transmission project(s) that more efficiently or cost-effectively meet those needs.

The procedures for identifying and evaluating potential solutions to the identified regional transmission needs driven by Public Policy Requirements are the same as those procedures used to evaluate any other project proposed in the Regional Planning Process, whether or not submitted for purposes of cost allocation.

The Planning Management Committee will perform a Public Policy

Requirements analysis to help identify if a transmission solution is necessary to meet an enacted public policy. For a transmission need driven by Public Policy requirements, the Planning Management Committee will identify whether a more efficient or cost effective regional transmission solution exists based upon several different considerations, including consideration of whether the project is necessary and capable of meeting transmission needs driven by Public Policy Requirements, while also:

1. efficiently resolving any criteria violations identified by studies pursuant to any relevant NERC Transmission Planning (TPL) Reliability Standards for regional reliability projects or WECC Transmission Planning Reliability Standards or WECC criteria, as applicable, that could impact more than one Transmission Owner as a result of a Public Policy requirement or;

2. producing economic benefits shown through detailed production cost simulations. The models employed in the production cost simulations will appropriately consider the impact of transmission projects on production cost, system congestion and the value of decreased reserve sharing requirements.

The Planning Management Committee will develop the public policy analysis in the sixth (6^{th}) quarter and parts of the fifth (5^{th}) and seventh (7^{th}) quarters of the planning cycle.

c. Proposed Public Policy

A public policy that is proposed, but not required (because it is not yet enacted or promulgated by the applicable governmental authority) may be considered through Section III.E.3 (WestConnect Economic Planning Process) of this Attachment K, if time and resources permit.

d. Posting of Public Policy Considerations

WestConnect will maintain on its website: (i) a list of all regional transmission needs identified that are driven by Public Policy Requirements and that are included in the studies for the current regional transmission planning cycle; and (ii) an explanation of why other suggested regional transmission needs driven by Public Policy Requirements will not be evaluated.

5. WestConnect NTA Planning Process

NTAs will be evaluated to determine if they will provide a more efficient or cost-

effective solution to an identified regional transmission need. NTAs include, without limitation, technologies that defer or possibly eliminate the need for new and/or upgraded transmission lines, such as distributed generation resources, demand side management (load management, such as energy efficiency and demand response programs), energy storage facilities and smart grid equipment that can help eliminate or mitigate a grid reliability problem, reduce uneconomic grid congestion, and/or help to meet grid needs driven by Public Policy Requirements. NTAs are not eligible for regional cost allocation.

6. Approval of the WestConnect Regional Transmission Plan

The Cost Allocation Subcommittee is to submit, for review and comment, the results of its project benefit/cost analysis and beneficiary determination to the Planning Management Committee Chair and to the identified beneficiaries of the transmission projects proposed for cost allocation. The Planning Management Committee shall make available to its Members sufficient information to allow for a reasonable opportunity to comment on the proposed selection. The Planning Management Committee shall not make a determination on the project benefit/cost analysis and beneficiary determination until it has reviewed all comments. Upon approval of the Planning Management Committee, the project benefit/cost analysis and beneficiary identifications shall be posted by the Planning Management Committee on the WestConnect website and shall form the basis of the beneficiary voting described in Section III.E.6.a of this Attachment K.

a. Voting by Project Beneficiaries on Proposed Transmission Facilities.

Beneficiaries who are load-serving entities in the WestConnect Region as enrolled transmission owners (ETOs) or coordinating transmission owners (CTOs) shall be eligible to cast a vote under this Section III.

(i). The voting share of each LSE shall be weighted in accordance with its share of the total project benefits, as allocated by Section VII.B.

(ii). The costs of a proposed project shall be allocated under this Attachment K Section VII.B only if eighty percent (80%) or more of the actual votes cast on a beneficiary-weighted basis are cast in favor of implementing the project, subject to the provisions below.

(iii). The Planning Management Committee will report the results to stakeholders. All LSE beneficiaries of a proposed project that voted against implementing a project must submit to the Planning Management Committee their rationale within 30 days of the date the vote is taken. Such beneficiaries must provide a detailed written explanation of the substantive reasons underlying the

decision,
including, where appropriate: (1) which additional benefit metrics,

either identified in the tariff or otherwise, were used; (2) the actual quantification of such benefit metrics or factors; (3) a quantification and explanation of the net benefit or net cost of the project to the beneficiary; and (4) data supporting the metrics and other factors used. Such explanations may also include other factors such as uncertainties, and/or alternative scenarios and other qualitative factors considered, including state public policy goals. The Planning Management Committee will post this information on the WestConnect website. The posting will include: (1) a list of the identified beneficiaries; (2) the results of the benefit/cost analysis; and (3) where a project is not approved, whether any project developer has provided any formal indication to the Planning Management Committee as to the future development of the project.

(iv). If the proposed project meets or exceeds the required vote under Section III.E.6.a.(ii) above, then each CTO beneficiary, including those voting "no," will indicate whether it accepts the cost allocation for the project, as follows:

1. A CTO Member, in its sole discretion, may elect to accept a cost allocation for each separate transmission facility for which it is identified as a beneficiary, but only if it notifies the Chair of the Planning Management Committee in writing of its decision to accept any such cost allocation within sixty (60) calendar days after the voting results are posted by the Planning Management Committee under Section III.E.6.a.(iii); provided, however, that the Planning Management Committee has the discretion to extend the sixty (60) day period when additional time is necessary for an identified beneficiary to complete its internal review and deliberation process before deciding to accept the cost allocation.

2. A CTO Member giving notice that it elects to accept a cost allocation for a transmission facility may rescind that notice at any time prior to the end of the sixty (60) day period, or such extended period established in Section III.E.6.a.(iv).1.

3. A CTO Member that does not accept a cost allocation for a transmission facility will not be subject to cost allocation for that transmission facility.

The information made available under this Section III.E.6 will be electronically masked and made available pursuant to a process that the Planning Management Committee reasonably determines is necessary to prevent the disclosure of confidential information or CEII contained in the information.

b. Recalculation of Benefits and Costs for Reliability Projects:

The Cost Allocation Subcommittee will adjust, as necessary, its project benefit/cost analysis and beneficiary identification for any transmission project that continues to meet the region's criteria for regional cost allocation. For any CTO beneficiary that does not accept cost allocation for a project under this Section 6, such CTO's transmission need(s) which was included within the identification of the region's transmission needs under Sections 1-4 (for which the regional project would have avoided an alternative reliability project in such CTO's local transmission plan) will be removed as a regional transmission need for purposes of justifying a projects approval as a project eligible for inclusion in the Regional Plan for purposes of cost allocation.

c. Recalculation of Benefits and Costs for Public Policy Requirements Projects

The Cost Allocation Subcommittee will adjust, as necessary, its project benefit/cost analysis and beneficiary identification for any transmission project that continues to meet the region's criteria for regional cost allocation. For any CTO beneficiary that does not accept cost allocation for a project under this Section 6, such CTO's transmission need(s) which were included within the identification of the region's transmission needs under Sections 1-4 (for which the regional project would have avoided an alternative Public Policy Requirements project in such CTO's local transmission plan) will be removed as a regional transmission need for purposes of justifying a project's approval as a project eligible for inclusion in the Regional Plan for purposes of cost allocation. This shall include any such CTO's resource needs necessary to comply with Public Policy Requirements.

d. Recalcualtion of Benefits and Costs for Economic Projects

The Cost Allocation Subcommittee will adjust, as necessary, its project benefit/cost analysis and beneficiary identification for any transmission project that continues to meet the region's criteria for regional cost allocation. For any CTO beneficiary that does not accept cost allocation for a project under this Section 6, such CTO's transmission benefits which were included within the identification of the region's transmission needs under Sections 1-4 will be removed as a regional transmission benefit for purposes of justifying a project's approval as a project eligible for inclusion in the Regional Plan for purposes of cost allocation. This shall include the value of any economic benefits determined through the regional transmission plan to accrue to such CTO.

e. Resultant Increase in Beneficiary Cost Allocation

Any regional transmission project that continues to meet the region's benefit/cost and other criteria for regional cost allocation will remain eligible for selection in the Regional Plan for purposes of cost allocation if, after the share of project costs declined by CTOs under Section III is allocated to the remaining beneficiaries,

each remaining beneficiary experiences a cost increase equal to or less than ten percent (10%) of its prior cost allocation.

f. Approval of the WestConnect Regional Transmission Plan

Upon completion of the process outlined above, the Planning Management Committee will vote to approve the Regional Transmission Plan. The Regional Transmission Plan will document why projects were either included or not included in the Regional Transmission Plan. In addition, the Regional Plan shall describe the manner in which the applicable regional cost allocation methodology was applied to each project selected in the Regional Plan for purposes of regional cost allocation. Projects that meet system needs are incorporated into the Regional Transmission Plan. Participant funded projects and other types of projects may be included in the Regional Plan; however, those projects are not eligible for regional cost allocation.

7. Project Reevaluation.

The Planning Management Committee is the governing body responsible for deciding whether to reevaluate the Regional Plan to determine if the conditions, facts and/or circumstances relied upon in initially selecting a transmission project for inclusion in the Regional Plan for purposes of cost allocation have changed and, as a result, require reevaluation. Reevaluation will begin within the second planning cycle following the Effective Date. The Regional Plan and any project selected for cost allocation in the Regional Plan, including any local or single-system transmission projects or planned transmission system upgrades to existing facilities selected for purposes of cost allocation, shall be subject to reevaluation in each subsequent planning cycle according to the criteria below. Upon reevaluation, the Regional Plan and any projects selected for purposes of cost allocation in connection therewith may be subject to modification, including the status as a project selected for cost allocation, with any costs reallocated under Section VII as if it were a new project. Only the Planning Management Committee has the authority to modify the status of a transmission project selected for cost allocation. Conditions that triggerreevaluation are:

- The underlying project characteristics and/or regional or interregional needs change in the Regional Plan. Examples include, but are not limited to: (a) a project's failure to secure a developer, or a developer's failure to maintain the qualifications necessary to utilize regional cost allocation, or (b) a change (increase or decrease) in the identified beneficiaries of a project (which changes may occur through company acquisitions, dissolutions or otherwise), or (c) a change in the status of a large load that contributes to the need for a project, or (d) projects affected by a change in law or regulation;
- Projects that are delayed and fail to meet their submitted in-service date by more than two (2) years. This includes projects delayed by funding,

regulatory approval, contractual administration, legal proceedings
(including arbitration), construction delays, or other delays.

- Projects with significant project changes, including, but not limited to kilovolt (kV), megavolt ampere (MVA), or path rating, number of circuits, number of transmission elements, or interconnection locations; and
- Projects with a change in the calculation of benefits or benefit/cost (B/C) ratio that may affect whether the project is selected for inclusion in the Regional Plan for purposes of cost allocation is a more efficient or cost effective regional solution.
  - Example 1: Where an increase in the selected project's costs, including but not limited to, material, labor, environmental mitigation, land acquisition, operations and maintenance, and mitigation for identified transmission system and region, causes the total project costs to increase above the level upon which the project was initially selected for inclusion in the Regional Plan for purposes of cost allocation, the inclusion of the regional project in the Regional Plan will be reevaluated to determine if the regional project continues to satisfy the region's B/C ratio and can be found to be a more efficient or cost effective solution under current cost information.
  - Example 2: A selected project's benefits may include identification of a reliability benefit in the form of remedying a violation of a Reliability Standard. If the identified beneficiary implements improvements, such as a Remedial Action Scheme, to achieve reliability in compliance with the Reliability Standard at issue, inclusion of the regional project in the regional plan will be reevaluated to determine if the regional project continues to satisfy the region's B/C ratio and can be found to be a more efficient or cost effective solution under current benefit information.
  - Example 3: Where a project's estimated benefits include benefits in the form of avoided costs (e.g., a regional project's ability to avoid a local project), and the project is not avoided, the inclusion of the regional project in the Regional Plan will be reevaluated to determine if the regional project continues to satisfy the region's B/C ratio and can be found to be a more efficient or cost effective solution under current facts and circumstances.

Projects selected for purposes of cost allocation will continue to be reevaluated until all the following conditions have been met:

- State and federal approval processes completed and approved
  (including cost recovery approval under Section 205 of the Federal Power Act as applicable);
- All local, state and federal siting permits have been approved; and
- Major construction contracts have been issued.

When the Regional Plan is reevaluated as the result of any of the conditions triggering reevaluation addressed above, the Planning Management Committee is

to determine if an evaluation of alternative transmission solutions is needed in order to meet an identified need. In doing so, the Planning Management Committee is to use the same processes and procedures it used in the identification of the original transmission solution to the regional need. If an alternative transmission solution is needed, the incumbent transmission owner may propose one or more solutions that it would implement within its retail distribution service territory or footprint, and if such proposed solution is a transmission facility, the transmission owner may submit the project for possible selection in the Regional Plan for purposes of cost allocation.

Projects not subject to reevaluation include, but are not limited to, the following:

- Local or single system transmission projects that have been identified in individual transmission provider's Transmission Planning (TPL) Reliability Standards compliance assessments to mitigate reliability issues and that have not been proposed for (and selected by the Planning Management Committee for) regional cost allocation; and
- Planned transmission system upgrades to existing facilities that have not been proposed for (and selected by the Planning Management Committee for) regional cost allocation.

Projects meeting any of the following criteria as of the Effective Date will also not be subject to reevaluation under the Regional Planning Process:

- Projects of transmission owners who have signed the Planning Participation Agreement and that have received approval through local or state regulatory authorities or board approval;
- Local or single system transmission projects that have been planned and submitted for inclusion in the Regional Plan or exist in the 10-year corporate capital project budgets; and
- Projects that are undergoing review through the WECC Project Coordination and Rating Review Process as of the Effective Date.

The unenrollment of a non-public utility under Section VII.B.11.b removes a project's eligibility for Order No. 1000 cost allocation with respect to those projects both (a) selected for inclusion in the Regional Plan for purposes of Order No. 1000 cost allocation *for the first time* in the planning cycle as to which the non-public utility unenrolls and (b) for which the unenrolling non-public utility receives an Order No. 1000 cost allocation in that Regional Plan. The unenrollment of a non-public utility under Section VII.B.11.b has no effect on the eligibility for Order No. 1000 cost allocation of any project that does not meet criteria (a) and (b) in this paragraph. The unenrollment of a non-public utility under Section VII.B.11.b has no effect on the eligibility for Order No. 1000 cost allocation of any project that was initially selected for inclusion in the Regional Plan for purposes of cost allocation in a prior planning cycle.

8. Confidential or Proprietary Information

Although the Regional Planning Process is open to all stakeholders, stakeholders will be required to comply at all times with certain applicable confidentiality measures necessary to protect confidential information, proprietary information or CEII. From time to time the regional transmission planning studies and/or open stakeholder meetings may include access to base case data that are WECC proprietary data, information classified as CEII by FERC, or other similar confidential or proprietary information. In such cases, access to such confidential or proprietary information shall be limited to only those stakeholders that (i) hold membership in or execute a non-disclosure agreement with WECC (see Hyperlinks List on PNM's OASIS at www.oasis.oati.com/pnm/index.html); (ii) execute a non-disclosure agreement with the applicable WestConnect Planning Region members; or (iii) are parties to the Planning Participation Agreement, as may be applicable.

Any entity wishing to access confidential information, subject to applicable standards of conduct requirements, discussed in the Regional Planning Process must execute an NDA, and submit it to NDA@westconnect.com The NDA can be accessed on the WestConnect website at http://www.westconnect.com/planning_non_disclosure_agreement.php.

IV. Recovery of Planning Costs

Unless PNM allocates planning-related costs to an individual stakeholder as permitted under the Tariff, all costs incurred by PNM related to its annual Ten Year Transmission Planning process, or its participation in the sub-regional or Regional Planning Process (including the interregional activities set forth in Section VIII), shall be included in PNM's transmission rate base, as applicable.

V. Dispute Resolution

In the event of a dispute concerning either a procedural or substantive matter within the jurisdiction of FERC, the following dispute resolution processes will apply:

1. WECC. If the dispute is one that is within the scope of the WECC dispute resolution procedures, then such procedures contained in the WECC Business and Governance Guidelines and Policies shall apply (see Hyperlinks List on PNM's OASIS at www.oasis.oati.com/pnm/index.html).

2. Non-WECC disputes. For disputes not within the scope of the WECC dispute resolution procedures , the dispute resolution procedures set forth in Section 12 of PNM's OATT, as applicable, will apply, with the added provision that upon agreement of the parties, any dispute that is not resolved by direct negotiation between or among the affected parties within a reasonable period of time, may be referred to mediation (before or during arbitration), and all applicable timelines will

be suspended until such time as the mediation process terminates (unless otherwise agreed by the parties). Notwithstanding that the dispute resolution procedures under Section 12 of PNM's OATT apply only to PNM and its respective Transmission Customers, Section 12 of PNM's OATT will be deemed to be applicable to stakeholders for purposes of this Attachment K, except as otherwise provided herein.

3. Notwithstanding anything to the contrary in this Section V, any affected party may refer the matter to FERC for resolution, for example, by filing with FERC a complaint, a request for declaratory order or a change in rate.

For disputes between members of the Planning Management Committee, the following dispute resolution procedures are to apply:

a. The disputing Planning Management Committee member(s) initiates its dispute by providing written notification to the Planning Management Committee (or a designated sub-committee of the Planning Management Committee) in accordance with the provisions of the Planning Participation Agreement, in which event the Planning Management Committee will seek to resolve the dispute through discussion, negotiation and the development of a recommended course of action. The Planning Management Committee may act to adopt a resolution recommended by its own committees, sub-committees or members, or
alternatively may act to refer the dispute to arbitration for resolution.

b. A dispute may be referred to arbitration under the governing provisions of the Planning Participation Agreement.

c. The availability of the dispute resolution avenues identified above does not eliminate a disputing Planning Management Committee member's(s') right under the Federal Power Act to refer either a procedural or substantive matter within the jurisdiction of FERC to FERC for resolution, for example by filing with FERC a complaint, a request for declaratory order or a change in rate.

VI. Coordination at the Western Interconnection Level

PNM will coordinate its plan on a west-wide regional basis through WestConnect. WestConnect will coordinate its Regional Plan with TEPPC.

A. Procedures for Regional Planning Project Review

1. WECC Coordination of Reliability Planning.

   a. WECC develops the Western Interconnection wide base cases for transmission planning analysis such as power flow, stability, and dynamic voltage stability studies. The WECC approved base cases are used for study purposes by transmission planners, subregional transmission planning groups, and other entities that have signed non-disclosure agreements with WECC.

b. WECC also maintains a database for reporting the status of all planned projects throughout the Western Interconnection.

c. WECC provides for coordination of planned projects through its Procedures for Regional Planning project review.

d. WECC's path rating process ensures that a new project will have no adverse effect on existing projects or facilities.

2. WECC-TEPPC Open Stakeholder Meetings. Western Interconnection wide economic planning studies are conducted by the WECC-TEPPC in an open stakeholder process that holds region-wide stakeholder meetings on a regular basis. The WECC-TEPPC Transmission Planning Protocol, including the TEPPC procedures for prioritizing and completing regional economic studies, is posted on the WECC website (see Hyperlinks List on PNM's OASIS at www.oasis.oati.com/pnm/index.html). PNM participates in region-wide planning through the WestConnect Planning Region, as appropriate, to ensure data and assumptions are coordinated.

3. Role of WECC-TEPPC: WECC-TEPPC provides two main functions in relation to the PNM planning process.

a. Development and maintenance of the west-wide economic planning study database.

i. TEPPC uses publicly available data to compile a database that can be used by a number of economic congestion study tools.

ii. TEPPC's database is publicly available for use in running economic congestion studies. For an interested transmission customer or stakeholder to utilize WECC's Pro-Mod planning model, such transmission customer or stakeholder must comply with the WECC confidentiality requirements.

b. Performance of economic planning studies. TEPPC has an biennial study cycle, described in the WECC-TEPPC Transmission Planning Protocol (see Hyperlinks List on PNM's OASIS at www.oasis.oati.com/pnm/index.html), during which it will update databases, develop and approve a study plan that includes studying Requester's high priority economic study requests as determined by the open TEPPC stakeholder process, perform the approved studies and document the results in a report.

c. Identification of Congested Paths for WestConnect Economic Review

Through TEPPC's economic study process, congested paths may be reviewed and identified as being candidates for economic transmission studies. Upon WECC Board approval of a designation for such a path, the WestConnect Regional Planning Process shall review the path for potential economic

transmission solutions.

VII. Cost Allocation and New Projects

A. Local Transmission Projects

Local Transmission Projects are projects located within a Transmission Owners retail distribution service territory or footprint unless such projects are submitted and selected in the Regional Plan[2] for purposes of cost allocation. A Transmission Owner is not precluded from proposing Local Transmission Projects for inclusion in the Regional Plan for purposes of cost allocation in the Regional Planning Process. A Local Transmission Project that is not submitted or not selected for inclusion in the Regional Plan is not eligible for cost allocation in the Regional Plan, and not subject to the provisions governing regional cost allocation set forth below.

For any transmission project where PNM is the sole owner or such project is to be built within or for the benefit of the existing PNM's system, such as local, small and/or reliability transmission projects, PNM will proceed with the project pursuant to its rights and obligations as a transmission provider for the local area. Any projects necessary to ensure the reliability or that provide economic benefits to the PNM system and which fall outside the requirements for inclusion in the Regional Plan for purposes of cost allocation are eligible to be considered Local Transmission Projects.

PNM may share ownership, and associated costs, of any new transmission project, based upon mutual agreement between the parties. Such a joint ownership arrangement may arise because of existing joint ownership of facilities in the area of the new facilities, overlapping service territories, or other relevant considerations.

PNM will utilize a case-by-case approach to allocate costs for new transmission projects. This approach will be based on the following principles:

1. Open Season Solicitation of Interest.

   For any Local Transmission Project identified in a PNM reliability or economic planning study in which PNM is the project sponsor, PNM may elect to provide an "open season" solicitation of interest to secure additional project participants. Upon a determination by PNM to hold an open season solicitation of interest for a Local Transmission Project, PNM will:

   a. Announce and solicit interest in the project through informational meetings, its website and/or other means of dissemination as appropriate.

2 The reference to a transmission owner's "footprint" refers to the electrical footprint of the transmission ~~owner (i.e., the location of that tra~~nsmission owners electrical assets) and not necessarily the physical/spatial footprint. Where a transmission owner within the WestConnect Planning Region is a transmission-only company with no retail distribution service territory, the term, footprint, would refer to the location of the transmission facilities of such transmission-only company.

b. Hold meetings with interested parties and meetings with public utility staffs from potentially affected states.

c. Post information *via* PNM's OASIS website.

d. Develop the initial transmission project specifications, the initial cost estimates and potential transmission line routes; guide negotiations and assist interested parties to determine cost responsibility for initial studies; guide the project through the applicable line siting processes; develop final project specifications and costs; obtain commitments from participants for final project cost shares; and secure execution of construction and operating agreements.

2. PNM Coordination within a Solicitation of Interest Process.

PNM, whether as a project sponsor or a participant, will coordinate as necessary with any other participant or sponsor, as the case may be.

3. PNM Projects without a Solicitation of Interest.

PNM may elect to proceed with small and/or reliability Local Transmission Projects without an open season solicitation of interest, in which case PNM will proceed with the project pursuant to its rights and obligations as a Transmission Provider.

4. Allocation of Costs.

a. Proportional Allocation.

For any Local Transmission Project entered into pursuant to an open season solicitation process, project costs and associated transmission rights will generally be allocated proportionally to project participants' respective ownership shares subject to a negotiated participation agreement. In the event the open season process results in a single participant, the full cost and transmission rights will be allocated to that participant. Nothing in this section precludes project participants from utilizing another cost allocation methodology, provided all project participants agree to the alternative.

b. Economic Benefits or Congestion Relief.

For a Local Transmission Project wholly within the PNM local transmission system that is undertaken for economic reasons or congestion relief at the request of a Requester, the project costs will be allocated to the Requester.

c. PNM Rate Recovery.

Notwithstanding the foregoing provisions, PNM will not assume cost responsibility for any Local Transmission Project if the cost of the project is not

reasonably expected to be recoverable in its retail and/or wholesale rates.

B. Regional Transmission Projects.

For any project determined by the Planning Management Committee to be eligible for regional cost allocation, project costs will be allocated proportionally to those entities determined by the Planning Management Committee, as shown in the Regional Plan, to be beneficiaries in the WestConnect Planning Region, as identified in this Attachment K subject to the process set forth in Sections III through VII.

The Planning Management Committee, with input from the Cost Allocation Subcommittee, is to determine whether a project is eligible for regional cost allocation, and assess the project's costs against its benefits in accordance with the following factors:

- Benefits and beneficiaries will be identified before cost allocation methods are applied.
- Cost assignments shall be commensurate with estimated benefits.
- Those that receive no benefits shall not be involuntarily assigned costs.
- A benefit-to-cost threshold of not more than 1.25 shall be used as applicable, so that projects with significant benefits are not excluded.
- Costs shall be allocated solely within the region, unless an entity outside the region voluntarily assumes costs.
- Costs for upgrades on neighboring transmission systems or other planning regions that are (i) required to be mitigated by the WECC Path Rating process, FERC tariff requirements, or NERC Reliability Standards, or (ii) negotiated among interconnected parties, will be included in the total project costs and used in the calculation of B/C ratios.
- Cost allocation method and data shall be transparent and with adequate documentation.
- Consideration should be given to the free rider issue as appropriate. The methodology shall be fair and equitable.
- Existing OATT customers shall not be made to unduly subsidize the cost of benefits to CTO beneficiaries that do not accept a regional cost allocation under Section III.E.6. The Planning Management Committee may select, for purposes of cost allocation, a regional transmission project where CTO beneficiary elections in Section III.E.6 do not result in significant cost shifts onto existing OATT customers of Public Utility beneficiaries.
- Different cost allocation methods may be used for different types of projects.

Specifically, the Planning Management Committee will consider the following projects eligible for cost allocation consideration as further described below based on specified criteria:

- Reliability projects;

- Economic or congestion relief projects; or
- Public policy projects.

Only projects that fall within one or more of these three categories and satisfy the cost-to-benefit analyses and other requirements, as specified herein, are eligible for cost allocation in the WestConnect Planning Region. PNM encourages all interested stakeholders to consult the Business Practice Manual for additional details regarding the assessment for eligibility for regional cost allocation. Summary provisions are provided below[3]:

1. Allocation of Costs for Reliability Projects

In order to allocate costs to transmission owner for system reliability improvements that are necessary for their systems to meet the NERC Transmission Planning Standards, the WestConnect cost allocation procedure will allocate costs for system reliability improvements only when a system improvement is required to comply with the NERC Transmission Planning Standards during the planning horizon.

All components of a transmission owner's local transmission plan will be rolled up into the Regional Plan and will be considered local transmission projects that are not eligible for regional cost allocation. A system performance analysis will be performed on the collective plans to ensure the combined plans adhere to all relevant NERC Transmission Planning Standards, and stakeholders will be afforded an opportunity to propose projects that are more efficient or cost effective than components of multiple transmission owner local plans as outlined in Section III.E above.

Should a reliability issue be identified in the review of the included local transmission plan, the project necessary to address that reliability issue will be included in the Regional Plan and the cost will be shared by the utilities whose load contributed to the need for the project.

Should multiple utilities have separate reliability issues that are addressed more efficiently or cost effectively by a single regional project, that regional project will be approved for selection in the Regional Plan and the cost will be shared by those transmission owners in proportion to the cost of alternatives that could be pursued by the individual transmission owners to resolve the reliability issue. The ultimate responsibility for maintaining system reliability and compliance with NERC Transmission Planning Standards rests with each transmission owner.

The costs for regional reliability projects will be allocated according to the following equation:

3 References to "transmission owners" in the cost allocation provisions are to transmission owners for whom the WestConnect Planning Management Committee is performing the function of regional transmission planning. At present, those transmission owners are TOLSO members.

(1 divided by 2) times 3 equals 4

Where:

1 is the cost of local reliability upgrades necessary to avoid construction of the regional reliability project in the relevant transmission owner's retail distribution service territory or footprint

2 is the total cost of local reliability upgrades in the combination of transmission owners' retail distribution service territories or footprints necessary to avoid construction of the regional reliability project

3 is the total cost of the regional reliability project

4 is the total cost allocated to the relevant transmission owner's retail distribution service territory or footprint

The manner in which the Planning Management Committee applied this methodology to allocate the costs of each regional reliability project shall be described in the Regional Plan.

2. Allocation of Costs for Economic Projects

Cost allocation for economic projects associated with congestion relief that provide for more economic operation of the system will be based on the calculation of economic benefits that each transmission owner system will receive. Cost allocation for economic projects shall include scenario analyses to ensure that benefits will actually be received by beneficiaries with relative certainty. Projects for which benefits and beneficiaries are highly uncertain and vary beyond reasonable parameters based on assumptions about future conditions will not be selected for cost allocation.

In order for a project to be considered economically-justified and receive cost allocation associated with economic projects, the project must have a B/C ratio that is greater than 1.0 under each reasonable scenario evaluated and have an average ratio of at least 1.25 under all reasonable scenarios evaluated. Costs will be allocated on the basis of the average of all scenarios evaluated. The B/C ratio shall be calculated by the Planning Management Committee. This B/C ratio shall be determined by calculating the aggregate load-weighted benefit-to-cost ratio for each transmission system in the WestConnect Planning Region. The benefits methodology laid out below ensures that the entities that benefit the most from the completion of an economic project are allocated costs commensurate with those project benefits.

The cost of any project that has an aggregate 1.25 B/C ratio or greater will be divided among the transmission owners that show a benefit based on the amount of benefits calculated to each respective transmission owner. For example, if a $100 million dollar project is shown to have $150 million in economic benefit, the

entities for which the economic benefit is incurred will be determined. The cost of the project will then be allocated to those entities, based on the extent of each entity's economic benefits relative to the total project benefits. This will ensure that each entity that is allocated cost has a B/C ratio equal to the total project B/C ratio. For example:

- Project with $150 million in economic benefit and $100 million in cost
  - Company 1 has $90 million in benefits; Company 2 has $60 million in benefits
  - Company 1 allocation: 90/150 (100) = $60 million
  - Company 1 B/C ratio: 90/60 = 1.5
  - Company 2 allocation: 60/150 (100) = $40 million
  - Company 2 B/C ratio: 60/40 = 1.5

Other than through the reevaluation process described in Section III.E.7 of this Attachment K, the benefits and costs used in the evaluation shall only be calculated during the planning period and shall be compared on a net present value basis.

The WestConnect economic planning process shall consider production cost savings and reduction in reserve sharing requirements as economic benefits capable of contributing to the determination that a project is economically justified for cost allocation. Production cost savings are to be determined by the Planning Management Committee performing a product cost simulation to model the impact of the transmission project on production costs and congestion. Production cost savings will be calculated as the reduction in production costs between a production cost simulation with the project included compared to a simulation without the project. Reductions in reserve sharing requirements are to be determined by the Planning Management Committee indentifying a transmission project's impact on the reserve requirements of individual transmission systems, and not on the basis of the project's collective impact on a reserve sharing group, as a whole. The production cost models are to appropriately consider the hurdle rates between transmission systems. The following production cost principles may be applied:

- The production cost savings from a project must be present in each year from the project in-service date and extending out at least 10 years.
- Cost savings must be expressed in present-value dollars and should consider the impact of various fuel cost forecasts.
- The product cost study must account for contracts and agreements related to the use of the transmission system (this refers to paths in systems that might be contractually limited but not reliability limited).
- The production cost study must account for contracts and agreements related to the access and use of generation (this refers to generators that might only use spot purchases for fuel rather than firm purchases, or

generation that has been designated as network resources for some entities and thus cannot be accessed at will by non-owners).

Access by stakeholders to the Planning Management Committee's application of its regional cost allocation method for a specific economic transmission project is available in several ways: First, stakeholders that are members of the Planning Management Committee will have firsthand knowledge of the way in which the regional method was applied to a particular project because the Planning Management Committee is responsible for performing the application of the regional cost allocation method. Second, stakeholders that choose not to become members of the Planning Management Committee may access such information through the WestConnect regional stakeholder process. See Section III.B of this Attachment K. Third, the manner in which the Planning Management Committee applied this methodology to allocate the costs of each economic project shall be described in the Regional Plan.

In determining which entities will be allocated costs for economic projects, WestConnect will compare the economic value of benefits received by an entity with the cost of the project to ensure that each entity allocated cost receives a benefit/cost ratio equal to the aggregate load-weighted benefit-to-cost ratio. These costs allocated to each company will be calculated based on the following equation:

(1 divided by 2) times 3 equals 4

Where:

1 is the total projected present value of economic benefits for the relevant transmission owner
2 is the total projected present value of economic benefits for the entire project
3 is the total cost of the economic project
4 is the total cost allocated to the relevant transmission owner

Any transmission owner with benefits less than or equal to one percent of total project benefits shall be excluded from cost allocation. Where a project satisfies the B/C ratio, and is determined to provide benefits less than or equal to one percent of total project benefits to an identified transmission owner, such benefits will be re-allocated to all other identified beneficiaries on a pro-rata basis, in relation to each entity's share of total project benefits.

3. Allocation of Costs for Public Policy Projects

Any transmission system additions that arise from Public Policy Requirements, shall be included in the system models used for the WestConnect transmission system studies. Further, any additional system needs that arise from proposed public policy shall be reported by each entity for its own service territory. Decisions on the inclusion of those needs shall be made during the consideration

and approval of the system models. Transmission needs driven by Public Policy Requirements will be included in the evaluation of reliability and economic projects.

Except for projects proposed through a transmission owner's local planning process, arising out of a local need for transmission infrastructure to satisfy Public Policy Requirements that are not submitted as projects for cost allocation (which are addressed in Section II of this Attachment K), any projects arising out of a regional need for transmission infrastructure to satisfy the Public Policy Requirements shall be considered public policy projects eligible for evaluation in the Regional Planning Process.

Stakeholders may participate in identifying regional transmission needs driven by Public Policy Requirements. After seeking the input of stakeholders pursuant to the stakeholder participation provisions of Section III, the Planning Management Committee is to determine whether to move forward with the identification of a regional solution to a particular regional need driven by Public Policy
Requirements. Stakeholders may participate in identifying a regional solution to a regional need driven by Public Policy Requirements pursuant to the stakeholder participation provisions of Section III, or through membership on the Planning Management Committee itself. After seeking the input of stakeholders, the Planning Management Committee is to determine whether to select a particular regional solution in the regional transmission plan for purposes of cost allocation. The identification of beneficiaries of these projects shall be the entities that will access the resources enabled by the project in order to meet their Public Policy Requirements.

If an entity accesses resources that were enabled by a prior public policy project, that entity will need to either share in its relative share of the costs of that public policy project or acquire sufficient transmission service rights to move the resources to its load with the determination left up to the entity or entities that were originally allocated the cost for the public policy project.

The costs for public policy projects will be allocated according to the following equation:

(1 divided by 2) times 3 equals 4

Where:

1 is the number of megawatts of public policy resources enabled by the public policy project for the entity in question

2 is the total number of megawatts of public policy resources enabled by the public policy project

3 is the total project cost

4 is the cost for the public policy project allocated to the entity in question

The process to interconnect individual generation resources is provided for under the generator interconnection section each utility's OATT and not under this process.

Requests for transmission service that originate in a member's system and terminate at the border shall be handled through that member's OATT. Regional transmission needs necessary to meet Public Policy Requirements will be addressed through the Public Policy Requirements section of the Regional Planning Process.

The manner in which WestConnect applied this methodology to each public policy project shall be described in the Regional Transmission Plan.

4. Combination of Benefits

In developing a more efficient or cost effective plan, it is possible for the plan to jointly consider multiple types of benefits when approving projects for inclusion in the Regional Plan. The determination to consider multiple types of benefits for a particular project shall be made through the WestConnect stakeholder process, in which interested stakeholders are given an opportunity to provide input as set forth in Section III of this Attachment K. In determining whether a project would provide multiple benefits, the Planning Management Committee is to categorize the benefits as (a) necessary to meet NERC Transmission Planning Reliability Standards (reliability); (b) achieving production cost savings or a reduction in reserve sharing requirements (economic); or (c) necessary to meet transmission needs driven by Public Policy Requirements, as applicable, using the methods set forth in this Attachment K. The Planning Management Committee will identify all three categories of benefits in its regional cost allocation process. If a project cannot pass the cost allocation threshold for any one of the three benefit categories, alone (reliability, economic or public policy), the sum of benefits from each benefit category may be considered.

- With respect to a reliability-driven regional transmission project, the quantified benefits of the project to each identified beneficiary must be greater, by a margin of 1.25 to 1, than the result of the equation identified in Section B.1 above (where the result is shown as item 4 in the formula).
- With respect to an economic-driven regional transmission project, the quantified benefits of the project to each identified beneficiary must be greater than the project's cost to each beneficiary under each reasonable scenario evaluated, and must yield an average ratio of at least 1.25 to 1 under all reasonable scenarios evaluated, as described in Section B.2 above.

- With respect to a public policy requirements-driven regional transmission project, the quantified benefits of the project to each identified beneficiary must be greater, by a margin of 1.25 to 1, than the result of the equation identified in Section B.3 above (where the result is shown as item 4 in the formula).

If a single regional transmission project is determined to provide benefits in more than one category, but does not meet the cost threshold for any single category, the Planning Management Committee may consider the sum of benefits from each benefit category to determine if the regional transmission project provides, in total, benefits per beneficiary that meet or exceed the region's 1.25 to 1 benefit to cost ratio. To illustrate, consider the following example where a regional project developed to provide public policy requirement benefits might also provide for economic benefits to the same beneficiaries:

A regional project submittal has undergone analysis for its quantifiable benefits and costs and is determined to cost $100 million and produce benefits to identified beneficiaries in two categories: economic benefits of $101 million (on average, under all economic scenarios quantified), and public policy requirement benefits of $70 million. The project is found to fail the cost threshold for each category, individually, but when the total benefits are combined and the project's total regional benefits per
beneficiary are weighed against the project's total costs per beneficiary, the project can be found to surpass the region's 1.25 to 1 benefit to cost ratio per beneficiary:

- The benefits to Beneficiary A of pursuing the regional solution (60% of the regional project's total $171 million in benefits) = $102.6 million. When $102.6 million in project benefits is compared against $60 million in project costs (60% of project costs), it yields a B/C ratio of 1.71 to 1 for Beneficiary A.

- The benefits to Beneficiary B of pursuing the regional solution (40% of the regional project's total $171 million in benefits) = $68.4 million. When $68.4 million in project benefits is compared against $40 million in project costs (40% of project costs), it yields a B/C ratio of 1.71 to 1 for Beneficiary B.

Even though the regional project does not pass the cost allocation threshold in any individual benefit category, the Planning Management Committee may consider the sum of the project's benefits in all categories.

For those regional projects that satisfy the region's cost allocation
threshold, the Planning Management Committee then will continue its evaluation process by considering whether the regional project meets the region's identified reliability, economic and public policy requirements-driven needs more efficiently or cost-effectively than solutions identified

by individual transmission providers in their local transmission planning processes.

The costs for projects that rely upon multiple types of benefits to secure inclusion in the Regional Plan for purposes of cost allocation will be shared according to the amount of cost that is justified by each type of benefits.

5. Allocation of Ownership and Capacity Rights.

An Eligible Transmission Developer that is subject to the Commission's jurisdiction under Section 205 of the Federal Power Act may not recover project costs from identified beneficiaries in the WestConnect Planning Region without securing approval for project cost recovery from FERC through a separate proceeding brought by the Eligible Transmission Developer under Section 205 of the Federal Power Act. In no event will identified beneficiaries in the WestConnect Planning Region from whom project costs are sought to be recovered under Section 205 be denied either transmission transfer capability or ownership rights proportionate to their allocated costs, as determined by FERC in such proceeding. An Eligible Transmission Developer who is not subject to the Commission's jurisdiction under Section 205 of the Federal Power Act would have to seek cost recovery from identified beneficiaries in the WestConnect Planning Region either: (a) through bilateral agreements that are voluntarily entered into between such Eligible Transmission Developer and the applicable identified beneficiaries; or (b) by obtaining approval from FERC for project cost recovery pursuant to any other applicable section of the Federal Power Act.

If a project beneficiary receives transmission transfer capability on the project in exchange for transmission service payments, such project beneficiary may resell the transfer capability. Alternatively, a project beneficiary could seek to make a direct capital contribution to the project construction cost (in lieu of making transmission service payments) in which case, the project beneficiary would instead receive an ownership percentage in proportion to their capital contribution (Ownership Proposal). This Ownership Proposal does not create a right of first refusal for transmission beneficiaries.

An ownership alternative will only be pursued if the Eligible Transmission Developer agrees. The Eligible Transmission Developer and the beneficiaries will enter into contract negotiations to address the many details regarding the capital funding mechanics and timing, as well as other details, such as defining (as between the Eligible Transmission Developer, whether a nonincumbent or incumbent transmission developer, and those receiving ownership interests) responsibility for operations and maintenance, administrative tasks, compliance with governing laws and regulations, etc. These negotiations will take place at arm's length, without any one party having undue leverage over the other.

A transmission project beneficiary should not be expected to pay for its benefits

from the project twice: once through a capital contribution, and again through transmission service payments. The Ownership Proposal permits an ownership share in a project that is in the same proportion to a beneficiary's allocable costs, which costs will have been allocated roughly commensurate with the benefits to be gained from the project. This will allow the beneficiary to earn a return on its investment. In addition, it allows those beneficiaries that may not necessarily benefit from additional transfer capability on a new transmission project, whether due to lack of contiguity to the new facilities or otherwise, to realize the benefits through an ownership option.

Any transmission project participant that is identified as a beneficiary of the project might be permitted by the Eligible Transmission Developer to contribute capital (in lieu of transmission service payments) and receive a proportionate share of ownership rights in the transmission project. The Ownership Proposal affords an identified beneficiary who contributes toward the project costs the opportunity to obtain an ownership interest in lieu of an allocated share of the project costs through transmission service payments in exchange for transfer capability on the project; it does not, however, confer a right to invest capital in a project. The Ownership Proposal merely identifies that, to the extent it is agreed among the parties that capital may be contributed toward a transmission project's construction, a proportionate share of ownership rights will follow.

Nothing in this Attachment K with respect to Order No. 1000 cost allocation imposes any new service on beneficiaries. Similarly, nothing in this Attachment K with respect to Order No. 1000 cost allocation imposes on an Eligible Transmission Developer of a project an obligation to provide transmission service to identified beneficiaries simply as a result of a project's having been selected in the Regional Plan for purposes of cost allocation; provided, however, if that Eligible Transmission Developer seeks authorization to provide transmission services to beneficiaries or others, and to charge rates or otherwise recover costs from beneficiaries or others associated with any transmission services it were to propose, it must do so by contract and/or under separate proceedings under the Federal Power Act. The purpose of this Section VII.B.5 is to (a) provide an option to a project developer to negotiate ownership rights in the project with identified beneficiaries, if both the developer and the identified beneficiaries mutually desire to do so, and (b) specify that, although Order No. 1000 cost allocation does not impose any new service on beneficiaries, identified
beneficiaries have the opportunity to discuss with the project developer the potential for entering into transmission service agreements for transmission capacity rights in the project, and (c) ensure that Order No. 1000 cost allocation does not mean that a project developer may recover project costs from identified beneficiaries without providing transmission transfer capability or ownership rights, and without securing approval for project cost recovery by contract and/or under a separate proceeding under the Federal Power Act.

If an Eligible Transmission Developer is not subject to the Commission's jurisdiction under Section 205 of the Federal Power Act, the Eligible

Transmission Developer would have to seek to recover project costs from identified beneficiaries in the WestConnect Planning Region either: (a) through bilateral agreements that are voluntarily entered into between such Eligible Transmission Developer and the applicable identified beneficiaries; or (b) by obtaining approval from FERC for project cost recovery pursuant to any other applicable section of the Federal Power Act.

6. Project Development Schedule.

The Planning Management Committee will not be responsible for managing the development of any project selected for inclusion in the Regional Plan. However, after having selected a project in the Regional Plan, the Planning Management Committee will monitor the status of project's development. If a transmission facility is selected for inclusion in the Regional Plan for purposes of cost allocation, the transmission developer of that transmission facility must submit a development schedule that indicates the required steps, such as the granting of state approvals, necessary to develop and construct the transmission facility such that it meets the regional transmission needs of the WestConnect Planning Region. As part of the ongoing monitoring of the status of the transmission project once it is selected, the transmission owners and providers in the
WestConnect Planning Region will establish the dates by which the required steps to construct must be achieved that are tied to when construction must begin to timely meet the need that the project is selected to address. If such required steps have not been achieved by those dates, then the transmission owners and providers in the WestConnect Planning Region may remove the transmission project from the selected category and proceed with reevaluating the Regional Plan to seek an alternative solution.

7. Economic Benefits or Congestion Relief.

For a transmission project wholly within the Transmission Provider's local transmission system that is undertaken for economic reasons or congestion relief at the request of a Requester, the project costs will be allocated to the Requester.

8. Transmission Provider Rate Recovery.

Notwithstanding the foregoing provisions, Transmission Provider will not assume cost responsibility for any transmission project if the cost of the project is not reasonably expected to be recoverable in its retail and/or wholesale transmission rates.

9. Selection of a Transmission Developer for Sponsored and Unsponsored Projects

For any project (sponsored or unsponsored) determined by the Planning Management Committee to be eligible for regional cost allocation and selected in the Regional Plan for purposes of cost allocation, the Planning Management Committee shall select a transmission project developer according to the

processes set forth in this section, provided that selection according to those processes does not violate relevant law where the transmission facility is to be built that otherwise prescribes the entity that shall develop and build the project. Any entity that, pursuant to applicable law for the location where the facilities are to be built, shall or chooses to develop and build the project must submit a project development schedule as required by Section VII.B.6 of this Attachment K, within the timeframe directed by the WestConnect Business Practices Manual (located on the WestConnect website at http://www.westconnect.com/), not to exceed the time period for request for proposal responses.

For any project determined by the Planning Management Committee to be eligible for regional cost allocation and selected in the Regional Plan for purposes of cost allocation, either sponsored by a transmission developer or unsponsored, that is not subject to the foregoing paragraph, the Planning Management Committee shall, upon the posting of the selected project(s), issue a request for information to all Eligible Transmission Developers under Section III.D.2 of this Attachment K soliciting their interest in developing the project(s). Each transmission developer shall respond to the request for information indicating its interest in developing the project. The Planning Management Committee shall post on the WestConnect website the list of all transmission developers who responded with an expression of interest in developing the project(s). The Planning Management Committee shall provide to each developer indicating interest in developing a project a request for proposals for the identified project(s) with a specified date of return for all proposals.

Each transmission developer, or partnership or joint ventures of transmission developers, shall submit information demonstrating its ability to finance, own and construct the project consistent with the guidelines for doing so set forth in the WestConnect Business Practices Manual. The Planning Management Committee shall assess the submissions according to the following process and criteria.

The evaluation of the request for proposals will be at the direction of the Planning Management Committee, and will involve representatives of the beneficiaries of the proposed project(s). The evaluation will include, but not be limited to, an assessment of the following evidence and criteria:

- General qualifications of the bidding entity;
- Evidence of financing/financial creditworthiness, including
  - financing plan (sources debt and equity), including construction financing and long-term financing
  - ability to finance restoration/forced outages
  - credit ratings
  - financial statements;
- Safety program and experience;
- Project description, including
  - detailed proposed project description and route

  - design parameters
  - design life of equipment and facilities
  - description of alternative project variations;
- Development of project, including
  - experience with and current capabilities and plan for obtaining state and local licenses, permits, and approvals
  - experience with and current capabilities and plan for obtaining any federal licenses permits, and approvals
  - experience with and expertise and plan for obtaining rights of way
  - development schedule
  - development budget;
- Construction, including
  - experience with and current capabilities and plan for project construction
  - third party contractors
  - procurement plan
  - project management (cost and schedule control)
  - construction schedule
  - construction budget (including all construction and period costs);
- Operations, including
  - experience with and current capabilities and plan for project operation
  - experience with and current capabilities and plan for NERC compliance
  - security program and plan
  - storm/outage response plan
  - reliability of facilities already in operation;
- Maintenance capabilities and plans for project maintenance (including staffing, equipment, crew training, and facilities);
- Project cost to beneficiaries, including
  - total project cost (development, construction, financing, and other non-O&M costs)
  - operation and maintenance costs, including evaluation of electrical losses
  - revenue requirement, including proposed cost of equity, FERC incentives, proposed cost of debt and total revenue requirement calculation
  - present value cost of project to beneficiaries.

The Planning Management Committee shall notify the developers of its determination as to which developer(s) it selected to develop the project(s) responsive to the request for proposal. The selected developer(s) must submit a project development schedule as required by Section VII.B.6 of this Attachment K.

If the Planning Management Committee determines that a sponsored or

unsponsored project fails to secure a developer through the process outlined in this section, the Planning Management Committee shall remove the project from the Regional Plan.

10. No Obligation to Construct.

The Regional Planning Process is intended to determine and recommend more efficient or cost-effective transmission solutions for the WestConnect Planning Region. After the Regional Plan is approved, due to the uncertainty in the Regional Planning Process and the need to address cost recovery issues, the Regional Planning Process shall not obligate any entity to construct, nor obligate any entity to commit to construct, any facilities, including any transmission facilities, regardless of whether such facilities are included in any plan. Nothing in this Attachment K, the Business Practice Manual or the Planning Participation Agreement, or any cost allocation under this Attachment K and the Business Practice Manual shall (1) determine any transmission service to be received by, or any transmission usage by, any entity; (2) obligate any entity to purchase or pay for, or obligate any entity to commit to purchase or pay for, any transmission service or usage; or (3) entitle any entity to recover for any transmission service or usage or to recover from any entity any cost of any transmission facilities, regardless of whether such transmission facilities are included in any plan. Without limiting the generality of the foregoing, nothing in this Attachment K, the Business Practice Manual or the Planning Participation Agreement with respect to regional cost allocation shall preclude any WestConnect Planning Region member from satisfying its statutory requirements.

11. Binding Order No. 1000 Cost Allocation Methods

a) Order No. 1000 cost allocation methods as set forth in Section VII of this Attachment K are binding on identified beneficiaries in the WestConnect Planning Region, without prejudice to the following rights and obligations: (1) the right of a non-public utility that is enrolled in the Transmission Owners with Load Serving Obligations sector to unenroll with respect to a planning cycle in accordance with subsection b of this Section, and the right of a CTO, at its sole discretion, to decide whether to accept a regional cost allocation in accordance with Section III.E.6; (2) the right and obligation of the Planning Management Committee to reevaluate a transmission facility previously selected for inclusion in the regional plan for purposes of Order No. 1000 cost allocation under Section III.E.7 of this Attachment K; (3) the right and obligation of an Eligible Transmission Developer to make a filing under Section 205 or other applicable provision of the Federal Power Act in order to seek approval from the Commission to recover the costs of any transmission facility selected for inclusion in the regional plan for purposes of Order No. 1000 cost allocation; (4) the right and obligation of any interested person to intervene and be heard before the Commission in any Section 205 or other

applicable provision of proceeding initiated by an Eligible Transmission Developer, including the right of any identified beneficiaries of the
transmission facility to support or protest the filing and to present evidence on whether the proposed cost recovery is or is not just and reasonable; and (5) the right and obligation of the Commission to act under Section 205 or other applicable provision of the Federal Power Act to approve or deny any cost recovery sought by an Eligible Transmission Developer for a transmission facility selected in the regional plan for purposes of Order No. 1000 cost allocation[4].

b) An enrolled non-public utility member of the Transmission Owners with Load Serving Obligations sector may elect to unenroll with respect to a planning cycle, but only if it notifies the Planning Management Committee chair in writing of its unenrollment decision within sixty (60) calendar days after the date the Regional Plan for that planning cycle is approved by the Planning Management Committee under Section III.E.6. By providing this notice, the unenrolling non-public utility member of the Transmission Owners with Load Serving Obligations sector (the "unenrolling non-public utility") will not be subject to Order No. 1000 cost allocation for any of the projects for which it receives an Order No. 1000 cost allocation in the Regional Plan for the first time during that planning cycle. Once a non-public utility unenrolls, it may not re-enroll during the same planning cycle as to which it unenrolled, or in the subsequent planning cycle, without the unanimous consent of the Planning Management Committee.

The unenrolling non-public utility shall automatically become a Coordinating Transmission Owner member of the Transmission Owners with Load Serving Obligations sector and shall remain a Coordinating Transmission Owner for the planning cycle following the one as to which it unenrolled. The unenrolling non-public utility may thereafter transfer to any other sector for which it qualifies. If the non-public utility does transfer to any other sector, the Planning Management Committee will no longer perform the function of regional transmission planning for the non-public utility.

An unenrolling non-public utility will continue to be subject to Order No. 1000 cost allocation for its share of the previously-identified costs for projects approved by the Planning Management Committee in prior planning cycles, subject to the provisions for reevaluation of the Regional Plan in Section III.E.7. For such Order No. 1000 cost allocation to continue, the unenrolling

[4] An Eligible Transmission Developer may not be subject to the Commission's Section 205 jurisdiction. See Section VII.5. If an Eligible Transmission Developer is not subject to the Commission's jurisdiction under section 205 of the Federal Power Act, the Eligible Transmission Developer would have to seek to recover project costs from identified beneficiaries in the WestConnect Planning Region either: (a) through bilateral agreements that are voluntarily entered into between such Eligible Transmission Developer and the applicable identified beneficiaries; or (b) by obtaining approval from the Commission for project cost recovery pursuant to any other applicable section of the Federal Power Act.

non-public utility must have been identified as a beneficiary for cost allocation purposes in a prior planning cycle and must have been and remained enrolled as a Transmission Owner with Load Serving Obligations with respect to that planning cycle.

c) The right extended in Section VII.B.11.b above (for a transmission owner to elect to unenroll with respect to a planning cycle) is a right available only to non-public utilities. In contrast, the right to exit the WestConnect Planning Region is a right of all transmission owners. Exiting the region is addressed in Section III.A.2.b and is to be governed by the Planning Participation Agreement.

12. Impacts of a Regional Project on Neighboring Planning Regions

The Planning Management Committee is to study the impact(s) of a regional transmission project on neighboring planning regions, including the resulting need, if any, for mitigation measures in such neighboring planning regions. If the Planning Management Committee finds that a regional transmission project in the WestConnect Planning Region causes impacts on a neighboring planning region that requires mitigation (a) by the WECC Path Rating Process, (b) under FERC OATT requirements, (c) under NERC Reliability Standards requirements, and/or (d) under any negotiated arrangement between the interconnected entities, the Planning Management Committee is to include the costs of any such mitigation measures into the regional transmission project's total project costs for purposes of determining the project's eligibility for regional cost allocation under the procedures identified in Section VII.B of this Attachment K, including application of the region's benefits-to-costs analysis.

The WestConnect Planning Region will not be responsible for compensating a neighboring planning region, transmission provider, transmission owner,
Balancing Area Authority, or any other entity, for the costs of any required mitigation measures, or other consequences, on their systems associated with a regional transmission project in the WestConnect Planning Region, whether identified by the Planning Management Committee or the neighboring system(s). The Planning Management Committee does not direct the construction of transmission facilities, does not operate transmission facilities or provide
transmission services, and does not charge or collect revenues for the performance of any transmission or other services. Therefore, in agreeing to study the impacts of a regional transmission facility on neighboring planning regions, the Planning Management Committee is not agreeing to bear the costs of any mitigation measures it identifies. However, the Planning Management Committee will request of any developer of a regional transmission project selected in the Regional Plan for purposes of cost allocation that the developer design and build its project to mitigate the project's identified impacts on neighboring planning regions. If the project is identified as impacting a neighboring planning region that accords less favorable mitigation treatment to the WestConnect Planning

Region than the WestConnect Planning Region accords to it, the Planning Management Committee will request that the project developer reciprocate by using the lesser of (i) the neighboring region's mitigation treatment applicable to the mitigation of impacts of its own regional projects on the WestConnect Planning Region, or (ii) the Planning Management Committee's mitigation treatment set forth above in sub-sections (a) through (d).

13. Exclusions.

The cost for transmission projects undertaken in connection with requests for interconnection or transmission service on the PNM transmission system, which are governed by existing cost allocation methods within PNM's Tariff, will continue to be so governed and will not be subject to the principles of this Section VII.

VIII. Interregional Coordination and Cost Allocation

This Section VIII of Attachment K sets forth common provisions, which are to be adopted by or for each Planning Region and which facilitate the implementation of Order No. 1000 interregional provisions. WestConnect is to conduct the activities and processes set forth in this Section VIII of Attachment K in accordance with the provisions of this Section VIII and the other provisions of this Attachment K.

Nothing in this Section VIII will preclude any transmission owner or transmission provider from taking any action it deems necessary or appropriate with respect to any transmission facilities it needs to comply with any local, state, or federal requirements.

Any Interregional Cost Allocation regarding any ITP is solely for the purpose of developing information to be used in the regional planning process of each Relevant Planning Region, including the regional cost allocation process and methodologies of each such Relevant Planning Region.

References in this Section VIII to any transmission planning processes, including cost allocations, are references to transmission planning processes pursuant to Order No. 1000.

A. Definitions

The following capitalized terms where used in this Section VIII of Attachment K, are defined as follows:

Annual Interregional Coordination Meeting: shall have the meaning set forth in Section C below.

Annual Interregional Information: shall have the meaning set forth in Section B below.

Interregional Cost Allocation: means the assignment of ITP costs between or among Planning Regions as described in Section E.2 below.

Interregional Transmission Project ("ITP"): means a proposed new transmission project that would directly interconnect electrically to existing or planned transmission facilities in two or more Planning Regions and that is submitted into the regional transmission planning processes of all such Planning Regions in accordance with Section D.1.

Order No. 1000 Common Interregional Coordination and Cost Allocation Tariff Language: means this Section VIII, which relates to Order No. 1000 interregional provisions.

Planning Region: means each of the following Order No. 1000 transmission planning regions insofar as they are within the Western Interconnection: California Independent

System Operator Corporation, ColumbiaGrid, Northern Tier Transmission Group, and WestConnect.

Relevant Planning Regions: means, with respect to an ITP, the Planning Regions that would directly interconnect electrically with such ITP, unless and until such time as a Relevant Planning Region determines that such ITP will not meet any of its regional transmission needs in accordance with Section 4.2, at which time it shall no longer be considered a Relevant Planning Region.

B. Annual Interregional Information Exchange

Annually, prior to the Annual Interregional Coordination Meeting, WestConnect is to make available by posting on its website or otherwise provide to each of the other Planning Regions the following information, to the extent such information is available in its regional transmission planning process, relating to regional transmission needs in WestConnect's transmission planning region and potential solutions thereto:

1. study plan or underlying information that would typically be included in a study plan, such as:

    a. identification of base cases;

    b. planning study assumptions; and

    c. study methodologies;

2. initial study reports (or system assessments); and

3. regional transmission plan

    (collectively referred to as "Annual Interregional Information").

WestConnect is to post its Annual Interregional Information on its website according to its regional transmission planning process. Each other Planning Region may use in its regional transmission planning process WestConnect's Annual Interregional Information. WestConnect may use in its regional transmission planning process Annual Interregional Information provided by other Planning Regions.

WestConnect is not required to make available or otherwise provide to any other Planning Region (i) any information not developed by WestConnect in the ordinary course of its regional transmission planning process, (ii) any Annual Interregional Information to be provided by any other Planning Region with respect to such other Planning Region, or (iii) any information if WestConnect reasonably determines that making such information available or otherwise providing such information would constitute a violation of the Commission's Standards of Conduct or any other legal requirement. Annual Interregional Information made available or otherwise provided by WestConnect shall be subject to applicable confidentiality and CEII

restrictions and other applicable laws, under WestConnect's regional transmission planning process. Any Annual Interregional Information made available or otherwise provided by WestConnect shall be "AS IS" and any reliance by the receiving Planning Region on such Annual Interregional Information is at its own risk, without warranty and without any liability of WestConnect, including any liability for (a) any errors or omissions in such Annual Interregional Information, or (b) any delay or failure to provide such Annual Interregional Information.

C. Annual Interregional Coordination Meeting

WestConnect is to participate in an Annual Interregional Coordination Meeting with the other Planning Regions. WestConnect is to host the Annual Interregional Coordination Meeting in turn with the other Planning Regions, and is to seek to convene such meeting in February, but not later than March 31st. The Annual Interregional Coordination Meeting is to be open to stakeholders. WestConnect is to provide notice of the meeting to its stakeholders in accordance with its regional transmission planning process.

At the Annual Interregional Coordination Meeting, topics discussed may include the following:

1. each Planning Region's most recent Annual Interregional Information (to the extent it is not confidential or protected by CEII or other legal restrictions);

2. identification and preliminary discussion of interregional solutions, including conceptual solutions, that may meet regional transmission needs in each of two or more Planning Regions more cost effectively or efficiently; and

3. updates of the status of ITPs being evaluated or previously included in WestConnect's regional transmission plan.

D. ITP Joint Evaluation Process

1. Submission Requirements

   A proponent of an ITP may seek to have its ITP jointly evaluated by the Relevant Planning Regions pursuant to Section D.2 by submitting the ITP into the regional transmission planning process of each Relevant Planning Region in accordance with such Relevant Planning Region's regional transmission planning process and no later than March 31st of any even-numbered calendar year. Such proponent of an ITP seeking to connect to a transmission facility owned by multiple transmission owners in more than one Planning Region must submit the ITP to each such Planning Region in accordance with such Planning Region's regional transmission planning process. In addition to satisfying each Relevant Planning Region's information requirements, the proponent of an ITP must include with its submittal to each Relevant Planning Region a list of all Planning Regions to which the ITP is being submitted.

2. Joint Evaluation of an ITP

For each ITP that meets the requirements of Section D.1, WestConnect (if it is a Relevant Planning Region) is to participate in a joint evaluation by the Relevant Planning Regions that is to commence in the calendar year of the ITP's submittal in accordance with Section D.1 or the immediately following calendar year. With respect to any such ITP, WestConnect (if it is a Relevant Planning Region) is to confer with the other Relevant Planning Region(s) regarding the following:

a. ITP data and projected ITP costs; and

b. the study assumptions and methodologies it is to use in evaluating the ITP pursuant to its regional transmission planning process.

For each ITP that meets the requirements of Section D.1, WestConnect (if it is a Relevant Planning Region):

c. is to seek to resolve any differences it has with the other Relevant Planning Regions relating to the ITP or to information specific to other Relevant Planning Regions insofar as such differences may affect WestConnect's evaluation of the ITP;

d. is to provide stakeholders an opportunity to participate in WestConnect's activities under this Section D.2 in accordance with its regional transmission planning process;

e. is to notify the other Relevant Planning Regions if WestConnect determines that the ITP will not meet any of its regional transmission needs; thereafter WestConnect has no obligation under this Section D.2 to participate in the joint evaluation of the ITP; and

f. is to determine under its regional transmission planning process if such ITP is a more cost effective or efficient solution to one or more of WestConnect's regional transmission needs.

E. Interregional Cost Allocation Process

1. Submission Requirements

For any ITP that has been properly submitted in each Relevant Planning Region's regional transmission planning process in accordance with Section D.1, a proponent of such ITP may also request Interregional Cost Allocation by requesting such cost allocation from WestConnect and each other Relevant Planning Region in accordance with its regional transmission planning process. The proponent of an ITP must include with its submittal to each Relevant Planning Region a list of all Planning Regions in which Interregional Cost Allocation is being requested.

2. Interregional Cost Allocation Process

For each ITP that meets the requirements of Section E.1, WestConnect (if it is a Relevant Planning Region) is to confer with or notify, as appropriate, any other Relevant Planning Region(s) regarding the following:

a. assumptions and inputs to be used by each Relevant Planning Region for purposes of determining benefits in accordance with its regional cost allocation methodology, as applied to ITPs;

b. WestConnect's regional benefits stated in dollars resulting from the ITP, if any; and

c. assignment of projected costs of the ITP (subject to potential reassignment of projected costs pursuant to Section F.2 below) to each Relevant Planning Region using the methodology described in this section 5.2.

For each ITP that meets the requirements of Section E.1, WestConnect (if it is a Relevant Planning Region):

d. is to seek to resolve with the other Relevant Planning Regions any differences relating to ITP data or to information specific to other Relevant Planning Regions insofar as such differences may affect WestConnect's analysis;

e. is to provide stakeholders an opportunity to participate in WestConnect's activities under this Section E.2 in accordance with its regional transmission planning process;

f. is to determine its regional benefits, stated in dollars, resulting from an ITP; in making such determination of its regional benefits in WestConnect, WestConnect is to use its regional cost allocation methodology, as applied to ITPs;

g. is to calculate its assigned *pro rata* share of the projected costs of the ITP, stated in a specific dollar amount, equal to its share of the total benefits identified by the Relevant Planning Regions multiplied by the projected costs of the ITP;

h. is to share with the other Relevant Planning Regions information regarding what its regional cost allocation would be if it were to select the ITP in its regional transmission plan for purposes of Interregional Cost Allocation; WestConnect may use such information to identify its total share of the projected costs of the ITP to be assigned to WestConnect in order to determine whether the ITP is a more cost effective or efficient solution to a transmission need in WestConnect;

i. is to determine whether to select the ITP in its regional transmission plan for purposes of Interregional Cost Allocation, based on its regional transmission planning process; and

j. is to endeavor to perform its Interregional Cost Allocation activities pursuant to this Section E.2 in the same general time frame as its joint evaluation activities pursuant to Section D.2.

F. Application of Regional Cost Allocation Methodology to Selected ITP

1. Selection by All Relevant Planning Regions

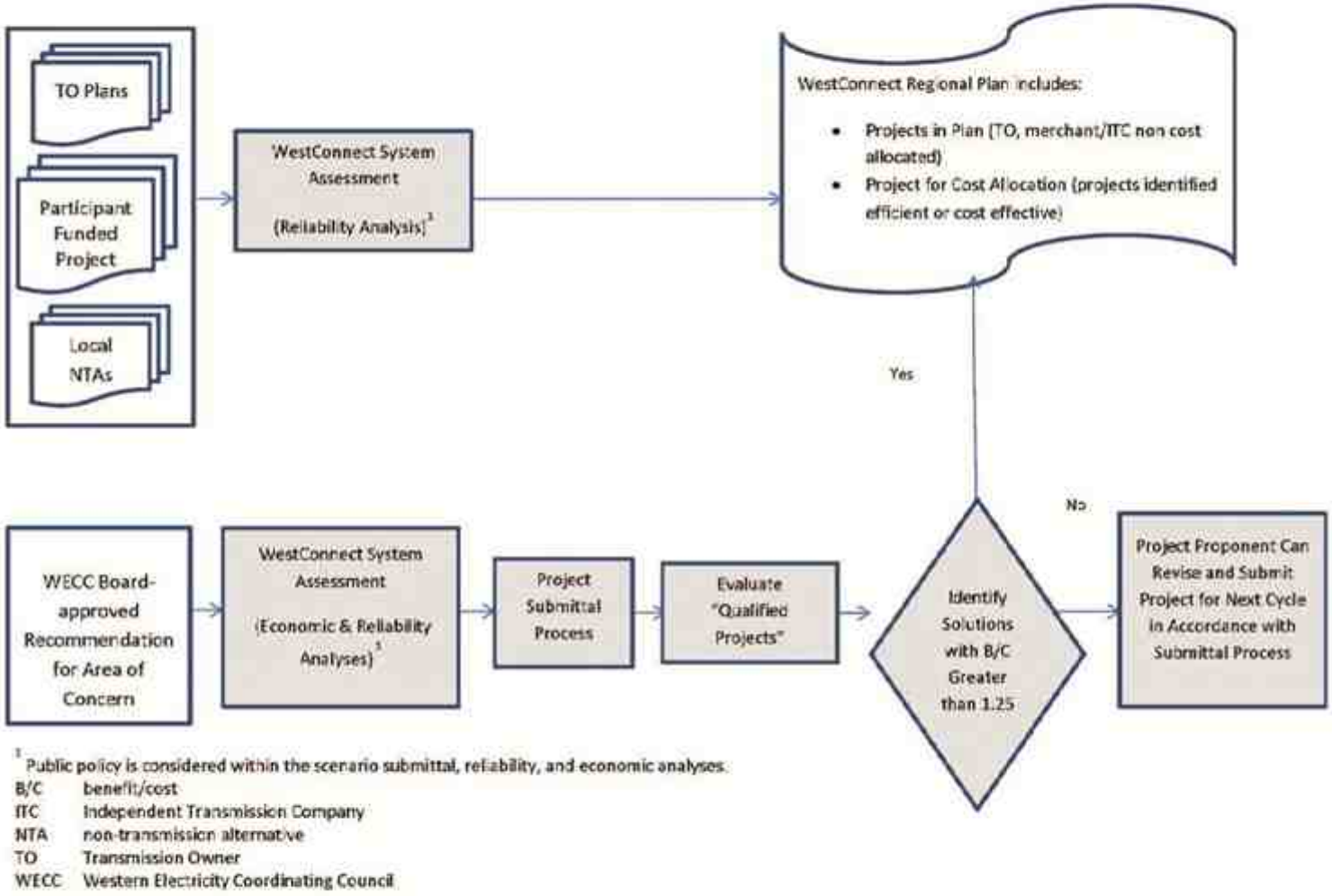
If WestConnect (if it is a Relevant Planning Region) and all of the other Relevant Planning Regions select an ITP in their respective regional transmission plans for purposes of Interregional Cost Allocation, WestConnect is to apply its regional cost allocation methodology to the projected costs of the ITP assigned to it under Sections E.2.d. or E.2.e. above in accordance with its regional cost allocation methodology, as applied to ITPs.

2. Selection by at Least Two but Fewer than All Relevant Regions

If the WestConnect (if it is a Relevant Planning Region) and at least one, but fewer than all, of the other Relevant Planning Regions select the ITP in their respective regional transmission plans for purposes of Interregional Cost Allocation, WestConnect is to evaluate (or reevaluate, as the case may be) pursuant to Sections E.2.d., E.2.e., and E.2.f. above whether, without the participation of the non-selecting Relevant Planning Region(s), the ITP is selected (or remains selected, as the case may be) in its regional transmission plan for purposes for Interregional Cost Allocation. Such reevaluation(s) are to be repeated as many times as necessary until the number of selecting Relevant Planning Regions does not change with such reevaluation.

If following such evaluation (or reevaluation), the number of selecting Relevant Planning Regions does not change and the ITP remains selected for purposes of Interregional Cost Allocation in the respective regional transmission plans of WestConnect and at least one other Relevant Planning Region, WestConnect is to apply its regional cost allocation methodology to the projected costs of the ITP assigned to it under Sections E.2.d. or E.2.e. above in accordance with its regional cost allocation methodology, as applied to ITPs.

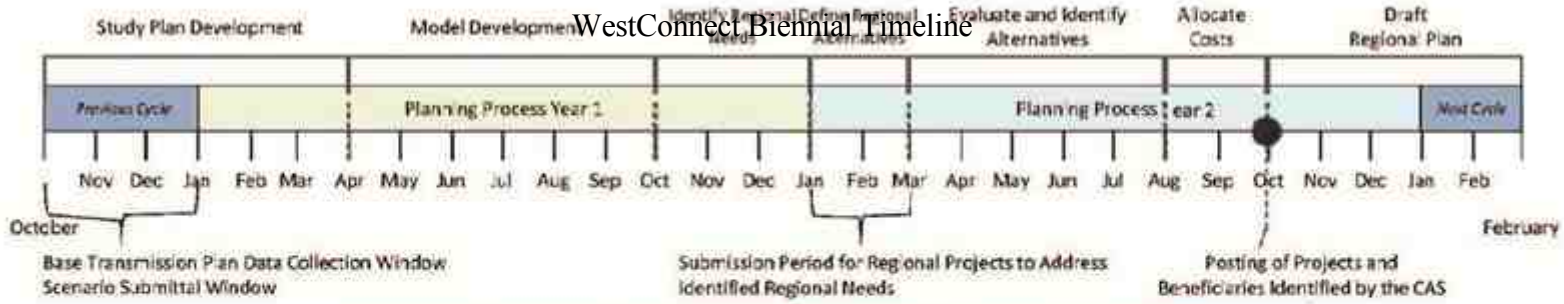
Attachment K-1
WestConnect Regional Transmission Planning Process Chart



[1] Public policy is considered within the scenario submittal, reliability, and economic analyses.

B/C benefit/cost
ITC Independent Transmission Company
NTA non-transmission alternative
TO Transmission Owner
WECC Western Electricity Coordinating Council

Attachment K-2
WestConnect Biennial Timeline



Regional Planning Process Activity	Activity Timeframe
Stakeholder meetings	WestConnect will hold open stakeholder meetings on at least a semi-annual basis, or as needed and noticed by the PMC with 30 days advance notice, to update stakeholders about its progress in developing the Regional Plan and to solicit input regarding material matters of process related to the regional transmission plan.
Base transmission plan data collection window	The PS will initiate development of the base transmission plan no later than Quarter 8 of the previous biennial planning cycle and in conjunction with initiating the development of the Regional Study Plan. The submittal window for projects to be considered as part of the base transmission plan will be noticed a minimum of 15 days before the window opens, and the submittal window will stay open for a minimum of 30 days.
Scenario submittal window	A scenario submittal window will open when the development of the Regional Study Plan commences and no later than Quarter 8 of the previous biennial planning cycle. The scenario submittal window will be noticed a minimum of 15 days before the window opens, and the submittal window will stay open for a minimum of 30 days.
Identification of regional needs	Identified regional needs will be posted to the WestConnect website no later than close of Quarter 4 of the first year of the biennial cycle.
Submission Period for Regional Projects to Address Identified Regional Needs	For consideration in the current planning cycle, projects must be submitted following the posting of identified regional needs to the WestConnect website, and must occur before the end of Quarter 5 of the biennial planning cycle. Any project submitted after this date will be considered in the next subsequent planning cycle.

ATTACHMENT L - Creditworthiness Procedures

PNM has established the following creditworthiness procedures to determine a Transmission Customer's ability to meet its financial obligations related to service provided under the Tariff ("Creditworthiness Procedures").

PNM shall use these Creditworthiness Procedures to evaluate applications for Transmission Service by Transmission Customers that PNM has not previously served under the Tariff. Also, PNM shall use these Creditworthiness Procedures to evaluate a Transmission Customer's creditworthiness upon the request of the Transmission Customer and from time to time in accordance with these Creditworthiness Procedures.

All Transmission Customers shall be subject to the following Creditworthiness Procedures:

1. Upon application for Transmission Service under the Tariff, or upon request by PNM, a Transmission Customer shall provide PNM with evidence satisfactory to PNM verifying that the Transmission Customer has, at a minimum, a corporate unsecured debt rating (as respectively indicated) from one of the following rating agencies: (a) Baa3 by Moody's; (b) 3A2 by Dun and Bradstreet; or (c) BBB- by Standard and Poor's.

2. If a Transmission Customer does not possess a corporate unsecured debt rating from one of the rating agencies set forth in Creditworthiness Procedure No. 1 and is not sixty (60) days or more in arrears, the Transmission Customer may provide PNM with verifiable qualitative and quantitative information, including, but not limited to, the following: (i) audited financial statements of the Transmission Customer; (ii) Transmission Customer's business history, (iii) a description of the nature of the Transmission Customer's organization and operating environment; (iv) Transmission Customer's existing contractual obligations, its governance, financial, accounting, risk management and credit policies; and (v) the state and local regulatory environment in which the Transmission Customer operates. If the Transmission

Customer has not provided reasonable evidence of its financial responsibility satisfactory to PNM by verifying that it has a corporate unsecured debt rating as required in Creditworthiness Procedure No. 1 or through submission of one or more of the five types of information enumerated in this Section, then PNM shall provide written notice of that determination to the Transmission Customer ("Security Notice"), including the basis for PNM's decision. Billing disputes shall not be considered a basis for requiring increased "Security", as defined in this Section, or precluding the Transmission Customer from providing evidence of creditworthiness as described in this Section. The Transmission Customer shall provide to PNM, in a form acceptable to PNM in its sole discretion, a form of collateral as security ("Security") for performance of the Transmission Customer's obligations under the applicable transmission service agreements and/or transmission service reservations submitted on PNM's OASIS. The amount of the Security shall be equal to five times the total anticipated maximum monthly charges based on the Transmission Customer's applicable transmission service agreement and/or transmission service reservation. The form of Security must be acceptable to PNM in its sole direction and may be one of the following:

(a) Cash;

(b) An unconditional and irrevocable standby letter of credit from a federal or state chartered financial institution, which meets the requirements and specifications of, and is in a format acceptable to, PNM;

(c) An escrow account with a federal or state chartered financial institution doing business in the State of New Mexico, which shall expressly list PNM as "beneficiary" on the account. Transmission Customer shall be entitled to retain any interest paid on the principal balance in such escrow account; or

(d) A parental guarantee, if the parent company meets the standards of these Creditworthiness Procedures.

Notwithstanding the foregoing, any Transmission Customer, or Affiliate of that Transmission Customer, that has previously defaulted under a transmission service

agreement under Section 7.3 of the Tariff, shall provide Security in the form of cash equal to five times the total anticipated maximum monthly charges, based on the transmission service requested, prior to PNM accepting the Transmission Customer's transmission service reservation and/or tendering the Transmission Customer a transmission service agreement.

3. If a Transmission Customer does not satisfy Creditworthiness Procedure No. 1, and has either entered into more than one transmission service agreement, or submitted more than one transmission service reservation on PNM's OASIS, that Transmission Customer shall provide Security for each transmission service agreement or transmission service reservation in the form of a single letter of credit, a single escrow account, or a single parental guarantee covering all of the transmission service agreements or transmission service reservations.

4. Any Security provided pursuant to the terms of these Creditworthiness Procedures, shall be provided to PNM by the Transmission Customer and shall become effective and subject to being drawn upon, in the full amount required: (a) within twenty-five (25) days of PNM's provision of the Security Notice; and (b) prior to PNM accepting the Transmission Customer's transmission service reservation for a transmission service request. Such Security shall not expire or be cancelled prior to one hundred twenty (120) days following the date that the transmission service agreement terminates ("120 Day Period") unless the Transmission Customer furnishes replacement Security that satisfies these Creditworthiness Procedures. If a Transmission Customer that is party to a transmission service agreement fails to provide Security as set forth herein, PNM may refuse, without notice, to accept that Transmission Customer's transmission service schedule(s) or transmission service reservation(s) on PNM's OASIS until such time as that Transmission Customer provides PNM with Security that satisfies the criteria in Creditworthiness Procedure No. 2 and is otherwise acceptable to PNM.

5. After the date that the transmission service agreement terminates, and within twenty

(20) days of the Transmission Customer paying all sums due to PNM resolving all outstanding balances pursuant to all applicable transmission service agreement(s), PNM may, in its sole discretion, elect to release the Security prior to expiration of the 120 Day Period.

6. During the term of the transmission service agreement, PNM may perform a credit evaluation for each Transmission Customer approximately every twelve (12) months, or more frequently if PNM has commercially reasonable grounds to believe that there has been a "Material Adverse Change" in a Transmission Customer's creditworthiness. For the purpose of these Creditworthiness Procedures, a "Material Adverse Change" to a Transmission Customer includes, but is not necessarily limited to, the following: (i) a downgrade of any debt rating to below investment grade; (ii) an adverse change in the outlook of any debt rating or being placed on credit watch with negative implication; (iii) a bankruptcy filing; (iv) insolvency or inability to pay debts as they become due; (v) late payments to PNM; (vi) expiration, cancellation, or termination of credit support, if applicable, without PNM's consent; (vii) default on any contractual obligation exceeding 10% of tangible net worth; (viii) judgment in a proceeding adversely affecting creditor's rights; (ix) the appointment of an administrator, liquidator, factor, receiver, custodian or similar official; or (x) a secured party takes possession of all or substantially all of its assets. If a Material Adverse Change occurs and as a result of PNM's reevaluation of the Transmission Customer's creditworthiness they are reasonably deemed no longer creditworthy in accordance with these Creditworthiness Procedures, PNM shall notify the Transmission Customer and the Transmission Customer may be required to provide Security to PNM in accordance with Creditworthiness Procedure No. 2. Billing disputes under the Tariff shall not be considered a basis for requiring increased Security.

7. During the term of the transmission service agreement, if a Transmission Customer assigns its transmission service agreement and/or transmission service reservation (that is pending study completion) to a different Transmission Customer, then PNM may require that different Transmission Customer to provide Security to PNM in

accordance with Creditworthiness Procedure No. 2.

8. A Transmission Customer shall be entitled to dispute PNM's evaluation of a change in creditworthiness and the need for additional Security in accordance with the Dispute Resolution Procedures set forth in Section 12 of the Tariff.

9. PNM may reevaluate the adequacy of any Security required from a Transmission Customer and shall notify the Transmission Customer whether an increase or decrease in the amount of Security, based on such reevaluation, is warranted. Upon request, PNM shall provide a Transmission Customer with a written explanation regarding any change in creditworthiness status or collateral required by PNM. If PNM requires a Transmission Customer to provide and/or increase Security as a result of such reevaluation, such Security shall be provided in accordance with Creditworthiness Procedure Nos. 2, 3, and 4.

10. If a Transmission Customer defaults in the performance of its obligations under the Tariff, PNM shall have the unconditional right to: (a) off-set all of the Transmission Customer's obligations under the Tariff against any Security held by PNM to secure the Transmission Customer's obligations; and (b) withhold payment of any obligation owed by PNM to the Transmission Customer regardless of how such obligation shall have arisen. PNM's right to withhold payment shall extend up to, and include, an amount equal to the sum of all obligations owed by Transmission Customer to PNM under any transmission service agreements and shall include the unconditional right to off-set such amount owed to the Transmission Customer against any obligation(s) due from the Transmission Customer to PNM. PNM shall provide the Transmission Customer with written notification of any off-set pursuant to this Creditworthiness Procedure No. 10.

11. If there are proceedings instituted by or against a Transmission Customer in bankruptcy or under any insolvency law or law for reorganization, receivership or dissolution, or if a Transmission Customer makes an assignment of its transmission

service reservation or transmission service agreement for the benefit of creditors or any general arrangement with creditors, PNM may: (a) require Security from the Transmission Customer in accordance with Creditworthiness Procedure Nos. 2, 3, and 4; and/or (b) refuse, without notice, to accept that Transmission Customer's transmission service schedule(s) or transmission service reservation(s) submitted on PNM's OASIS.

12. PNM's exercise of any right under these Creditworthiness Procedures shall be without prejudice to any claim for damages or any other legal or equitable rights of PNM.

ATTACHMENT M

Small Generator Interconnection Procedures (SGIP)

(For Generating Facilities No Larger Than 20 MW)

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Attachment 1 - Glossary of Terms
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Section 1. Application

1.1 Applicability

1.1.1 A request to interconnect a certified Small Generating Facility (See Attachments 3 and 4 for description of certification criteria) to the Transmission Provider's Distribution System shall be evaluated under the section 2 Fast Track Process if the eligibility requirements of section 2.1 are met. A request to interconnect a certified inverter-based Small Generating Facility no larger than 10 kilowatts (kW) shall be evaluated under the Attachment 5 10 kW Inverter Process. A request to interconnect a Small Generating Facility no larger than 20 megawatts (MW) that does not meet the eligibility requirements of section 2.1, or does not pass the Fast Track Process or the 10 kW Inverter Process, shall be evaluated under the section 3 Study Process. If the Interconnection Customer wishes to interconnect its Small Generating Facility using Network Resource Interconnection Service, it must do so under the Standard Large Generator Interconnection Procedures and execute the Standard Large Generator Interconnection Agreement.

1.1.2 Capitalized terms used herein shall have the meanings specified in the Glossary of Terms in Attachment 1 or the body of these procedures.

1.1.3 Neither these procedures nor the requirements included hereunder apply to Small Generating Facilities interconnected or approved for interconnection prior to 60 Business Days after the effective date of these procedures.

1.1.4 Prior to submitting its Interconnection Request (Attachment 2), the Interconnection Customer may ask the Transmission Provider's interconnection contact employee or office whether the proposed interconnection is subject to these procedures. The Transmission Provider shall respond within 15 Business Days.

1.1.5 Infrastructure security of electric system equipment and operations and control hardware and software is essential to ensure day-to-day reliability and operational security. The Federal Energy Regulatory Commission expects all Transmission Providers, market participants, and Interconnection Customers interconnected with electric systems to comply with the recommendations offered by the President's Critical Infrastructure Protection Board and best practice recommendations from the electric reliability authority. All public utilities are expected to meet basic standards for electric system infrastructure and operational security, including physical, operational, and cyber-security practices.

1.1.6 References in these procedures to interconnection agreement are to the Small

Generator Interconnection Agreement ("SGIA").

1.2 Pre-Application

1.2.1 The Transmission Provider shall designate an employee or office from which information on the application process and on an Affected System can be obtained through informal requests from the Interconnection Customer presenting a proposed project for a specific site. The name, telephone number, and e-mail address of such contact employee or office shall be made available on the Transmission Provider's Internet web site. Electric system information provided to the Interconnection Customer should include relevant system studies, interconnection studies, and other materials useful to an understanding of an interconnection at a particular point on the Transmission Provider's Transmission System, to the extent such provision does not violate confidentiality provisions of prior agreements or critical infrastructure requirements. The Transmission Provider shall comply with reasonable requests for such information.

1.2.2 In addition to the information described in section 1.2.1, which may be provided in response to an informal request, an Interconnection Customer may submit a formal written request form along with a non-refundable fee of $300 for a pre-application report on a proposed project at a specific site. The Transmission Provider shall provide the pre-application data described in section 1.2.3 to the Interconnection Customer within 20 Business Days of receipt of the completed request form and payment of the $300 fee. The pre-application report produced by the Transmission Provider is non-binding, does not confer any rights, and the Interconnection Customer must still successfully apply to interconnect to the Transmission Provider's system. The written pre-application report request form shall include the information in sections 1.2.2.1 through 1.2.2.8 below to clearly and sufficiently identify the location of the proposed Point of Interconnection.

1.2.2.1 Project contact information, including name, address, phone number, and email address.

1.2.2.2 Project location (street address with nearby cross streets and town)

1.2.2.3 Meter number, pole number, or other equivalent information identifying proposed Point of Interconnection, if available.

1.2.2.4 Generator Type (e.g., solar, wind, combined heat and power, etc.)

1.2.2.5 Size (alternating current kW)

1.2.2.6 Single or three phase generator configuration

1.2.2.7 Stand-alone generator (no onsite load, not including station service – Yes or No?)

1.2.2.8 Is new service requested? Yes or No? If there is existing service, include the customer account number, site minimum and maximum current or proposed electric loads in kW (if available) and specify if the load is expected to change.

1.2.3. Using the information provided in the pre-application report request form in section 1.2.2, the Transmission Provider will identify the substation/area bus, bank or circuit likely to serve the proposed Point of Interconnection. This selection by the Transmission Provider does not necessarily indicate, after application of the screens and/or study, that this would be the circuit the project ultimately connects to. The Interconnection Customer must request additional pre-application reports if information about multiple Points of Interconnection is requested. Subject to section 1.2.4, the pre-application report will include the following information:

1.2.3.1 Total capacity (in MW) of substation/area bus, bank or circuit based on normal or operating ratings likely to serve the proposed Point of Interconnection.

1.2.3.2 Existing aggregate generation capacity (in MW) interconnected to a substation/area bus, bank or circuit (i.e., amount of generation online) likely to serve the proposed Point of Interconnection.

1.2.3.3 Aggregate queued generation capacity (in MW) for a substation/area bus, bank or circuit (i.e., amount of generation in the queue) likely to serve the proposed Point of Interconnection.

1.2.3.4 Available capacity (in MW) of substation/area bus or bank and circuit likely to serve the proposed Point of Interconnection (i.e., total capacity less the sum of existing aggregate generation capacity and aggregate queued generation capacity).

1.2.3.5 Substation nominal distribution voltage and/or transmission nominal voltage if applicable.

1.2.3.6 Nominal distribution circuit voltage at the proposed Point of

Interconnection.

1.2.3.7 Approximate circuit distance between the proposed Point of Interconnection and the substation.

1.2.3.8 Relevant line section(s) actual or estimated peak load and minimum load data, including daytime minimum load as described in section 2.4.4.1.1 below and absolute minimum load, when available.

1.2.3.9 Number and rating of protective devices and number and type (standard, bi-directional) of voltage regulating devices between the proposed Point of Interconnection and the substation/area. Identify whether the substation has a load tap changer.

1.2.3.10 Number of phases available at the proposed Point of Interconnection. If a single phase, distance from the three-phase circuit.

1.2.3.11 Limiting conductor ratings from the proposed Point of Interconnection to the distribution substation.

1.2.3.12 Whether the Point of Interconnection is located on a spot network, grid network, or radial supply.

1.2.3.13 Based on the proposed Point of Interconnection, existing or known constraints such as, but not limited to, electrical dependencies at that location, short circuit interrupting capacity issues, power quality or stability issues on the circuit, capacity constraints, or secondary networks.

1.2.4 The pre-application report need only include existing data. A pre-application report request does not obligate the Transmission Provider to conduct a study or other analysis of the proposed generator in the event that data is not readily available. If the Transmission Provider cannot complete all or some of a pre-application report due to lack of available data, the Transmission Provider shall provide the Interconnection Customer with a pre-application report that includes the data that is available. The provision of information on "available capacity" pursuant to section 1.2.3.4 does not imply that an interconnection up to this level may be completed without impacts since there are many variables studied as part of the interconnection review process, and data provided in the pre-application report

may become outdated at the time of the submission of the complete Interconnection Request. Notwithstanding any of the provisions of this section, the Transmission Provider shall, in good faith, include data in the pre-application report that represents the best available information at the time of reporting.

1.3 Interconnection Request

The Interconnection Customer shall submit its Interconnection Request to the Transmission Provider, together with the processing fee or deposit specified in the Interconnection Request. The Interconnection Request shall be date- and time-stamped upon receipt. The original date- and time-stamp applied to the Interconnection Request at the time of its original submission shall be accepted as the qualifying date- and time-stamp for the purposes of any timetable in these procedures. The Interconnection Customer shall be notified of receipt by the Transmission Provider within three Business Days of receiving the Interconnection Request. The Transmission Provider shall notify the Interconnection Customer within ten Business Days of the receipt of the Interconnection Request as to whether the Interconnection Request is complete or incomplete. If the Interconnection Request is incomplete, the Transmission Provider shall provide along with the notice that the Interconnection Request is incomplete, a written list detailing all information that must be provided to complete the Interconnection Request. The Interconnection Customer will have ten Business Days after receipt of the notice to submit the listed information or to request an extension of time to provide such information. If the Interconnection Customer does not provide the listed information or a request for an extension of time within the deadline, the Interconnection Request will be deemed withdrawn. An Interconnection Request will be deemed complete upon submission of the listed information to the Transmission Provider.

1.4 Modification of the Interconnection Request

Any modification to machine data or equipment configuration or to the interconnection site of the Small Generating Facility not agreed to in writing by the Transmission Provider and the Interconnection Customer may be deemed a withdrawal of the Interconnection Request and may require submission of a new Interconnection Request, unless proper notification of each Party by the other and a reasonable time to cure the problems created by the changes are undertaken.

1.5 Site Control

Documentation of site control must be submitted with the Interconnection Request. Site control may be demonstrated through:

1.5.1 Ownership of, a leasehold interest in, or a right to develop a site for the purpose of constructing the Small Generating Facility;

1.5.2 An option to purchase or acquire a leasehold site for such purpose; or

1.5.3 An exclusivity or other business relationship between the Interconnection Customer and the entity having the right to sell, lease, or grant the Interconnection Customer the right to possess or occupy a site for such purpose.

1.6 Queue Position

The Transmission Provider shall assign a Queue Position based upon the date- and time-stamp of the Interconnection Request. The Queue Position of each Interconnection Request will be used to determine the cost responsibility for the Upgrades necessary to accommodate the interconnection. The Transmission Provider shall maintain a single queue per geographic region. At the Transmission Provider's option, Interconnection Requests may be studied serially or in clusters for the purpose of the system impact study.

1.7 Interconnection Requests Submitted Prior to the Effective Date of the SGIP

Nothing in this SGIP affects an Interconnection Customer's Queue Position assigned before the effective date of this SGIP. The Parties agree to complete work on any interconnection study agreement executed prior the effective date of this SGIP in accordance with the terms and conditions of that interconnection study agreement. Any new studies or other additional work will be completed pursuant to this SGIP.

Section 2. Fast Track Process

2.1 Applicability

The Fast Track Process is available to an Interconnection Customer proposing to interconnect its Small Generating Facility with the Transmission Provider's Distribution System if the Small Generating Facility ’s capacity does not exceed the size limits identified in the table below. Small Generating Facilities below these limits are eligible for Fast Track review. However, Fast Track eligibility is distinct from the Fast Track Process itself, and eligibility does not imply or indicate that a Small Generating Facility will pass the Fast Track screens in section 2.2.1 below or the Supplemental Review screens in section 2.4.4 below.

Fast Track eligibility is determined based upon the generator type, the size of the generator, voltage of the line and the location of and the type of line at the Point of Interconnection. All Small Generating Facilities connecting to lines greater than 69 kilovolt (kV) are ineligible for the Fast Track Process regardless of size. All synchronous and induction machines must be no larger than 2 MW to be eligible for the Fast Track Process, regardless of location. For certified inverter-based systems, the size limit varies according to the

voltage of the line at the proposed Point of Interconnection. Certified inverter-based Small Generating Facilities located within 2.5 electrical circuit miles of a substation and on a mainline (as defined in the table below) are eligible for the Fast Track Process under the higher thresholds according to the table below. In addition to the size threshold, the Interconnection Customer's proposed Small Generating Facility must meet the codes, standards, and certification requirements of Attachments 3 and 4 of these procedures, or the Transmission Provider has to have reviewed the design or tested the proposed Small Generating Facility and is satisfied that it is safe to operate.

Fast Track Eligibility for Inverter-Based Systems		
Line Voltage	Fast Track Eligibility Regardless of Location	Fast Track Eligibility on a Mainline[1] and ≤ 2.5 Electrical Circuit Miles from Substation[2]
< 5 kV	≤ 500 kW	≤ 500 kW
≥ 5 kV and < 15 kV	≤ 2 MW	≤ 3 MW
≥ 15 kV and < 30 kV	≤ 3 MW	≤ 4 MW
≥ 30 kV and ≤ 69 kV	≤ 4 MW	≤ 5 MW

[1] For purposes of this table, a mainline is the three-phase backbone of a circuit. It will typically constitute lines with wire sizes of 4/0 American wire gauge, 336.4 kcmil, 397.5 kcmil, 477 kcmil and 795 kcmil.

[2] An Interconnection Customer can determine this information about its proposed interconnection location in advance by requesting a pre-application report pursuant to section 1.2.

2.2 Initial Review

Within 15 Business Days after the Transmission Provider notifies the Interconnection Customer it has received a complete Interconnection Request, the Transmission Provider shall perform an initial review using the screens set forth below, shall notify the Interconnection Customer of the results, and include with the notification copies of the analysis and data underlying the Transmission Provider's determinations under the screens.

2.2.1 Screens

2.2.1.1 The proposed Small Generating Facility's Point of Interconnection must be on a portion of the Transmission Provider's Distribution System that is subject to the Tariff.

2.2.1.2 For interconnection of a proposed Small Generating Facility to a radial distribution circuit, the aggregated generation, including the proposed Small Generating Facility, on the circuit shall not exceed 15 % of the line section annual peak load as most recently measured at the substation. A line section is that portion of a Transmission Provider's electric system connected to a customer bounded by automatic sectionalizing devices or the end of the distribution line.

2.2.1.3 For interconnection of a proposed Small Generating Facility to the load side of spot network protectors, the proposed Small Generating Facility must utilize an inverter-based equipment package and, together with the aggregated other inverter-based generation, shall not exceed the smaller of 5 % of a spot network's maximum load or 50 kW.[3]

[3] A spot network is a type of distribution system found within modern commercial buildings to provide high reliability of service to a single customer. (Standard Handbook for Electrical Engineers, 11th edition, Donald Fink, McGraw Hill Book Company).

2.2.1.4 The proposed Small Generating Facility, in aggregation with other generation on the distribution circuit, shall not contribute more than 10 % to the distribution circuit's maximum fault current at the point on the high voltage (primary) level nearest the proposed point of change of ownership.

2.2.1.5 The proposed Small Generating Facility, in aggregate with other generation on the distribution circuit, shall not cause any distribution protective devices and equipment (including, but not limited to, substation breakers, fuse cutouts, and line reclosers), or Interconnection Customer equipment on the system to exceed 87.5 % of the short circuit interrupting capability; nor shall the interconnection be proposed for a circuit that already exceeds 87.5 % of the short circuit interrupting capability.

2.2.1.6 Using the table below, determine the type of interconnection to a primary distribution line. This screen includes a review of the type of electrical service provided to the Interconnecting Customer, including line configuration and the transformer connection to limit

the potential for creating over-voltages on the Transmission Provider's electric power system due to a loss of ground during the operating time of any anti-islanding function.

Primary Distribution Line Type	**Type of Interconnection to Primary Distribution Line**	**Result/Criteria**
Three-phase, three wire	3-phase or single phase, phase-to-phase	Pass screen
Three-phase, four wire	Effectively-grounded 3 phase or Single-phase, line-to-neutral	Pass screen

2.2.1.7 If the proposed Small Generating Facility is to be interconnected on single-phase shared secondary, the aggregate generation capacity on the shared secondary, including the proposed Small Generating Facility, shall not exceed 20 kW.

2.2.1.8 If the proposed Small Generating Facility is single-phase and is to be interconnected on a center tap neutral of a 240 volt service, its addition shall not create an imbalance between the two sides of the 240 volt service of more than 20 % of the nameplate rating of the service transformer.

2.2.1.9 The Small Generating Facility, in aggregate with other generation interconnected to the transmission side of a substation transformer feeding the circuit where the Small Generating Facility proposes to interconnect shall not exceed 10 MW in an area where there are known, or posted, transient stability limitations to generating units located in the general electrical vicinity (e.g., three or four transmission busses from the point of interconnection).

2.2.1.10 No construction of facilities by the Transmission Provider on its own system shall be required to accommodate the Small Generating Facility.

2.2.2 If the proposed interconnection passes the screens, the Interconnection Request shall be approved and the Transmission Provider will provide the Interconnection Customer an executable interconnection agreement within five Business Days after the determination.

2.2.3 If the proposed interconnection fails the screens, but the Transmission Provider determines that the Small Generating Facility may nevertheless be interconnected consistent with safety, reliability, and power quality standards, the Transmission Provider shall provide the Interconnection Customer an executable interconnection agreement within five Business Days after the determination.

2.2.4 If the proposed interconnection fails the screens, and the Transmission Provider does not or cannot determine from the initial review that the Small Generating Facility may nevertheless be interconnected consistent with safety, reliability, and power quality standards unless the Interconnection Customer is willing to consider minor modifications or further study, the Transmission Provider shall provide the Interconnection Customer with the opportunity to attend a customer options meeting.

2.3 Customer Options Meeting

If the Transmission Provider determines the Interconnection Request cannot be approved without (1) minor modifications at minimal cost, (2) a supplemental study or other additional studies or actions, or (3) incurring significant cost to address safety, reliability, or power quality problems, the Transmission Provider shall notify the Interconnection Customer of that determination within five Business Days after the determination and provide copies of all data and analyses underlying its conclusion. Within ten Business Days of the Transmission Provider's determination, the Transmission Provider shall offer to convene a customer options meeting with the Transmission Provider to review possible Interconnection Customer facility modifications or the screen analysis and related results, to determine what further steps are needed to permit the Small Generating Facility to be connected safely and reliably. At the time of notification of the Transmission Provider's determination, or at the customer options meeting, the Transmission Provider shall:

2.3.1 Offer to perform facility modifications or minor modifications to the Transmission Provider's electric system (e.g., changing meters, fuses, relay settings) and provide a non-binding good faith estimate of the limited cost to make such modifications to the Transmission Provider's electric system. If the Interconnection Customer agrees to pay for the modifications to the Transmission Provider’s electric system, the Transmission Provider will provide the Interconnection Customer with an executable interconnection agreement within ten Business Days of the customer options meeting; or

2.3.2 Offer to perform a supplemental review in accordance with section 2.4 and provide a non-binding good faith estimate of the costs of such review; or

2.3.3 Obtain the Interconnection Customer's agreement to continue evaluating the Interconnection Request under the section 3 Study Process.

2.4 Supplemental Review

2.4.1 To accept the offer of a supplemental review, the Interconnection Customer shall agree in writing and submit a deposit for the estimated costs of the supplemental review in the amount of the Transmission Provider's good faith estimate of the costs of such review, both within 15 Business Days of the offer. If the written agreement and deposit have not been received by the Transmission Provider within that timeframe, the Interconnection Request shall continue to be evaluated under the section 3 Study Process unless it is withdrawn by the Interconnection Customer.

2.4.2 The Interconnection Customer may specify the order in which the Transmission Provider will complete the screens in section 2.4.4.

2.4.3 The Interconnection Customer shall be responsible for the Transmission Provider's actual costs for conducting the supplemental review. The Interconnection Customer must pay any review costs that exceed the deposit within 20 Business Days of receipt of the invoice or resolution of any dispute. If the deposit exceeds the invoiced costs, the Transmission Provider will return such excess within 20 Business Days of the invoice without interest.

2.4.4 Within 30 Business Days following receipt of the deposit for a supplemental review, the Transmission Provider shall (1) perform a supplemental review using the screens set forth below; (2) notify in writing the Interconnection Customer of the results; and (3) include with the notification copies of the analysis and data underlying the Transmission Provider's determinations under the screens. Unless the Interconnection Customer provided instructions for how to respond to the failure of any of the supplemental review screens below at the time the Interconnection Customer accepted the offer of supplemental review, the Transmission Provider shall notify the Interconnection Customer following the failure of any of the screens, or if it is unable to perform the screen in section 2.4.4.1, within two Business Days of making such determination to obtain the Interconnection Customer's permission to: (1) continue evaluating the proposed interconnection under this section 2.4.4; (2) terminate the supplemental review and continue evaluating the Small Generating Facility under section 3; or (3) terminate the supplemental review upon withdrawal of the Interconnection Request by the Interconnection Customer.

2.4.4.1 Minimum Load Screen: Where 12 months of line section

minimum load data (including onsite load but not station service load served by the proposed Small Generating Facility) are available, can be calculated, can be estimated from existing data, or determined from a power flow model, the aggregate Generating Facility capacity on the line section is less than 100% of the minimum load for all line sections bounded by automatic sectionalizing devices upstream of the proposed Small Generating Facility. If minimum load data is not available, or cannot be calculated, estimated or determined, the Transmission Provider shall include the reason(s) that it is unable to calculate, estimate or determine minimum load in its supplemental review results notification under section 2.4.4.

2.4.4.1.1 The type of generation used by the proposed Small Generating Facility will be taken into account when calculating, estimating, or determining circuit or line section minimum load relevant for the application of screen 2.4.4.1. Solar photovoltaic (PV) generation systems with no battery storage use daytime minimum load (i.e. 10 a.m. to 4 p.m. for fixed panel systems and 8 a.m. to 6 p.m. for PV systems utilizing tracking systems), while all other generation uses absolute minimum load.

2.4. 4.1.2 When this screen is being applied to a Small Generating Facility that serves some station service load, only the net injection into the Transmission Provider's electric system will be considered as part of the aggregate generation.

2.4. 4.1.3 Transmission Provider will not consider as part of the aggregate generation for purposes of this screen generating facility capacity known to be already reflected in the minimum load data.

2.4.4.2 Voltage and Power Quality Screen: In aggregate with existing generation on the line section: (1) the voltage regulation on the line section can be maintained in compliance with relevant requirements under all system conditions; (2) the voltage fluctuation is within acceptable limits as defined by Institute of Electrical and

Electronics Engineers (IEEE) Standard 1453, or utility practice similar to IEEE Standard 1453; and (3) the harmonic levels meet IEEE Standard 519 limits.

2.4.4.3 Safety and Reliability Screen: The location of the proposed Small Generating Facility and the aggregate generation capacity on the line section do not create impacts to safety or reliability that cannot be adequately addressed without application of the Study Process. The Transmission Provider shall give due consideration to the following and other factors in determining potential impacts to safety and reliability in applying this screen.

2.4.4.3.1 Whether the line section has significant minimum loading levels dominated by a small number of customers (e.g., several large commercial customers).

2.4.4.3.2 Whether the loading along the line section is uniform or even.

2.4.4.3.3 Whether the proposed Small Generating Facility is located in close proximity to the substation (i.e., less than 2.5 electrical circuit miles), and whether the line section from the substation to the Point of Interconnection is a Mainline rated for normal and emergency ampacity.

2.4.4.3.4 Whether the proposed Small Generating Facility incorporates a time delay function to prevent reconnection of the generator to the system until system voltage and frequency are within normal limits for a prescribed time.

2.4.4.3.5 Whether operational flexibility is reduced by the proposed Small Generating Facility, such that transfer of the line section(s) of the Small Generating Facility to a neighboring distribution circuit/substation may trigger overloads or voltage issues.

2.4.4.3.6 Whether the proposed Small Generating Facility employs equipment or systems certified by a recognized standards organization to address technical issues such as, but not limited to, islanding, reverse power flow, or voltage quality.

2.4.5 If the proposed interconnection passes the supplemental screens in sections 2.4.4.1, 2.4.4.2, and 2.4.4.3 above, the Interconnection Request shall be approved and the Transmission Provider will provide the Interconnection Customer with an executable interconnection agreement within the timeframes established in sections 2.4.5.1 and 2.4.5.2 below. If the proposed interconnection fails any of the supplemental review screens and the Interconnection Customer does not withdraw its Interconnection Request, it shall continue to be evaluated under the section 3 Study Process consistent with section 2.4.5.3 below.

2.4.5.1 If the proposed interconnection passes the supplemental screens in sections 2.4.4.1, 2.4.4.2, and 2.4.4.3 above and does not require construction of facilities by the Transmission Provider on its own system, the interconnection agreement shall be provided within ten Business Days after the notification of the supplemental review results.

2.4.5.2 If interconnection facilities or minor modifications to the Transmission Provider's system are required for the proposed interconnection to pass the supplemental screens in sections 2.4.4.1, 2.4.4.2, and 2.4.4.3 above, and the Interconnection Customer agrees to pay for the modifications to the Transmission Provider’s electric system, the interconnection agreement, along with a non-binding good faith estimate for the interconnection facilities and/or minor modifications, shall be provided to the Interconnection Customer within 15 Business Days after receiving written notification of the supplemental review results.

2.4.5.3 If the proposed interconnection would require more

than interconnection facilities or minor modifications to the Transmission Provider's system to pass the supplemental screens in sections 2.4.4.1, 2.4.4.2, and 2.4.4.3 above, the Transmission Provider shall notify the Interconnection Customer, at the same time it notifies the Interconnection Customer with the supplemental review results, that the Interconnection Request shall be evaluated under the section 3 Study Process unless the Interconnection Customer withdraws its Small Generating Facility.

Section 3. Study Process

3.1 Applicability

The Study Process shall be used by an Interconnection Customer proposing to interconnect its Small Generating Facility with the Transmission Provider's Transmission System or Distribution System if the Small Generating Facility (1) is larger than 2 MW but no larger than 20 MW, (2) is not certified, or (3) is certified but did not pass the Fast Track Process or the 10 kW Inverter Process.

3.2 Scoping Meeting

3.2.1 A scoping meeting will be held within ten Business Days after the Interconnection Request is deemed complete, or as otherwise mutually agreed to by the Parties. The Transmission Provider and the Interconnection Customer will bring to the meeting personnel, including system engineers and other resources as may be reasonably required to accomplish the purpose of the meeting.

3.2.2 The purpose of the scoping meeting is to discuss the Interconnection Request and review existing studies relevant to the Interconnection Request. The Parties shall further discuss whether the Transmission Provider should perform a feasibility study or proceed directly to a system impact study, or a facilities study, or an interconnection agreement. If the Parties agree that a feasibility study should be performed, the Transmission Provider shall provide the Interconnection Customer, as soon as possible, but not later than five Business Days after the scoping meeting, a feasibility study agreement (Attachment 6) including an outline of the scope of the study and a non-binding good faith estimate of the cost to perform the study.

3.2.3 The scoping meeting may be omitted by mutual agreement. In order to remain in

consideration for interconnection, an Interconnection Customer who has requested a feasibility study must return the executed feasibility study agreement within 15 Business Days. If the Parties agree not to perform a feasibility study, the Transmission Provider shall provide the Interconnection Customer, no later than five Business Days after the scoping meeting, a system impact study agreement (Attachment 7) including an outline of the scope of the study and a non-binding good faith estimate of the cost to perform the study.

3.3 Feasibility Study

3.3.1 The feasibility study shall identify any potential adverse system impacts that would result from the interconnection of the Small Generating Facility.

3.3.2 A deposit of the lesser of 50 percent of the good faith estimated feasibility study costs or earnest money of $1,000 may be required from the Interconnection Customer.

3.3.3 The scope of and cost responsibilities for the feasibility study are described in the attached feasibility study agreement (Attachment 6).

3.3.4 If the feasibility study shows no potential for adverse system impacts, the Transmission Provider shall send the Interconnection Customer a facilities study agreement, including an outline of the scope of the study and a non-binding good faith estimate of the cost to perform the study. If no additional facilities are required, the Transmission Provider shall send the Interconnection Customer an executable interconnection agreement within five Business Days.

3.3.5 If the feasibility study shows the potential for adverse system impacts, the review process shall proceed to the appropriate system impact study(s).

3.4 System Impact Study

3.4.1 A system impact study shall identify and detail the electric system impacts that would result if the proposed Small Generating Facility were interconnected without project modifications or electric system modifications, focusing on the adverse system impacts identified in the feasibility study, or to study potential impacts, including but not limited to those identified in the scoping meeting. A system impact study shall evaluate the impact of the proposed interconnection on the reliability of the electric system.

3.4.2 If no transmission system impact study is required, but potential electric power

Distribution System adverse system impacts are identified in the scoping meeting or shown in the feasibility study, a distribution system impact study must be performed. The Transmission Provider shall send the Interconnection Customer a distribution system impact study agreement within 15 Business Days of transmittal of the feasibility study report, including an outline of the scope of the study and a non-binding good faith estimate of the cost to perform the study, or following the scoping meeting if no feasibility study is to be performed.

3.4.3 In instances where the feasibility study or the distribution system impact study shows potential for transmission system adverse system impacts, within five Business Days following transmittal of the feasibility study report, the Transmission Provider shall send the Interconnection Customer a transmission system impact study agreement, including an outline of the scope of the study and a non-binding good faith estimate of the cost to perform the study, if such a study is required.

3.4.4 If a transmission system impact study is not required, but electric power Distribution System adverse system impacts are shown by the feasibility study to be possible and no distribution system impact study has been conducted, the Transmission Provider shall send the Interconnection Customer a distribution system impact study agreement.

3.4.5 If the feasibility study shows no potential for transmission system or Distribution System adverse system impacts, the Transmission Provider shall send the Interconnection Customer either a facilities study agreement (Attachment 8), including an outline of the scope of the study and a non-binding good faith estimate of the cost to perform the study, or an executable interconnection agreement, as applicable.

3.4.6 In order to remain under consideration for interconnection, the Interconnection Customer must return executed system impact study agreements, if applicable, within 30 Business Days.

3.4.7 A deposit of the good faith estimated costs for each system impact study may be required from the Interconnection Customer.

3.4.8 The scope of and cost responsibilities for a system impact study are described in the attached system impact study agreement.

3.4.9 Where transmission systems and Distribution Systems have separate owners, such as is the case with transmission-dependent utilities ("TDUs") - whether investor-owned or not - the Interconnection Customer may apply to the nearest Transmission Provider (Transmission Owner, Regional Transmission Operator, or

Independent Transmission Provider) providing transmission service to the TDU to request project coordination. Affected Systems shall participate in the study and provide all information necessary to prepare the study.

3.5 Facilities Study

3.5.1 Once the required system impact study(s) is completed, a system impact study report shall be prepared and transmitted to the Interconnection Customer along with a facilities study agreement within five Business Days, including an outline of the scope of the study and a non-binding good faith estimate of the cost to perform the facilities study. In the case where one or both impact studies are determined to be unnecessary, a notice of the fact shall be transmitted to the Interconnection Customer within the same timeframe.

3.5.2 In order to remain under consideration for interconnection, or, as appropriate, in the Transmission Provider's interconnection queue, the Interconnection Customer must return the executed facilities study agreement or a request for an extension of time within 30 Business Days.

3.5.3 The facilities study shall specify and estimate the cost of the equipment, engineering, procurement and construction work (including overheads) needed to implement the conclusions of the system impact study(s).

3.5.4 Design for any required Interconnection Facilities and/or Upgrades shall be performed under the facilities study agreement. The Transmission Provider may contract with consultants to perform activities required under the facilities study agreement. The Interconnection Customer and the Transmission Provider may agree to allow the Interconnection Customer to separately arrange for the design of some of the Interconnection Facilities. In such cases, facilities design will be reviewed and/or modified prior to acceptance by the Transmission Provider, under the provisions of the facilities study agreement. If the Parties agree to separately arrange for design and construction, and provided security and confidentiality requirements can be met, the Transmission Provider shall make sufficient information available to the Interconnection Customer in accordance with confidentiality and critical infrastructure requirements to permit the Interconnection Customer to obtain an independent design and cost estimate for any necessary facilities.

3.5.5 A deposit of the good faith estimated costs for the facilities study may be required from the Interconnection Customer.

3.5.6 The scope of and cost responsibilities for the facilities study are described in the attached facilities study agreement.

3.5.7 Upon completion of the facilities study, and with the agreement of the Interconnection Customer to pay for Interconnection Facilities and Upgrades identified in the facilities study, the Transmission Provider shall provide the Interconnection Customer an executable interconnection agreement within five Business Days.

Section 4. Provisions that Apply to All Interconnection Requests

4.1 Reasonable Efforts

The Transmission Provider shall make reasonable efforts to meet all time frames provided in these procedures unless the Transmission Provider and the Interconnection Customer agree to a different schedule. If the Transmission Provider cannot meet a deadline provided herein, it shall notify the Interconnection Customer, explain the reason for the failure to meet the deadline, and provide an estimated time by which it will complete the applicable interconnection procedure in the process.

4.2 Disputes

4.2.1 The Parties agree to attempt to resolve all disputes arising out of the interconnection process according to the provisions of this article.

4.2.2 In the event of a dispute, either Party shall provide the other Party with a written Notice of Dispute. Such Notice shall describe in detail the nature of the dispute.

4.2.3 If the dispute has not been resolved within two Business Days after receipt of the Notice, either Party may contact FERC's Dispute Resolution Service ("DRS") for assistance in resolving the dispute.

4.2.4 The DRS will assist the Parties in either resolving their dispute or in selecting an appropriate dispute resolution venue (e.g., mediation, settlement judge, early neutral evaluation, or technical expert) to assist the Parties in resolving their dispute. DRS can be reached at 1-877-337-2237 or via the internet at <http://www.ferc.gov/legal/adr.asp>.

4.2.5 Each Party agrees to conduct all negotiations in good faith and will be responsible for one-half of any costs paid to neutral third-parties.

4.2.6 If neither Party elects to seek assistance from the DRS, or if the attempted dispute resolution fails, then either Party may exercise whatever rights and remedies it may have in equity or law consistent with the terms of these procedures.

4.3 Interconnection Metering

Any metering necessitated by the use of the Small Generating Facility shall be installed at the Interconnection Customer's expense in accordance with Federal Energy Regulatory Commission, state, or local regulatory requirements or the Transmission Provider's specifications.

4.4 Commissioning

Commissioning tests of the Interconnection Customer's installed equipment shall be performed pursuant to applicable codes and standards. The Transmission Provider must be given at least five Business Days written notice, or as otherwise mutually agreed to by the Parties, of the tests and may be present to witness the commissioning tests.

4.5. Confidentiality

4.5.1 Confidential information shall mean any confidential and/or proprietary information provided by one Party to the other Party that is clearly marked or otherwise designated "Confidential." For purposes of these procedures all design, operating specifications, and metering data provided by the Interconnection Customer shall be deemed confidential information regardless of whether it is clearly marked or otherwise designated as such.

4.5.2 Confidential Information does not include information previously in the public domain, required to be publicly submitted or divulged by Governmental Authorities (after notice to the other Party and after exhausting any opportunity to oppose such publication or release), or necessary to be divulged in an action to enforce these procedures. Each Party receiving Confidential Information shall hold such information in confidence and shall not disclose it to any third party nor to the public without the prior written authorization from the Party providing that information, except to fulfill obligations under these procedures, or to fulfill legal or regulatory requirements.

4.5.2.1 Each Party shall employ at least the same standard of care to protect Confidential Information obtained from the other Party as it employs to protect its own Confidential Information.

4.5.2.2 Each Party is entitled to equitable relief, by injunction or otherwise,

to enforce its rights under this provision to prevent the release of Confidential Information without bond or proof of damages, and may seek other remedies available at law or in equity for breach of this provision.

4.5.3 Notwithstanding anything in this article to the contrary, and pursuant to 18 CFR § 1b.20, if FERC, during the course of an investigation or otherwise, requests information from one of the Parties that is otherwise required to be maintained in confidence pursuant to these procedures, the Party shall provide the requested information to FERC, within the time provided for in the request for information. In providing the information to FERC, the Party may, consistent with 18 CFR § 388.112, request that the information be treated as confidential and non-public by FERC and that the information be withheld from public disclosure. Parties are prohibited from notifying the other Party prior to the release of the Confidential Information to FERC. The Party shall notify the other Party when it is notified by FERC that a request to release Confidential Information has been received by FERC, at which time either of the Parties may respond before such information would be made public, pursuant to 18 CFR § 388.112. Requests from a state regulatory body conducting a confidential investigation shall be treated in a similar manner if consistent with the applicable state rules and regulations.

4.6 Comparability

The Transmission Provider shall receive, process and analyze all Interconnection Requests in a timely manner as set forth in this document. The Transmission Provider shall use the same reasonable efforts in processing and analyzing Interconnection Requests from all Interconnection Customers, whether the Small Generating Facility is owned or operated by the Transmission Provider, its subsidiaries or affiliates, or others.

4.7 Record Retention

The Transmission Provider shall maintain for three years records, subject to audit, of all Interconnection Requests received under these procedures, the times required to complete Interconnection Request approvals and disapprovals, and justification for the actions taken on the Interconnection Requests.

4.8 Interconnection Agreement

After receiving an interconnection agreement from the Transmission Provider, the Interconnection Customer shall have 30 Business Days or another mutually agreeable timeframe to sign and return the interconnection agreement, or request that the Transmission Provider file an unexecuted interconnection agreement with the Federal Energy Regulatory Commission. If the Interconnection Customer does not sign the

interconnection agreement, or ask that it be filed unexecuted by the Transmission Provider within 30 Business Days, the Interconnection Request shall be deemed withdrawn. After the interconnection agreement is signed by the Parties, the interconnection of the Small Generating Facility shall proceed under the provisions of the interconnection agreement.

4.9 Coordination with Affected Systems

The Transmission Provider shall coordinate the conduct of any studies required to determine the impact of the Interconnection Request on Affected Systems with Affected System operators and, if possible, include those results (if available) in its applicable interconnection study within the time frame specified in these procedures. The Transmission Provider will include such Affected System operators in all meetings held with the Interconnection Customer as required by these procedures. The Interconnection Customer will cooperate with the Transmission Provider in all matters related to the conduct of studies and the determination of modifications to Affected Systems. A Transmission Provider which may be an Affected System shall cooperate with the Transmission Provider with whom interconnection has been requested in all matters related to the conduct of studies and the determination of modifications to Affected Systems.

4.10 Capacity of the Small Generating Facility

4.10.1 If the Interconnection Request is for an increase in capacity for an existing Small Generating Facility, the Interconnection Request shall be evaluated on the basis of the new total capacity of the Small Generating Facility.

4.10.2 If the Interconnection Request is for a Small Generating Facility that includes multiple energy production devices at a site for which the Interconnection Customer seeks a single Point of Interconnection, the Interconnection Request shall be evaluated on the basis of the aggregate capacity of the multiple devices.

4.10.3 The Interconnection Request shall be evaluated using the maximum capacity that the Small Generating Facility is capable of injecting into the Transmission Provider's electric system. However, if the maximum capacity that the Small Generating Facility is capable of injecting into the Transmission Provider's electric system is limited (e.g., through use of a control system, power relay(s), or other similar device settings or adjustments), then the Interconnection Customer must obtain the Transmission Provider's agreement, with such agreement not to be unreasonably withheld, that the manner in which the Interconnection Customer proposes to implement such a limit will not adversely affect the safety and reliability of the Transmission Provider's system. If the Transmission Provider

does not so agree, then the Interconnection Request must be withdrawn or revised to specify the maximum capacity that the Small Generating Facility is capable of injecting into the Transmission Provider's electric system without such limitations. Furthermore, nothing in this section shall prevent a Transmission Provider from considering an output higher than the limited output, if appropriate, when evaluating system protection impacts.

SGIP Attachment 1
Glossary of Terms

10 kW Inverter Process - The procedure for evaluating an Interconnection Request for a certified inverter-based Small Generating Facility no larger than 10 kW that uses the section 2 screens. The application process uses an all-in-one document that includes a simplified Interconnection Request, simplified procedures, and a brief set of terms and conditions. See SGIP Attachment 5.

Affected System - An electric system other than the Transmission Provider's Transmission System that may be affected by the proposed interconnection.

Business Day - Monday through Friday, excluding Federal Holidays.

Distribution System - The Transmission Provider's facilities and equipment used to transmit electricity to ultimate usage points such as homes and industries directly from nearby generators or from interchanges with higher voltage transmission networks which transport bulk power over longer distances. The voltage levels at which Distribution Systems operate differ among areas.

Distribution Upgrades - The additions, modifications, and upgrades to the Transmission Provider's Distribution System at or beyond the Point of Interconnection to facilitate interconnection of the Small Generating Facility and render the transmission service necessary to effect the Interconnection Customer's wholesale sale of electricity in interstate commerce. Distribution Upgrades do not include Interconnection Facilities.

Fast Track Process - The procedure for evaluating an Interconnection Request for a certified Small Generating Facility that meets the eligibility requirements of section 2.1 and includes the section 2 screens, customer options meeting, and optional supplemental review.

Good Utility Practice – Any of the practices, methods and acts engaged in or approved by a significant portion of the electric industry during the relevant time period, or any of the practices, methods and act which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition. Good Utility Practice is not intended to be limited to the optimum practice, method, or act to the exclusion of all others, but rather to be acceptable practices, methods, or acts generally accepted in the region

Interconnection Customer - Any entity, including the Transmission Provider, the Transmission Owner or any of the affiliates or subsidiaries of either, that proposes to interconnect its Small Generating Facility with the Transmission Provider's Transmission System.

Interconnection Facilities - The Transmission Provider's Interconnection Facilities and the Interconnection Customer's Interconnection Facilities. Collectively, Interconnection Facilities include all facilities and equipment between the Small Generating Facility and the Point of Interconnection, including any modification, additions or upgrades that are necessary to physically and electrically interconnect the Small Generating Facility to the Transmission Provider's Transmission System. Interconnection Facilities are sole use facilities and shall not include Distribution Upgrades or Network Upgrades.

Interconnection Request - The Interconnection Customer's request, in accordance with the Tariff, to interconnect a new Small Generating Facility, or to increase the capacity of, or make a Material Modification to the operating characteristics of, an existing Small Generating Facility that is interconnected with the Transmission Provider's Transmission System.

Material Modification - A modification that has a material impact on the cost or timing of any Interconnection Request with a later queue priority date.

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.

Network Resource Interconnection Service – An Interconnection Service that allows the Interconnection Customer to integrate its Generating Facility with the Transmission Provider's System (1) in a manner comparable to that in which the Transmission Provider integrates its generating facilities to serve native load customers; or (2) in an RTO or ISO with market based congestion management, in the same manner as Network Resources. Network Resource Interconnection Service in and of itself does not convey transmission service.

Network Upgrades - Additions, modifications, and upgrades to the Transmission Provider's Transmission System required at or beyond the point at which the Small Generating Facility interconnects with the Transmission Provider's Transmission System to accommodate the interconnection with the Small Generating Facility to the Transmission Provider's Transmission System. Network Upgrades do not include Distribution Upgrades.

Party or Parties - The Transmission Provider, Transmission Owner, Interconnection Customer or any combination of the above.

Point of Interconnection - The point where the Interconnection Facilities connect with the Transmission Provider's Transmission System.

Queue Position - The order of a valid Interconnection Request, relative to all other pending valid Interconnection Requests, that is established based upon the date and time of receipt of the valid Interconnection Request by the Transmission Provider.

Small Generating Facility - The Interconnection Customer's device for the production and/or storage for later injection of electricity identified in the Interconnection Request, but shall not include the Interconnection Customer's Interconnection Facilities.

Study Process - The procedure for evaluating an Interconnection Request that includes the section 3 scoping meeting, feasibility study, system impact study, and facilities study.

Transmission Owner - The entity that owns, leases or otherwise possesses an interest in the portion of the Transmission System at the Point of Interconnection and may be a Party to the Small Generator Interconnection Agreement to the extent necessary.

Transmission Provider - The public utility (or its designated agent) that owns, controls, or operates transmission or distribution facilities used for the transmission of electricity in interstate commerce and provides transmission service under the Tariff. The term Transmission Provider should be read to include the Transmission Owner when the Transmission Owner is separate from the Transmission Provider.

Transmission System - The facilities owned, controlled or operated by the Transmission Provider or the Transmission Owner that are used to provide transmission service under the Tariff.

Upgrades - The required additions and modifications to the Transmission Provider's Transmission System at or beyond the Point of Interconnection. Upgrades may be Network Upgrades or Distribution Upgrades. Upgrades do not include Interconnection Facilities.

SGIP Attachment 2
SMALL GENERATOR INTERCONNECTION REQUEST
(Application Form)

Transmission Provider:	Public Service Company of New Mexico
Designated Contact Person:	Director, Transmission/Distribution Planning and Contracts
Address:	2401 Aztec Rd., NE, MS-Z220
	Albuquerque NM 87107
Telephone Number:	(505) 241-4582
Fax:	(505) 241-4363
E-Mail Address:	jmechen@pnm.com

An Interconnection Request is considered complete when it provides all applicable and correct information required below. Per SGIP section 1.5, documentation of site control must be submitted with the Interconnection Request.

Preamble and Instructions

An Interconnection Customer who requests a Federal Energy Regulatory Commission jurisdictional interconnection must submit this Interconnection Request by hand delivery, mail, e-mail, or fax to the Transmission Provider.

Processing Fee or Deposit:

If the Interconnection Request is submitted under the Fast Track Process, the non-refundable processing fee is $500.

If the Interconnection Request is submitted under the Study Process, whether a new submission or an Interconnection Request that did not pass the Fast Track Process, the Interconnection Customer shall submit to the Transmission Provider a deposit not to exceed $1,000 towards the cost of the feasibility study.

Interconnection Customer Information

Legal Name of the Interconnection Customer (or, if an individual, individual's name)

Name: _____

Contact Person: _____

Mailing Address: _____

City: _____ State: _____ Zip: _____

Facility Location (if different from above): _____

Telephone (Day): _____ Telephone (Evening): _____

Fax: _____ E-Mail Address: _____

Alternative Contact Information (if different from the Interconnection Customer)

Contact Name: _____

Title: _____

Address: _____

_____

Telephone (Day): _____ Telephone (Evening): _____

Fax: _____ E-Mail Address: _____

Application is for: _____New Small Generating Facility
_____Capacity addition to Existing Small Generating Facility

If capacity addition to existing facility, please describe: _____
_____

Will the Small Generating Facility be used for any of the following?

Net Metering? Yes ___ No ___

To Supply Power to the Interconnection Customer? Yes ___No ___

To Supply Power to Others? Yes ____ No ____

For installations at locations with existing electric service to which the proposed Small Generating Facility will interconnect, provide:

_____ _____
(Local Electric Service Provider*) (Existing Account Number*)

[*To be provided by the Interconnection Customer if the local electric service provider is different from the Transmission Provider]

Contact Name: _____

Title: _____

Address: _____

_____

Telephone (Day): _____ Telephone (Evening): _____

Fax: _____ E-Mail Address: _____

Requested Point of Interconnection: _____

Interconnection Customer's Requested In-Service Date: _____

Small Generating Facility Information

Data apply only to the Small Generating Facility, not the Interconnection Facilities.

Energy Source: ___ Solar ___ Wind ___ Hydro ___ Hydro Type (e.g. Run-of-River):_____
___ Diesel ___ Natural Gas ___ Fuel Oil ___ Other (state type)
_____

Prime Mover: _____Fuel Cell _____Recip Engine _____Gas Turb _____Steam Turb
_____Microturbine _____PV _____Other

Type of Generator: ____Synchronous ____Induction ____ Inverter

Generator Nameplate Rating: _____kW (Typical) Generator Nameplate kVAR: _____

Interconnection Customer or Customer-Site Load: _____kW (if none, so state)

Typical Reactive Load (if known): _____

Maximum Physical Export Capability Requested: _____ kW

List components of the Small Generating Facility equipment package that are currently certified:

	Equipment Type	Certifying Entity
1.	_____	_____
2.	_____	_____
3.	_____	_____
4.	_____	_____
5.	_____	_____

Is the prime mover compatible with the certified protective relay package? ____Yes ____No

Generator (or solar collector)
Manufacturer, Model Name & Number: _____
Version Number: _____

Nameplate Output Power Rating in kW: (Summer) _____ (Winter) _____

Nameplate Output Power Rating in kVA: (Summer) _____ (Winter) _____

Individual Generator Power Factor
Rated Power Factor: Leading: _____Lagging: _____

Total Number of Generators in wind farm to be interconnected pursuant to this Interconnection Request: _____ Elevation: _____ ___Single phase ___Three phase

Inverter Manufacturer, Model Name & Number (if used): _____

List of adjustable set points for the protective equipment or software: _____

Note: A completed Power Systems Load Flow data sheet must be supplied with the Interconnection Request.

Small Generating Facility Characteristic Data (for inverter-based machines)

Max design fault contribution current: _____ Instantaneous _____ or RMS? ___

Harmonics Characteristics: _____

Start-up requirements: _____

Small Generating Facility Characteristic Data (for rotating machines)

RPM Frequency: _____
(*) Neutral Grounding Resistor (If Applicable): _____

Synchronous Generators:

Direct Axis Synchronous Reactance, Xd: _____ P.U.
Direct Axis Transient Reactance, X'_d: _____P.U.
Direct Axis Subtransient Reactance, X''_d: _____P.U.
Negative Sequence Reactance, X_2: _____ P.U.
Zero Sequence Reactance, X_0: _____ P.U.
KVA Base: _____
Field Volts: _____
Field Amperes: _____

Induction Generators:

Motoring Power (kW): _____
I_2^2t or K (Heating Time Constant): _____
Rotor Resistance, Rr: _____
Stator Resistance, Rs: _____

Stator Reactance, Xs: _____
Rotor Reactance, Xr: _____
Magnetizing Reactance, Xm: _____
Short Circuit Reactance, Xd": _____
Exciting Current: _____
Temperature Rise: _____
Frame Size: _____
Design Letter: _____
Reactive Power Required In Vars (No Load): _____
Reactive Power Required In Vars (Full Load): _____
Total Rotating Inertia, H: _____ Per Unit on kVA Base

Note: Please contact the Transmission Provider prior to submitting the Interconnection Request to determine if the specified information above is required.

Excitation and Governor System Data for Synchronous Generators Only

Provide appropriate IEEE model block diagram of excitation system, governor system and power system stabilizer (PSS) in accordance with the regional reliability council criteria. A PSS may be determined to be required by applicable studies. A copy of the manufacturer's block diagram may not be substituted.

Interconnection Facilities Information

Will a transformer be used between the generator and the point of common coupling? ___Yes ___No

Will the transformer be provided by the Interconnection Customer? ____Yes ____No

Transformer Data (If Applicable, for Interconnection Customer-Owned Transformer):

Is the transformer: ____single phase _____three phase?
Size: _____kVA
Transformer Impedance: _____% on _____kVA Base

If Three Phase:
Transformer Primary: _____ Volts _____ Delta _____Wye _____ Wye Grounded
Transformer Secondary: _____ Volts _____ Delta _____Wye _____ Wye Grounded
Transformer Tertiary: _____ Volts _____ Delta _____Wye _____ Wye Grounded

Transformer Fuse Data (If Applicable, for Interconnection Customer-Owned Fuse):

(Attach copy of fuse manufacturer's Minimum Melt and Total Clearing Time-Current Curves)

Manufacturer: _____ Type: _____ Size: _____Speed: _____

Interconnecting Circuit Breaker (if applicable):

Manufacturer: _____ Type: _____
Load Rating (Amps): _____ Interrupting Rating (Amps): _____ Trip Speed (Cycles): _____

Interconnection Protective Relays (If Applicable):

If Microprocessor-Controlled:

List of Functions and Adjustable Setpoints for the protective equipment or software:

	Setpoint Function	Minimum	Maximum
1.	_____	_____	_____
2.	_____	_____	_____
3.	_____	_____	_____
4.	_____	_____	_____
5.	_____	_____	_____
6.	_____	_____	_____

If Discrete Components:

(Enclose Copy of any Proposed Time-Overcurrent Coordination Curves)

Manufacturer: _____ Type: _____ Style/Catalog No.: _____ Proposed Setting: _____
Manufacturer: _____ Type: _____ Style/Catalog No.: _____ Proposed Setting: _____
Manufacturer: _____ Type: _____ Style/Catalog No.: _____ Proposed Setting: _____
Manufacturer: _____ Type: _____ Style/Catalog No.: _____ Proposed Setting: _____
Manufacturer: _____ Type: _____ Style/Catalog No.: _____ Proposed Setting: _____

Current Transformer Data (If Applicable):

(Enclose Copy of Manufacturer's Excitation and Ratio Correction Curves)

Manufacturer: _____
Type: _____ Accuracy Class: __ Proposed Ratio Connection: ____

Manufacturer: _____
Type: _____ Accuracy Class: __ Proposed Ratio Connection: ____

Potential Transformer Data (If Applicable):

Manufacturer: _____
Type: _____ Accuracy Class: __ Proposed Ratio Connection: ____

Manufacturer: _____

Type: _____ Accuracy Class: __ Proposed Ratio Connection: ____

General Information

Enclose copy of site electrical one-line diagram showing the configuration of all Small Generating Facility

equipment, current and potential circuits, and protection and control schemes. This one-line diagram must be signed and stamped by a licensed Professional Engineer if the Small Generating Facility is larger than 50 kW. Is One-Line Diagram Enclosed? ____Yes ____No

Enclose copy of any site documentation that indicates the precise physical location of the proposed Small Generating Facility (e.g., USGS topographic map or other diagram or documentation).

Proposed location of protective interface equipment on property (include address if different from the Interconnection Customer's address) _____

Enclose copy of any site documentation that describes and details the operation of the protection and control schemes. Is Available Documentation Enclosed? ___Yes ____No

Enclose copies of schematic drawings for all protection and control circuits, relay current circuits, relay potential circuits, and alarm/monitoring circuits (if applicable).
Are Schematic Drawings Enclosed? ___Yes ____No

Applicant Signature

I hereby certify that, to the best of my knowledge, all the information provided in this Interconnection Request is true and correct.

For Interconnection Customer: _____Date: _____

SGIP Attachment 3
Certification Codes and Standards

IEEE1547 Standard for Interconnecting Distributed Resources with Electric Power Systems (including use of IEEE 1547.1 testing protocols to establish conformity)

UL 1741 Inverters, Converters, and Controllers for Use in Independent Power Systems

IEEE Std 929-2000 IEEE Recommended Practice for Utility Interface of Photovoltaic (PV) Systems

NFPA 70 (2002), National Electrical Code

IEEE Std C37.90.1-1989 (R1994), IEEE Standard Surge Withstand Capability (SWC) Tests for Protective Relays and Relay Systems

IEEE Std C37.90.2 (1995), IEEE Standard Withstand Capability of Relay Systems to Radiated Electromagnetic Interference from Transceivers

IEEE Std C37.108-1989 (R2002), IEEE Guide for the Protection of Network Transformers

IEEE Std C57.12.44-2000, IEEE Standard Requirements for Secondary Network Protectors

IEEE Std C62.41.2-2002, IEEE Recommended Practice on Characterization of Surges in Low Voltage (1000V and Less) AC Power Circuits

IEEE Std C62.45-1992 (R2002), IEEE Recommended Practice on Surge Testing for Equipment Connected to Low-Voltage (1000V and Less) AC Power Circuits

ANSI C84.1-1995 Electric Power Systems and Equipment - Voltage Ratings (60 Hertz)

IEEE Std 100-2000, IEEE Standard Dictionary of Electrical and Electronic Terms
NEMA MG 1-1998, Motors and Small Resources, Revision 3

IEEE Std 519-1992, IEEE Recommended Practices and Requirements for Harmonic Control in Electrical Power Systems

NEMA MG 1-2003 (Rev 2004), Motors and Generators, Revision 1

SGIP Attachment 4
Certification of Small Generator Equipment Packages

1.0 Small Generating Facility equipment proposed for use separately or packaged with other equipment in an interconnection system shall be considered certified for interconnected operation if (1) it has been tested in accordance with industry standards for continuous utility interactive operation in compliance with the appropriate codes and standards referenced below by any Nationally Recognized Testing Laboratory ("NRTL") recognized by the United States Occupational Safety and Health Administration to test and certify interconnection equipment pursuant to the relevant codes and standards listed in SGIP Attachment 3, (2) it has been labeled and is publicly listed by such NRTL at the time of the interconnection application, and (3) such NRTL makes readily available for verification all test standards and procedures it utilized in performing such equipment certification, and, with consumer approval, the test data itself. The NRTL may make such information available on its website and by encouraging such information to be included in the manufacturer's literature accompanying the equipment.

2.0 The Interconnection Customer must verify that the intended use of the equipment falls within the use or uses for which the equipment was tested, labeled, and listed by the NRTL.

3.0 Certified equipment shall not require further type-test review, testing, or additional equipment to meet the requirements of this interconnection procedure; however, nothing herein shall preclude the need for an on-site commissioning test by the parties to the interconnection nor follow-up production testing by the NRTL.

4.0 If the certified equipment package includes only interface components (switchgear, inverters, or other interface devices), then an Interconnection Customer must show that the generator or other electric source being utilized with the equipment package is compatible with the equipment package and is consistent with the testing and listing specified for this type of interconnection equipment.

5.0 Provided the generator or electric source, when combined with the equipment package, is within the range of capabilities for which it was tested by the NRTL, and does not violate the interface components' labeling and listing performed by the NRTL, no further design review, testing or additional equipment on the customer side of the point of common coupling shall be required to meet the requirements of this interconnection procedure.

6.0 An equipment package does not include equipment provided by the utility.

7.0 Any equipment package approved and listed in a state by that state's regulatory body for

interconnected operation in that state prior to the effective date of these small generator interconnection procedures shall be considered certified under these procedures for use in that state.

SGIP Attachment 5
Application, Procedures, and Terms and Conditions for Interconnecting a Certified Inverter-Based Small Generating Facility No Larger than 10 kW ("10 kW Inverter Process")

1.0 The Interconnection Customer ("Customer") completes the Interconnection Request ("Application") and submits it to the Transmission Provider ("Company").

2.0 The Company acknowledges to the Customer receipt of the Application within three Business Days of receipt.

3.0 The Company evaluates the Application for completeness and notifies the Customer within ten Business Days of receipt that the Application is or is not complete and, if not, advises what material is missing.

4.0 The Company verifies that the Small Generating Facility can be interconnected safely and reliably using the screens contained in the Fast Track Process in the Small Generator Interconnection Procedures (“SGIP”). The Company has 15 Business Days to complete this process. Unless the Company determines and demonstrates that the Small Generating Facility cannot be interconnected safely and reliably, the Company approves the Application and returns it to the Customer. Note to Customer: Please check with the Company before submitting the Application if disconnection equipment is required.

5.0 After installation, the Customer returns the Certificate of Completion to the Company. Prior to parallel operation, the Company may inspect the Small Generating Facility for compliance with standards which may include a witness test, and may schedule appropriate metering replacement, if necessary.

6.0 The Company notifies the Customer in writing that interconnection of the Small Generating Facility is authorized. If the witness test is not satisfactory, the Company has the right to disconnect the Small Generating Facility. The Customer has no right to operate in parallel until a witness test has been performed, or previously waived on the Application. The Company is obligated to complete this witness test within ten Business Days of the receipt of the Certificate of Completion. If the Company does not inspect within ten Business Days or by mutual agreement of the Parties, the witness test is deemed waived.

7.0 Contact Information - The Customer must provide the contact information for the legal applicant (i.e., the Interconnection Customer). If another entity is responsible for interfacing with the Company, that contact information must be provided on the

Application.

8.0 Ownership Information - Enter the legal names of the owner(s) of the Small Generating Facility. Include the percentage ownership (if any) by any utility or public utility holding company, or by any entity owned by either.

9.0 UL1741 Listed - This standard ("Inverters, Converters, and Controllers for Use in Independent Power Systems") addresses the electrical interconnection design of various forms of generating equipment. Many manufacturers submit their equipment to a Nationally Recognized Testing Laboratory (NRTL) that verifies compliance with UL1741. This "listing" is then marked on the equipment and supporting documentation.

Application for Interconnecting a Certified Inverter-Based Small Generating Facility No Larger than 10kW

This Application is considered complete when it provides all applicable and correct information required below. Per SGIP section 1.5, documentation of site control must be submitted with the Interconnection Request. Additional information to evaluate the Application may be required.

Processing Fee

A non-refundable processing fee of $100 must accompany this Application.

Interconnection Customer

Name: _____

Contact Person:_____

Address: _____

City: _____ State: _____ Zip: _____

Telephone (Day): _____ (Evening): _____

Fax: _____ E-Mail Address: _____

Contact (if different from Interconnection Customer)

Name: _____

Address: _____

City: _____ State: _____ Zip: _____

Telephone (Day): _____ (Evening): _____

Fax: _____ E-Mail Address: _____

Owner of the facility (include % ownership by any electric utility): _____

_____

Small Generating Facility Information

Location (if different from above):_____

Electric Service Company: _____

Account Number: _____

Inverter Manufacturer:_____

Model_____

_____

Nameplate Rating: _____ (kW) ____ (kVA) _____ (AC Volts)

Single Phase _____ Three Phase_____

System Design Capacity: _____ (kW) _____ (kVA)

Prime Mover: Photovoltaic Reciprocating Engine Fuel Cell

Turbine Other _____

Energy Source: Solar Wind Hydro Diesel Natural Gas

Fuel Oil Other (describe) _____

Is the equipment UL1741 Listed? Yes_ No __

If Yes, attach manufacturer's cut-sheet showing UL1741 listing

Estimated Installation Date: _____Estimated In-Service Date: _____

The 10 kW Inverter Process is available only for inverter-based Small Generating Facilities no larger than 10 kW that meet the codes, standards, and certification requirements of Attachments 3 and 4 of the Small Generator Interconnection Procedures (SGIP), or the Transmission Provider has reviewed the design or tested the proposed Small Generating Facility and is satisfied that it is safe to operate.

List components of the Small Generating Facility equipment package that are currently certified:

	Equipment Type	Certifying Entity
1.	_____	_____
2.	_____	_____
3.	_____	_____
4.	_____	_____
5.	_____	_____

Interconnection Customer Signature

I hereby certify that, to the best of my knowledge, the information provided in this Application is true. I agree to abide by the Terms and Conditions for Interconnecting an Inverter-Based Small Generating Facility No Larger than 10kW and return the Certificate of Completion when the Small Generating Facility has been installed.

Signed: _____

Title: _____ Date: _____

Contingent Approval to Interconnect the Small Generating Facility

(For Company use only)

Interconnection of the Small Generating Facility is approved contingent upon the Terms and Conditions for Interconnecting an Inverter-Based Small Generating Facility No Larger than 10kW and return of the Certificate of Completion.

Company Signature: _____

Title: _____ Date: _____

Application ID number: _____

Company waives inspection/witness test? Yes___No___

Small Generating Facility Certificate of Completion

Is the Small Generating Facility owner-installed? Yes_____ No _____

Interconnection Customer:

_____

Contact Person:_____

Address: _____

Location of the Small Generating Facility (if different from above):

_____

_____

City: _____ State: _____ Zip Code: _____

Telephone (Day): _____ (Evening): _____

Fax: _____ E-Mail Address: _____

Electrician:

Name: _____

Address: _____

City: _____ State: _____ Zip Code: _____

Telephone (Day): _____ (Evening): _____

Fax: _____ E-Mail Address: _____

License number: _____

Date Approval to Install Facility granted by the Company: _____

Application ID number: _____

Inspection:

The Small Generating Facility has been installed and inspected in compliance with the local building/electrical code of _____

Signed (Local electrical wiring inspector, or attach signed electrical inspection):

_____

Print Name: _____

Date: _____

As a condition of interconnection, you are required to send/fax a copy of this form along with a copy of the signed electrical permit to (insert Company information below):

Name: _____

Company: _____

Address:_____

_____

City, State ZIP: _____

Fax: _____

Approval to Energize the Small Generating Facility (For Company use only)

Energizing the Small Generating Facility is approved contingent upon the Terms and Conditions for Interconnecting an Inverter-Based Small Generating Facility No Larger than 10kW

Company Signature: _____

Title: _____ Date: _____

Terms and Conditions for Interconnecting an Inverter-Based Small Generating Facility No Larger than 10kW

1.0 Construction of the Facility

The Interconnection Customer (the "Customer") may proceed to construct (including operational testing not to exceed two hours) the Small Generating Facility when the Transmission Provider (the "Company") approves the Interconnection Request (the "Application") and returns it to the Customer.

2.0 Interconnection and Operation

The Customer may operate Small Generating Facility and interconnect with the Company's electric system once all of the following have occurred:

2.1 Upon completing construction, the Customer will cause the Small Generating Facility to be inspected or otherwise certified by the appropriate local electrical wiring inspector with jurisdiction, and

2.2 The Customer returns the Certificate of Completion to the Company, and

2.3 The Company has either:

2.3.1 Completed its inspection of the Small Generating Facility to ensure that all equipment has been appropriately installed and that all electrical connections have been made in accordance with applicable codes. All inspections must be conducted by the Company, at its own expense, within ten Business Days after receipt of the Certificate of Completion and shall take place at a time agreeable to the Parties. The Company shall provide a written statement that the Small Generating Facility has passed inspection or shall notify the Customer of what steps it must take to pass inspection as soon as practicable after the inspection takes place; or

2.3.2 If the Company does not schedule an inspection of the Small Generating Facility within ten business days after receiving the Certificate of Completion, the witness test is deemed waived (unless the Parties agree otherwise); or

2.3.3 The Company waives the right to inspect the Small Generating Facility.

2.4 The Company has the right to disconnect the Small Generating Facility in the event of improper installation or failure to return the Certificate of Completion.

2.5 Revenue quality metering equipment must be installed and tested in accordance with applicable ANSI standards.

3.0 Safe Operations and Maintenance

The Customer shall be fully responsible to operate, maintain, and repair the Small Generating Facility as required to ensure that it complies at all times with the interconnection standards to which it has been certified.

4.0 Access

The Company shall have access to the disconnect switch (if the disconnect switch is required) and metering equipment of the Small Generating Facility at all times. The Company shall provide reasonable notice to the Customer when possible prior to using its right of access.

5.0 Disconnection

The Company may temporarily disconnect the Small Generating Facility upon the following conditions:

5.1 For scheduled outages upon reasonable notice.

5.2 For unscheduled outages or emergency conditions.

5.3 If the Small Generating Facility does not operate in the manner consistent with these Terms and Conditions.

5.4 The Company shall inform the Customer in advance of any scheduled disconnection, or as is reasonable after an unscheduled disconnection.

6.0 Indemnification

The Parties shall at all times indemnify, defend, and save the other Party 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, demand, suits, recoveries, costs and expenses, court costs, attorney fees, and all other obligations by or to third parties, arising out of or resulting from the other Party's action or inactions of its obligations under this agreement on behalf of the indemnifying Party, except in cases of gross negligence or intentional wrongdoing by the indemnified Party.

7. 0 Insurance

The Parties agree to follow all applicable insurance requirements imposed by the state in which the Point of Interconnection is located. All insurance policies must be maintained

with insurers authorized to do business in that state.

8.0 Limitation of Liability

Each party's liability to the other party for any loss, cost, claim, injury, liability, or expense, including reasonable attorney's fees, relating to or arising from any act or omission in its performance of this Agreement, shall be limited to the amount of direct damage actually incurred. In no event shall either party be liable to the other party for any indirect, incidental, special, consequential, or punitive damages of any kind whatsoever, except as allowed under paragraph 6.0.

9.0 Termination

The agreement to operate in parallel may be terminated under the following conditions:

9.1 By the Customer

By providing written notice to the Company.

9.2 By the Company

If the Small Generating Facility fails to operate for any consecutive 12 month period or the Customer fails to remedy a violation of these Terms and Conditions.

9.3 Permanent Disconnection

In the event this Agreement is terminated, the Company shall have the right to disconnect its facilities or direct the Customer to disconnect its Small Generating Facility.

9.4 Survival Rights

This Agreement shall continue in effect after termination to the extent necessary to allow or require either Party to fulfill rights or obligations that arose under the Agreement.

10.0 Assignment/Transfer of Ownership of the Facility

This Agreement shall survive the transfer of ownership of the Small Generating Facility to a new owner when the new owner agrees in writing to comply with the terms of this Agreement and so notifies the Company.

SGIP Attachment 6
Feasibility Study Agreement

THIS AGREEMENT is made and entered into this_____day of_____ 20___ by and between_____, a_____organized and existing under the laws of the State of _____, ("Interconnection Customer,") and Public Service Company of New Mexico, a corporation existing under the laws of the State of New Mexico, ("Transmission Provider"). Interconnection Customer and Transmission Provider each may be referred to as a "Party," or collectively as the "Parties."

RECITALS

WHEREAS, Interconnection Customer is proposing to develop a Small Generating Facility or generating capacity addition to an existing Small Generating Facility consistent with the Interconnection Request completed by Interconnection Customer on_____; and

WHEREAS, Interconnection Customer desires to interconnect the Small Generating Facility with the Transmission Provider's Transmission System; and

WHEREAS, Interconnection Customer has requested the Transmission Provider to perform a feasibility study to assess the feasibility of interconnecting the proposed Small Generating Facility with the Transmission Provider's Transmission System, and of any Affected Systems;

NOW, THEREFORE, in consideration of and subject to the mutual covenants contained herein the Parties agreed as follows:

1.0 When used in this Agreement, with initial capitalization, the terms specified shall have the meanings indicated or the meanings specified in the standard Small Generator Interconnection Procedures.

2.0 The Interconnection Customer elects and the Transmission Provider shall cause to be performed an interconnection feasibility study consistent the standard Small Generator Interconnection Procedures in accordance with the Open Access Transmission Tariff.

3.0 The scope of the feasibility study shall be subject to the assumptions set forth in Attachment A to this Agreement.

4.0 The feasibility study shall be based on the technical information provided by the Interconnection Customer in the Interconnection Request, as may be modified as the result

of the scoping meeting. The Transmission Provider reserves the right to request additional technical information from the Interconnection Customer as may reasonably become necessary consistent with Good Utility Practice during the course of the feasibility study and as designated in accordance with the standard Small Generator Interconnection Procedures. If the Interconnection Customer modifies its Interconnection Request, the time to complete the feasibility study may be extended by agreement of the Parties.

5.0 In performing the study, the Transmission Provider shall rely, to the extent reasonably practicable, on existing studies of recent vintage. The Interconnection Customer shall not be charged for such existing studies; however, the Interconnection Customer shall be responsible for charges associated with any new study or modifications to existing studies that are reasonably necessary to perform the feasibility study.

6.0 The feasibility study report shall provide the following analyses for the purpose of identifying any potential adverse system impacts that would result from the interconnection of the Small Generating Facility as proposed:

6.1 Initial identification of any circuit breaker short circuit capability limits exceeded as a result of the interconnection;

6.2 Initial identification of any thermal overload or voltage limit violations resulting from the interconnection;

6.3 Initial review of grounding requirements and electric system protection; and

6.4 Description and non-binding estimated cost of facilities required to interconnect the proposed Small Generating Facility and to address the identified short circuit and power flow issues.

7.0 The feasibility study shall model the impact of the Small Generating Facility regardless of purpose in order to avoid the further expense and interruption of operation for reexamination of feasibility and impacts if the Interconnection Customer later changes the purpose for which the Small Generating Facility is being installed.

8.0 The study shall include the feasibility of any interconnection at a proposed project site where there could be multiple potential Points of Interconnection, as requested by the Interconnection Customer and at the Interconnection Customer's cost.

9.0 A deposit of the lesser of 50 percent of good faith estimated feasibility study costs or earnest money of $1,000 may be required from the Interconnection Customer.

10.0 Once the feasibility study is completed, a feasibility study report shall be prepared and transmitted to the Interconnection Customer. Barring unusual circumstances, the feasibility study must be completed and the feasibility study report transmitted within 30 Business Days of the Interconnection Customer's agreement to conduct a feasibility study.

11.0 Any study fees shall be based on the Transmission Provider's actual costs and will be invoiced to the Interconnection Customer after the study is completed and delivered and will include a summary of professional time.

12.0 The Interconnection Customer must pay any study costs that exceed the deposit without interest within 30 calendar days on receipt of the invoice or resolution of any dispute. If the deposit exceeds the invoiced fees, the Transmission Provider shall refund such excess within 30 calendar days of the invoice without interest.

13.0 Governing Law, Regulatory Authority, and Rules

The validity, interpretation and enforcement of this Agreement and each of its provisions shall be governed by the laws of the state of _____ (where the Point of Interconnection is located), without regard to its conflicts of law principles. This Agreement is subject to all Applicable Laws and Regulations. Each Party expressly reserves the right to seek changes in, appeal, or otherwise contest any laws, orders, or regulations of a Governmental Authority.

14.0 Amendment

The Parties may amend this Agreement by a written instrument duly executed by both Parties.

15.0 No Third-Party Beneficiaries

This Agreement is not intended to and does not create rights, remedies, or benefits of any character whatsoever in favor of any persons, corporations, associations, or entities other than the Parties, and the obligations herein assumed are solely for the use and benefit of the Parties, their successors in interest and where permitted, their assigns.

16.0 Waiver

16.1 The failure of a Party to this Agreement to insist, on any occasion, upon strict performance of any provision of this Agreement will not be considered a waiver of any obligation, right, or duty of, or imposed upon, such Party.

16.2 Any waiver at any time by either Party of its rights with respect to this Agreement shall not be deemed a continuing waiver or a waiver with respect to any other

failure to comply with any other obligation, right, duty of this Agreement. Termination or default of this Agreement for any reason by Interconnection Customer shall not constitute a waiver of the Interconnection Customer's legal rights to obtain an interconnection from the Transmission Provider. Any waiver of this Agreement shall, if requested, be provided in writing.

17.0 Multiple Counterparts

This Agreement may be executed in two or more counterparts, each of which is deemed an original but all constitute one and the same instrument.

18.0 No Partnership

This Agreement shall not be interpreted or construed to create an association, joint venture, agency relationship, or partnership between the Parties or to impose any partnership obligation or partnership liability upon either Party. Neither Party shall have any right, power or authority to enter into any agreement or undertaking for, or act on behalf of, or to act as or be an agent or representative of, or to otherwise bind, the other Party.

19.0 Severability

If any provision or portion of this Agreement shall for any reason be held or adjudged to be invalid or illegal or unenforceable by any court of competent jurisdiction or other Governmental Authority, (1) such portion or provision shall be deemed separate and independent, (2) the Parties shall negotiate in good faith to restore insofar as practicable the benefits to each Party that were affected by such ruling, and (3) the remainder of this Agreement shall remain in full force and effect.

20.0 Subcontractors

Nothing in this Agreement shall prevent a Party from utilizing the services of any subcontractor as it deems appropriate to perform its obligations under this Agreement; provided, however, that each Party shall require its subcontractors to comply with all applicable terms and conditions of this Agreement in providing such services and each Party shall remain primarily liable to the other Party for the performance of such subcontractor.

20.1 The creation of any subcontract relationship shall not relieve the hiring Party of any of its obligations under this Agreement. The hiring Party shall be fully responsible to the other Party for the acts or omissions of any subcontractor the hiring Party hires as if no subcontract had been made; provided, however, that in no event shall the Transmission Provider be liable for the actions or inactions of the Interconnection Customer or its subcontractors with respect to obligations of the Interconnection Customer under this Agreement. Any applicable obligation

imposed by this Agreement upon the hiring Party shall be equally binding upon, and shall be construed as having application to, any subcontractor of such Party.

20.2 The obligations under this article will not be limited in any way by any limitation of subcontractor's insurance.

21.0 Reservation of Rights

The Transmission Provider shall have the right to make a unilateral filing with FERC to modify this Agreement with respect to any rates, terms and conditions, charges, classifications of service, rule or regulation under section 205 or any other applicable provision of the Federal Power Act and FERC's rules and regulations thereunder, and the Interconnection Customer shall have the right to make a unilateral filing with FERC to modify this Agreement under any applicable provision of the Federal Power Act and FERC's rules and regulations; provided that each Party shall have the right to protest any such filing by the other Party and to participate fully in any proceeding before FERC in which such modifications may be considered. Nothing in this Agreement shall limit the rights of the Parties or of FERC under sections 205 or 206 of the Federal Power Act and FERC's rules and regulations, except to the extent that the Parties otherwise agree as provided herein.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their duly authorized officers or agents on the day and year first above written.

PUBLIC SERVICE COMPANY OF NEW MEXICO

Signed_____
Name (Printed):_____
Title_____

[Insert name of Interconnection Customer]

Signed_____
Name (Printed):_____
Title_____

Attachment A to
Feasibility Study Agreement

Assumptions Used in Conducting the Feasibility Study

The feasibility study will be based upon the information set forth in the Interconnection Request and agreed upon in the scoping meeting held on _____:

1) Designation of Point of Interconnection and configuration to be studied.

2) Designation of alternative Points of Interconnection and configuration.

1) and 2) are to be completed by the Interconnection Customer. Other assumptions (listed below) are to be provided by the Interconnection Customer and the Transmission Provider.

SGIP Attachment 7
System Impact Study Agreement

THIS AGREEMENT is made and entered into this_____day of_____ 20___ by and between_____, a_____organized and existing under the laws of the State of _____, ("Interconnection Customer,") and Public Service Company of New Mexico, a corporation existing under the laws of the State of New Mexico ("Transmission Provider"). Interconnection Customer and Transmission Provider each may be referred to as a "Party," or collectively as the "Parties."

RECITALS

WHEREAS, the Interconnection Customer is proposing to develop a Small Generating Facility or generating capacity addition to an existing Small Generating Facility consistent with the Interconnection Request completed by the Interconnection Customer on_____; and

WHEREAS, the Interconnection Customer desires to interconnect the Small Generating Facility with the Transmission Provider's Transmission System;

WHEREAS, the Transmission Provider has completed a feasibility study and provided the results of said study to the Interconnection Customer (This recital to be omitted if the Parties have agreed to forego the feasibility study.); and

WHEREAS, the Interconnection Customer has requested the Transmission Provider to perform a system impact study(s) to assess the impact of interconnecting the Small Generating Facility with the Transmission Provider's Transmission System, and of any Affected Systems;

NOW, THEREFORE, in consideration of and subject to the mutual covenants contained herein the Parties agreed as follows:

1.0 When used in this Agreement, with initial capitalization, the terms specified shall have the meanings indicated or the meanings specified in the standard Small Generator Interconnection Procedures.

2.0 The Interconnection Customer elects and the Transmission Provider shall cause to be performed a system impact study(s) consistent with the standard Small Generator Interconnection Procedures in accordance with the Open Access Transmission Tariff.

3.0 The scope of a system impact study shall be subject to the assumptions set forth in Attachment A to this Agreement.

4.0 A system impact study will be based upon the results of the feasibility study and the technical information provided by Interconnection Customer in the Interconnection Request. The Transmission Provider reserves the right to request additional technical information from the Interconnection Customer as may reasonably become necessary consistent with Good Utility Practice during the course of the system impact study. If the Interconnection Customer modifies its designated Point of Interconnection, Interconnection Request, or the technical information provided therein is modified, the time to complete the system impact study may be extended.

5.0 A system impact study shall consist of a short circuit analysis, a stability analysis, a power flow analysis, voltage drop and flicker studies, protection and set point coordination studies, and grounding reviews, as necessary. A system impact study shall state the assumptions upon which it is based, state the results of the analyses, and provide the requirement or potential impediments to providing the requested interconnection service, including a preliminary indication of the cost and length of time that would be necessary to correct any problems identified in those analyses and implement the interconnection. A system impact study shall provide a list of facilities that are required as a result of the Interconnection Request and non-binding good faith estimates of cost responsibility and time to construct.

6.0 A distribution system impact study shall incorporate a distribution load flow study, an analysis of equipment interrupting ratings, protection coordination study, voltage drop and flicker studies, protection and set point coordination studies, grounding reviews, and the impact on electric system operation, as necessary.

7.0 Affected Systems may participate in the preparation of a system impact study, with a division of costs among such entities as they may agree. All Affected Systems shall be afforded an opportunity to review and comment upon a system impact study that covers potential adverse system impacts on their electric systems, and the Transmission Provider has 20 additional Business Days to complete a system impact study requiring review by Affected Systems.

8.0 If the Transmission Provider uses a queuing procedure for sorting or prioritizing projects and their associated cost responsibilities for any required Network Upgrades, the system impact study shall consider all generating facilities (and with respect to paragraph 8.3 below, any identified Upgrades associated with such higher queued interconnection) that, on the date the system impact study is commenced -

8.1 Are directly interconnected with the Transmission Provider's electric system; or

8.2 Are interconnected with Affected Systems and may have an impact on the proposed interconnection; and

8.3 Have a pending higher queued Interconnection Request to interconnect with the Transmission Provider's electric system.

9.0 A distribution system impact study, if required, shall be completed and the results transmitted to the Interconnection Customer within 30 Business Days after this Agreement is signed by the Parties. A transmission system impact study, if required, shall be completed and the results transmitted to the Interconnection Customer within 45 Business Days after this Agreement is signed by the Parties, or in accordance with the Transmission Provider's queuing procedures.

10.0 A deposit of the equivalent of the good faith estimated cost of a distribution system impact study and the one half the good faith estimated cost of a transmission system impact study may be required from the Interconnection Customer.

11.0 Any study fees shall be based on the Transmission Provider's actual costs and will be invoiced to the Interconnection Customer after the study is completed and delivered and will include a summary of professional time.

12.0 The Interconnection Customer must pay any study costs that exceed the deposit without interest within 30 calendar days on receipt of the invoice or resolution of any dispute. If the deposit exceeds the invoiced fees, the Transmission Provider shall refund such excess within 30 calendar days of the invoice without interest.

13.0 Governing Law, Regulatory Authority, and Rules

The validity, interpretation and enforcement of this Agreement and each of its provisions shall be governed by the laws of the state of _____ (where the Point of Interconnection is located), without regard to its conflicts of law principles. This Agreement is subject to all Applicable Laws and Regulations. Each Party expressly reserves the right to seek changes in, appeal, or otherwise contest any laws, orders, or regulations of a Governmental Authority.

14.0 Amendment

The Parties may amend this Agreement by a written instrument duly executed by both Parties.

15.0 No Third-Party Beneficiaries

This Agreement is not intended to and does not create rights, remedies, or benefits of any character whatsoever in favor of any persons, corporations, associations, or entities other than the Parties, and the obligations herein assumed are solely for the use and benefit of the Parties, their successors in interest and where permitted, their assigns.

16.0 Waiver

16.1 The failure of a Party to this Agreement to insist, on any occasion, upon strict performance of any provision of this Agreement will not be considered a waiver of any obligation, right, or duty of, or imposed upon, such Party.

16.2 Any waiver at any time by either Party of its rights with respect to this Agreement shall not be deemed a continuing waiver or a waiver with respect to any other failure to comply with any other obligation, right, duty of this Agreement. Termination or default of this Agreement for any reason by Interconnection Customer shall not constitute a waiver of the Interconnection Customer's legal rights to obtain an interconnection from the Transmission Provider. Any waiver of this Agreement shall, if requested, be provided in writing.

17.0 Multiple Counterparts

This Agreement may be executed in two or more counterparts, each of which is deemed an original but all constitute one and the same instrument.

18.0 No Partnership

This Agreement shall not be interpreted or construed to create an association, joint venture, agency relationship, or partnership between the Parties or to impose any partnership obligation or partnership liability upon either Party. Neither Party shall have any right, power or authority to enter into any agreement or undertaking for, or act on behalf of, or to act as or be an agent or representative of, or to otherwise bind, the other Party.

19.0 Severability

If any provision or portion of this Agreement shall for any reason be held or adjudged to be invalid or illegal or unenforceable by any court of competent jurisdiction or other Governmental Authority, (1) such portion or provision shall be deemed separate and independent, (2) the Parties shall negotiate in good faith to restore insofar as practicable the benefits to each Party that were affected by such ruling, and (3) the remainder of this Agreement shall remain in full force and effect.

20.0 Subcontractors

Nothing in this Agreement shall prevent a Party from utilizing the services of any subcontractor as it deems appropriate to perform its obligations under this Agreement; provided, however, that each Party shall require its subcontractors to comply with all applicable terms and conditions of this Agreement in providing such services and each Party shall remain primarily liable to the other Party for the performance of such subcontractor.

20.1 The creation of any subcontract relationship shall not relieve the hiring Party of any of its obligations under this Agreement. The hiring Party shall be fully responsible to the other Party for the acts or omissions of any subcontractor the hiring Party hires as if no subcontract had been made; provided, however, that in no event shall the Transmission Provider be liable for the actions or inactions of the Interconnection Customer or its subcontractors with respect to obligations of the Interconnection Customer under this Agreement. Any applicable obligation imposed by this Agreement upon the hiring Party shall be equally binding upon, and shall be construed as having application to, any subcontractor of such Party.

20.2 The obligations under this article will not be limited in any way by any limitation of subcontractor’s insurance.

21.0 Reservation of Rights

The Transmission Provider shall have the right to make a unilateral filing with FERC to modify this Agreement with respect to any rates, terms and conditions, charges, classifications of service, rule or regulation under section 205 or any other applicable provision of the Federal Power Act and FERC's rules and regulations thereunder, and the Interconnection Customer shall have the right to make a unilateral filing with FERC to modify this Agreement under any applicable provision of the Federal Power Act and FERC's rules and regulations; provided that each Party shall have the right to protest any such filing by the other Party and to participate fully in any proceeding before FERC in which such modifications may be considered. Nothing in this Agreement shall limit the

rights of the Parties or of FERC under sections 205 or 206 of the Federal Power Act and FERC's rules and regulations, except to the extent that the Parties otherwise agree as provided herein.

IN WITNESS THEREOF, the Parties have caused this Agreement to be duly executed by their duly authorized officers or agents on the day and year first above written.

PUBLIC SERVICE COMPANY OF NEW MEXICO

Signed_____

Name (Printed):

_____

Title_____

[Insert name of Interconnection Customer]

Signed_____

Name (Printed):

Title_____

Attachment A to System Impact Study Agreement

Assumptions Used in Conducting the System Impact Study

The system impact study shall be based upon the results of the feasibility study, subject to any modifications in accordance with the standard Small Generator Interconnection Procedures, and the following assumptions:

1) Designation of Point of Interconnection and configuration to be studied.

2) Designation of alternative Points of Interconnection and configuration.

1) and 2) are to be completed by the Interconnection Customer. Other assumptions (listed below) are to be provided by the Interconnection Customer and the Transmission Provider.

SGIP Attachment 8
Facilities Study Agreement

THIS AGREEMENT is made and entered into this_____day of_____ 20___ by and between_____, a_____organized and existing under the laws of the State of _____, ("Interconnection Customer,") and Public Service Company of New Mexico, a corporation existing under the laws of the State of New Mexico, ("Transmission Provider"). Interconnection Customer and Transmission Provider each may be referred to as a "Party," or collectively as the "Parties."

RECITALS

WHEREAS, the Interconnection Customer is proposing to develop a Small Generating Facility or generating capacity addition to an existing Small Generating Facility consistent with the Interconnection Request completed by the Interconnection Customer on_____; and

WHEREAS, the Interconnection Customer desires to interconnect the Small Generating Facility with the Transmission Provider's Transmission System;

WHEREAS, the Transmission Provider has completed a system impact study and provided the results of said study to the Interconnection Customer; and

WHEREAS, the Interconnection Customer has requested the Transmission Provider to perform a facilities study to specify and estimate the cost of the equipment, engineering, procurement and construction work needed to implement the conclusions of the system impact study in accordance with Good Utility Practice to physically and electrically connect the Small Generating Facility with the Transmission Provider's Transmission System.

NOW, THEREFORE, in consideration of and subject to the mutual covenants contained herein the Parties agreed as follows:

1.0 When used in this Agreement, with initial capitalization, the terms specified shall have the meanings indicated or the meanings specified in the standard Small Generator Interconnection Procedures.

2.0 The Interconnection Customer elects and the Transmission Provider shall cause a facilities study consistent with the standard Small Generator Interconnection Procedures to be performed in accordance with the Open Access Transmission Tariff.

3.0 The scope of the facilities study shall be subject to data provided in Attachment A to this Agreement.

4.0 The facilities study shall specify and estimate the cost of the equipment, engineering, procurement and construction work (including overheads) needed to implement the conclusions of the system impact study(s). The facilities study shall also identify (1) the electrical switching configuration of the equipment, including, without limitation, transformer, switchgear, meters, and other station equipment, (2) the nature and estimated cost of the Transmission Provider's Interconnection Facilities and Upgrades necessary to accomplish the interconnection, and (3) an estimate of the time required to complete the construction and installation of such facilities.

5.0 The Transmission Provider may propose to group facilities required for more than one Interconnection Customer in order to minimize facilities costs through economies of scale, but any Interconnection Customer may require the installation of facilities required for its own Small Generating Facility if it is willing to pay the costs of those facilities.

6.0 A deposit of the good faith estimated facilities study costs may be required from the Interconnection Customer.

7.0 In cases where Upgrades are required, the facilities study must be completed within 45 Business Days of the receipt of this Agreement. In cases where no Upgrades are necessary, and the required facilities are limited to Interconnection Facilities, the facilities study must be completed within 30 Business Days.

8.0 Once the facilities study is completed, a draft facilities study report shall be prepared and transmitted to the Interconnection Customer. Barring unusual circumstances, the facilities study must be completed and the draft facilities study report transmitted within 30 Business Days of the Interconnection Customer's agreement to conduct a facilities study.

9.0 Interconnection Customer may, within 30 Calendar Days after receipt of the draft report, provide written comments to Transmission Provider, which Transmission Provider shall include in the final report. Transmission Provider shall issue the final Interconnection Facilities Study report within 15 Business Days of receiving Interconnection Customer’s comments or promptly upon receiving Interconnection Customer’s statement that it will not provide comments. Transmission Provider may reasonably extend such fifteen-day period upon notice to Interconnection Customer if Interconnection Customer’s comments require Transmission Provider to perform additional analyses or make other significant modifications prior to the issuance of the final Interconnection Facilities Report. Upon

request, Transmission Provider shall provide Interconnection Customer supporting documentation, workpapers, and databases or data developed in the preparation of the Interconnection Facilities Study, subject to confidentiality arrangements consistent with Section 4.5 of the standard Small Generator Interconnection Procedures.

10.0 Within ten Business Days of providing a draft Interconnection Facilities Study report to Interconnection Customer, Transmission Provider and Interconnection Customer shall meet to discuss the results of the Interconnection Facilities Study.

11.0 Any study fees shall be based on the Transmission Provider's actual costs and will be invoiced to the Interconnection Customer after the study is completed and delivered and will include a summary of professional time.

12.0 The Interconnection Customer must pay any study costs that exceed the deposit without interest within 30 calendar days on receipt of the invoice or resolution of any dispute. If the deposit exceeds the invoiced fees, the Transmission Provider shall refund such excess within 30 calendar days of the invoice without interest.

13.0 Governing Law, Regulatory Authority, and Rules

The validity, interpretation and enforcement of this Agreement and each of its provisions shall be governed by the laws of the state of _____ (where the Point of Interconnection is located), without regard to its conflicts of law principles. This Agreement is subject to all Applicable Laws and Regulations. Each Party expressly reserves the right to seek changes in, appeal, or otherwise contest any laws, orders, or regulations of a Governmental Authority.

14.0 Amendment

The Parties may amend this Agreement by a written instrument duly executed by both Parties.

15.0 No Third-Party Beneficiaries

This Agreement is not intended to and does not create rights, remedies, or benefits of any character whatsoever in favor of any persons, corporations, associations, or entities other than the Parties, and the obligations herein assumed are solely for the use and benefit of the Parties, their successors in interest and where permitted, their assigns.

16.0 Waiver

16.1 The failure of a Party to this Agreement to insist, on any occasion, upon strict performance of any provision of this Agreement will not be considered a waiver of any obligation, right, or duty of, or imposed upon, such Party.

16.2 Any waiver at any time by either Party of its rights with respect to this Agreement shall not be deemed a continuing waiver or a waiver with respect to any other failure to comply with any other obligation, right, duty of this Agreement. Termination or default of this Agreement for any reason by Interconnection Customer shall not constitute a waiver of the Interconnection Customer's legal rights to obtain an interconnection from the Transmission Provider. Any waiver of this Agreement shall, if requested, be provided in writing.

17.0 Multiple Counterparts

This Agreement may be executed in two or more counterparts, each of which is deemed an original but all constitute one and the same instrument.

18.0 No Partnership

This Agreement shall not be interpreted or construed to create an association, joint venture, agency relationship, or partnership between the Parties or to impose any partnership obligation or partnership liability upon either Party. Neither Party shall have any right, power or authority to enter into any agreement or undertaking for, or act on behalf of, or to act as or be an agent or representative of, or to otherwise bind, the other Party.

19.0 Severability

If any provision or portion of this Agreement shall for any reason be held or adjudged to be invalid or illegal or unenforceable by any court of competent jurisdiction or other Governmental Authority, (1) such portion or provision shall be deemed separate and independent, (2) the Parties shall negotiate in good faith to restore insofar as practicable the benefits to each Party that were affected by such ruling, and (3) the remainder of this Agreement shall remain in full force and effect.

20.0 Subcontractors

Nothing in this Agreement shall prevent a Party from utilizing the services of any subcontractor as it deems appropriate to perform its obligations under this Agreement; provided, however, that each Party shall require its subcontractors to comply with all applicable terms and conditions of this Agreement in providing such services and each Party shall remain primarily liable to the other Party for the performance of such subcontractor.

20.1 The creation of any subcontract relationship shall not relieve the hiring Party of any of its obligations under this Agreement. The hiring Party shall be fully responsible to the other Party for the acts or omissions of any subcontractor the hiring Party hires as if no subcontract had been made; provided, however, that in no event shall the Transmission Provider be liable for the actions or inactions of

the Interconnection Customer or its subcontractors with respect to obligations of the Interconnection Customer under this Agreement. Any applicable obligation imposed by this Agreement upon the hiring Party shall be equally binding upon, and shall be construed as having application to, any subcontractor of such Party.

20.2 The obligations under this article will not be limited in any way by any limitation of subcontractor's insurance.

21.0 Reservation of Rights

The Transmission Provider shall have the right to make a unilateral filing with FERC to modify this Agreement with respect to any rates, terms and conditions, charges, classifications of service, rule or regulation under section 205 or any other applicable provision of the Federal Power Act and FERC's rules and regulations thereunder, and the Interconnection Customer shall have the right to make a unilateral filing with FERC to modify this Agreement under any applicable provision of the Federal Power Act and FERC's rules and regulations; provided that each Party shall have the right to protest any such filing by the other Party and to participate fully in any proceeding before FERC in which such modifications may be considered. Nothing in this Agreement shall limit the rights of the Parties or of FERC under sections 205 or 206 of the Federal Power Act and FERC's rules and regulations, except to the extent that the Parties otherwise agree as provided herein.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their duly authorized officers or agents on the day and year first above written.

PUBLIC SERVICE COMPANY OF NEW MEXICO

Signed_____

Name (Printed):_____

Title_____

[Insert name of Interconnection Customer]

Signed_____

Name (Printed):_____

Title_____

Attachment A to
Facilities Study Agreement

Data to Be Provided by the Interconnection Customer with the Facilities Study Agreement

Provide location plan and simplified one-line diagram of the plant and station facilities. For staged projects, please indicate future generation, transmission circuits, etc.

On the one-line diagram, indicate the generation capacity attached at each metering location. (Maximum load on CT/PT)

On the one-line diagram, indicate the location of auxiliary power. (Minimum load on CT/PT) Amps

One set of metering is required for each generation connection to the new ring bus or existing Transmission Provider station. Number of generation connections: _____

Will an alternate source of auxiliary power be available during CT/PT maintenance?
Yes _____ No _____

Will a transfer bus on the generation side of the metering require that each meter set be designed for the total plant generation? Yes _____ No _____
(Please indicate on the one-line diagram).

What type of control system or PLC will be located at the Small Generating Facility?

_____

_____

What protocol does the control system or PLC use?

_____

_____

Please provide a 7.5-minute quadrangle map of the site. Indicate the plant, station, transmission line, and property lines.

Physical dimensions of the proposed interconnection station:

_____

Bus length from generation to interconnection station:

Line length from interconnection station to Transmission Provider's Transmission System.

_____

Tower number observed in the field. (Painted on tower leg)*:

_____

Number of third party easements required for transmission lines*:

_____

* To be completed in coordination with Transmission Provider.

Is the Small Generating Facility located in Transmission Provider's service area?

Yes _____ No _____ If No, please provide name of local provider:

_____

Please provide the following proposed schedule dates:

Begin Construction	Date:_____
Generator step-up transformers receive back feed power	Date:_____
Generation Testing	Date:_____
Commercial Operation	Date:_____

ATTACHMENT M-1

Small Generator Interconnection Agreement (SGIA)

(For Generating Facilities No Larger Than 20 MW)

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This Interconnection Agreement ("Agreement") is made and entered into this _____ day of _____, 20__, by _Public Service Company of New Mexico ("Transmission Provider"), and _____("Interconnection Customer") each hereinafter sometimes referred to individually as "Party" or both referred to collectively as the "Parties."

Transmission Provider Information

Transmission Provider: _____
Attention: _____
Address: _____
City: _____ State: _____ Zip: _____

Phone: _____ Fax: _____

Interconnection Customer Information

Interconnection Customer: _____
Attention: _____
Address: _____
City: _____ State: _____ Zip: _____
Phone: _____ Fax: _____

Interconnection Customer Application No: _____

In consideration of the mutual covenants set forth herein, the Parties agree as follows:

Article 1. Scope and Limitations of Agreement

1.1 This Agreement shall be used for all Interconnection Requests submitted under the Small Generator Interconnection Procedures (“SGIP”) except for those submitted under the 10 kW Inverter Process contained in SGIP Attachment 5.

1.2 This Agreement governs the terms and conditions under which the Interconnection Customer’s Small Generating Facility will interconnect with, and operate in parallel with, the Transmission Provider's Transmission System.

1.3 This Agreement does not constitute an agreement to purchase or deliver the Interconnection Customer's power. The purchase or delivery of power and other services that the Interconnection Customer may require will be covered under separate agreements, if any. The Interconnection Customer will be responsible for separately making all

necessary arrangements (including scheduling) for delivery of electricity with the applicable Transmission Provider.

1.4 Nothing in this Agreement is intended to affect any other agreement between the Transmission Provider and the Interconnection Customer.

1.5 Responsibilities of the Parties

1.5.1 The Parties shall perform all obligations of this Agreement in accordance with all Applicable Laws and Regulations, Operating Requirements, and Good Utility Practice.

1.5.2 The Interconnection Customer shall construct, interconnect, operate and maintain its Small Generating Facility and construct, operate, and maintain its Interconnection Facilities in accordance with the applicable manufacturer's recommended maintenance schedule and, in accordance with this Agreement, and with Good Utility Practice.

1.5.3 The Transmission Provider shall construct, operate, and maintain its Transmission System and Interconnection Facilities in accordance with this Agreement, and with Good Utility Practice.

1.5.4 The Interconnection Customer agrees to construct its facilities or systems in accordance with applicable specifications that meet or exceed those provided by the National Electrical Safety Code, the American National Standards Institute, IEEE, Underwriter's Laboratory, and Operating Requirements in effect at the time of construction and other applicable national and state codes and standards. The Interconnection Customer agrees to design, install, maintain, and operate its Small Generating Facility so as to reasonably minimize the likelihood of a disturbance adversely affecting or impairing the system or equipment of the Transmission Provider and any Affected Systems.

1.5.5 Each Party shall operate, maintain, repair, and inspect, and shall be fully responsible for the facilities that it now or subsequently may own unless otherwise specified in the Attachments to this Agreement. Each Party shall be responsible for the safe installation, maintenance, repair and condition of their respective lines and appurtenances on their respective sides of the point of change of ownership. The Transmission Provider and the Interconnection Customer, as appropriate, shall provide Interconnection Facilities that adequately protect the Transmission Provider's Transmission System, personnel, and other persons from damage and

injury. The allocation of responsibility for the design, installation, operation, maintenance and ownership of Interconnection Facilities shall be delineated in the Attachments to this Agreement.

1.5.6 The Transmission Provider shall coordinate with all Affected Systems to support the interconnection.

1.6 Parallel Operation Obligations

Once the Small Generating Facility has been authorized to commence parallel operation, the Interconnection Customer shall abide by all rules and procedures pertaining to the parallel operation of the Small Generating Facility in the applicable control area, including, but not limited to; 1) the rules and procedures concerning the operation of generation set forth in the Tariff or by the applicable system operator(s) for the Transmission Provider's Transmission System and; 2) the Operating Requirements set forth in Attachment 5 of this Agreement.

1.7 Metering

The Interconnection Customer shall be responsible for the Transmission Provider's reasonable and necessary cost for the purchase, installation, operation, maintenance, testing, repair, and replacement of metering and data acquisition equipment specified in Attachments 2 and 3 of this Agreement. The Interconnection Customer's metering (and data acquisition, as required) equipment shall conform to applicable industry rules and Operating Requirements.

1.8 Reactive Power

1.8.1 The Interconnection Customer shall design its Small Generating Facility to maintain a composite power delivery at continuous rated power output at the Point of Interconnection at a power factor within the range of 0.95 leading to 0.95 lagging, unless the Transmission Provider has established different requirements that apply to all similarly situated generators in the control area on a comparable basis. The requirements of this paragraph shall not apply to wind generators.

1.8.2 The Transmission Provider is required to pay the Interconnection Customer for reactive power that the Interconnection Customer provides or absorbs from the Small Generating Facility when the Transmission Provider requests the Interconnection Customer to operate its Small Generating Facility outside the range specified in article 1.8.1. In addition, if the Transmission Provider pays its own or affiliated generators for reactive power service within the specified range, it must also pay the Interconnection Customer.

1.8.3 Payments shall be in accordance with the Interconnection Customer's applicable rate schedule then in effect unless the provision of such service(s) is subject to a regional transmission organization or independent system operator FERC-approved rate schedule. To the extent that no rate schedule is in effect at the time the Interconnection Customer is required to provide or absorb reactive power under this Agreement, the Parties agree to expeditiously file such rate schedule and agree to support any request for waiver of the Commission's prior notice requirement in order to compensate the Interconnection Customer from the time service commenced.

1.9 Capitalized terms used herein shall have the meanings specified in the Glossary of Terms in Attachment 1 or the body of this Agreement.

Article 2. Inspection, Testing, Authorization, and Right of Access

2.1 Equipment Testing and Inspection

2.1.1 The Interconnection Customer shall test and inspect its Small Generating Facility and Interconnection Facilities prior to interconnection. The Interconnection Customer shall notify the Transmission Provider of such activities no fewer than five Business Days (or as may be agreed to by the Parties) prior to such testing and inspection. Testing and inspection shall occur on a Business Day. The Transmission Provider may, at its own expense, send qualified personnel to the Small Generating Facility site to inspect the interconnection and observe the testing. The Interconnection Customer shall provide the Transmission Provider a written test report when such testing and inspection is completed.

2.1.2 The Transmission Provider shall provide the Interconnection Customer written acknowledgment that it has received the Interconnection Customer's written test report. Such written acknowledgment shall not be deemed to be or construed as any representation, assurance, guarantee, or warranty by the Transmission Provider of the safety, durability, suitability, or reliability of the Small Generating Facility or any associated control, protective, and safety devices owned or controlled by the Interconnection Customer or the quality of power produced by the Small Generating Facility.

2.2 Authorization Required Prior to Parallel Operation

2.2.1 The Transmission Provider shall use Reasonable Efforts to list applicable parallel operation requirements in Attachment 5 of this Agreement. Additionally, the Transmission Provider shall notify the Interconnection Customer of any changes to these requirements as soon as they are known. The Transmission Provider shall make Reasonable Efforts to cooperate with the Interconnection Customer in meeting requirements necessary for the Interconnection Customer to commence parallel operations by the in-service date.

2.2.2 The Interconnection Customer shall not operate its Small Generating Facility in parallel with the Transmission Provider's Transmission System without prior written authorization of the Transmission Provider. The Transmission Provider will provide such authorization once the Transmission Provider receives notification that the Interconnection Customer has complied with all applicable parallel operation requirements. Such authorization shall not be unreasonably withheld, conditioned, or delayed.

2.3 Right of Access

2.3.1 Upon reasonable notice, the Transmission Provider may send a qualified person to the premises of the Interconnection Customer at or immediately before the time the Small Generating Facility first produces energy to inspect the interconnection, and observe the commissioning of the Small Generating Facility (including any required testing), startup, and operation for a period of up to three Business Days after initial start-up of the unit. In addition, the Interconnection Customer shall notify the Transmission Provider at least five Business Days prior to conducting any on-site verification testing of the Small Generating Facility.

2.3.2 Following the initial inspection process described above, at reasonable hours, and upon reasonable notice, or at any time without notice in the event of an emergency or hazardous condition, the Transmission Provider shall have access to the Interconnection Customer's premises for any reasonable purpose in connection with the performance of the obligations imposed on it by this Agreement or if necessary to meet its legal obligation to provide service to its customers.

2.3.3 Each Party shall be responsible for its own costs associated with following this article.

Article 3. Effective Date, Term, Termination, and Disconnection

3.1 Effective Date

This Agreement shall become effective upon execution by the Parties subject to acceptance by FERC (if applicable), or if filed unexecuted, upon the date specified by the FERC. The Transmission Provider shall promptly file this Agreement with the FERC upon execution, if required.

3.2 Term of Agreement

This Agreement shall become effective on the Effective Date and shall remain in effect for a period of ten years from the Effective Date or such other longer period as the Interconnection Customer may request and shall be automatically renewed for each successive one-year period thereafter, unless terminated earlier in accordance with article 3.3 of this Agreement.

3.3 Termination

No termination shall become effective until the Parties have complied with all Applicable Laws and Regulations applicable to such termination, including the filing with FERC of a notice of termination of this Agreement (if required), which notice has been accepted for filing by FERC.

3.3.1 The Interconnection Customer may terminate this Agreement at any time by giving the Transmission Provider 20 Business Days written notice.

3.3.2 Either Party may terminate this Agreement after Default pursuant to article 7.6.

3.3.3 Upon termination of this Agreement, the Small Generating Facility will be disconnected from the Transmission Provider's Transmission System. All costs required to effectuate such disconnection shall be borne by the terminating Party, unless such termination resulted from the non-terminating Party’s Default of this SGIA or such non-terminating Party otherwise is responsible for these costs under this SGIA.

3.3.4 The termination of this Agreement shall not relieve either Party of its liabilities and obligations, owed or continuing at the time of the termination.

3.3.5 The provisions of this article shall survive termination or expiration of this Agreement.

3.4 Temporary Disconnection

Temporary disconnection shall continue only for so long as reasonably necessary under Good Utility Practice.

3.4.1 Emergency Conditions -- "Emergency Condition" shall mean a condition or situation: (1) that in the judgment of the Party making the claim is imminently likely to endanger life or property; or (2) that, in the case of the Transmission Provider, is imminently likely (as determined in a non-discriminatory manner) to cause a material adverse effect on the security of, or damage to the Transmission System, the Transmission Provider's Interconnection Facilities or the Transmission Systems of others to which the Transmission System is directly connected; or (3) that, in the case of the Interconnection Customer, is imminently likely (as determined in a non-discriminatory manner) to cause a material adverse effect on the security of, or damage to, the Small Generating Facility or the Interconnection Customer's Interconnection Facilities. Under Emergency Conditions, the Transmission Provider may immediately suspend interconnection service and temporarily disconnect the Small Generating Facility. The Transmission Provider shall notify the Interconnection Customer promptly when it becomes aware of an Emergency Condition that may reasonably be expected to affect the Interconnection Customer's operation of the Small Generating Facility. The Interconnection Customer shall notify the Transmission Provider promptly when it becomes aware of an Emergency Condition that may reasonably be expected to affect the Transmission Provider's Transmission System or any Affected Systems. To the extent information is known, the notification shall describe the Emergency Condition, the extent of the damage or deficiency, the expected effect on the operation of both Parties' facilities and operations, its anticipated duration, and the necessary corrective action.

3.4.2 Routine Maintenance, Construction, and Repair

The Transmission Provider may interrupt interconnection service or curtail the output of the Small Generating Facility and temporarily disconnect the Small Generating Facility from the Transmission Provider's Transmission System when necessary for routine maintenance, construction, and repairs on the Transmission Provider's Transmission System. The Transmission Provider shall provide the Interconnection Customer with five Business Days notice prior to such interruption. The Transmission Provider shall use Reasonable Efforts to coordinate such reduction or temporary disconnection with the Interconnection Customer.

3.4.3 Forced Outages

During any forced outage, the Transmission Provider may suspend interconnection service to effect immediate repairs on the Transmission Provider's Transmission System. The Transmission Provider shall use Reasonable Efforts to provide the Interconnection Customer with prior notice. If prior notice is not given, the

Transmission Provider shall, upon request, provide the Interconnection Customer written documentation after the fact explaining the circumstances of the disconnection.

3.4.4 Adverse Operating Effects

The Transmission Provider shall notify the Interconnection Customer as soon as practicable if, based on Good Utility Practice, operation of the Small Generating Facility may cause disruption or deterioration of service to other customers served from the same electric system, or if operating the Small Generating Facility could cause damage to the Transmission Provider's Transmission System or Affected Systems. Supporting documentation used to reach the decision to disconnect shall be provided to the Interconnection Customer upon request. If, after notice, the Interconnection Customer fails to remedy the adverse operating effect within a reasonable time, the Transmission Provider may disconnect the Small Generating Facility. The Transmission Provider shall provide the Interconnection Customer with five Business Day notice of such disconnection, unless the provisions of article 3.4.1 apply.

3.4.5 Modification of the Small Generating Facility

The Interconnection Customer must receive written authorization from the Transmission Provider before making any change to the Small Generating Facility that may have a material impact on the safety or reliability of the Transmission System. Such authorization shall not be unreasonably withheld. Modifications shall be done in accordance with Good Utility Practice. If the Interconnection Customer makes such modification without the Transmission Provider's prior written authorization, the latter shall have the right to temporarily disconnect the Small Generating Facility.

3.4.6 Reconnection

The Parties shall cooperate with each other to restore the Small Generating Facility, Interconnection Facilities, and the Transmission Provider's Transmission System to their normal operating state as soon as reasonably practicable following a temporary disconnection.

Article 4. Cost Responsibility for Interconnection Facilities and Distribution Upgrades

4.1 Interconnection Facilities

4.1.1 The Interconnection Customer shall pay for the cost of the Interconnection

Facilities itemized in Attachment 2 of this Agreement. The Transmission Provider shall provide a best estimate cost, including overheads, for the purchase and construction of its Interconnection Facilities and provide a detailed itemization of such costs. Costs associated with Interconnection Facilities may be shared with other entities that may benefit from such facilities by agreement of the Interconnection Customer, such other entities, and the Transmission Provider.

4.1.2 The Interconnection Customer shall be responsible for its share of all reasonable expenses, including overheads, associated with (1) owning, operating, maintaining, repairing, and replacing its own Interconnection Facilities, and (2) operating, maintaining, repairing, and replacing the Transmission Provider's Interconnection Facilities.

4.2 Distribution Upgrades

The Transmission Provider shall design, procure, construct, install, and own the Distribution Upgrades described in Attachment 6 of this Agreement. If the Transmission Provider and the Interconnection Customer agree, the Interconnection Customer may construct Distribution Upgrades that are located on land owned by the Interconnection Customer. The actual cost of the Distribution Upgrades, including overheads, shall be directly assigned to the Interconnection Customer.

Article 5. Cost Responsibility for Network Upgrades

5.1 Applicability

No portion of this article 5 shall apply unless the interconnection of the Small Generating Facility requires Network Upgrades.

5.2 Network Upgrades

The Transmission Provider or the Transmission Owner shall design, procure, construct, install, and own the Network Upgrades described in Attachment 6 of this Agreement. If the Transmission Provider and the Interconnection Customer agree, the Interconnection Customer may construct Network Upgrades that are located on land owned by the Interconnection Customer. Unless the Transmission Provider elects to pay for Network Upgrades, the actual cost of the Network Upgrades, including overheads, shall be borne initially by the Interconnection Customer.

5.2.1 Repayment of Amounts Advanced for Network Upgrades

The Interconnection Customer shall be entitled to a cash repayment, equal to the total amount paid to the Transmission Provider and Affected System operator, if any, for Network Upgrades, including any tax gross-up or other tax-related

payments associated with the Network Upgrades, and not otherwise refunded to the Interconnection Customer, to be paid to the Interconnection Customer on a dollar-for-dollar basis for the non-usage sensitive portion of transmission charges, as payments are made under the Transmission Provider's Tariff and Affected System's Tariff for transmission services with respect to the Small Generating Facility. Any repayment shall include interest calculated in accordance with the methodology set forth in FERC's regulations at 18 C.F.R. §35.19a(a)(2)(iii) from the date of any payment for Network Upgrades through the date on which the Interconnection Customer receives a repayment of such payment pursuant to this subparagraph. The Interconnection Customer may assign such repayment rights to any person.

5.2.1.1 Notwithstanding the foregoing, the Interconnection Customer, the Transmission Provider, and any applicable Affected System operators may adopt any alternative payment schedule that is mutually agreeable so long as the Transmission Provider and said Affected System operators take one of the following actions no later than five years from the Commercial Operation Date: (1) return to the Interconnection Customer any amounts advanced for Network Upgrades not previously repaid, or (2) declare in writing that the Transmission Provider or any applicable Affected System operators will continue to provide payments to the Interconnection Customer on a dollar-for-dollar basis for the non-usage sensitive portion of transmission charges, or develop an alternative schedule that is mutually agreeable and provides for the return of all amounts advanced for Network Upgrades not previously repaid; however, full reimbursement shall not extend beyond twenty (20) years from the commercial operation date.

5.2.1.2 If the Small Generating Facility fails to achieve commercial operation, but it or another generating facility is later constructed and requires use of the Network Upgrades, the Transmission Provider and Affected System operator shall at that time reimburse the Interconnection Customer for the amounts advanced for the Network Upgrades. Before any such reimbursement can occur, the Interconnection Customer, or the entity that ultimately constructs the generating facility, if different, is responsible for identifying the entity to which reimbursement must be made.

5.3 Special Provisions for Affected Systems

Unless the Transmission Provider provides, under this Agreement, for the repayment of amounts advanced to any applicable Affected System operators for Network Upgrades, the

Interconnection Customer and Affected System operator shall enter into an agreement that provides for such repayment. The agreement shall specify the terms governing payments to be made by the Interconnection Customer to Affected System operator as well as the repayment by Affected System operator.

5.4 Rights Under Other Agreements

Notwithstanding any other provision of this Agreement, nothing herein shall be construed as relinquishing or foreclosing any rights, including but not limited to firm transmission rights, capacity rights, transmission congestion rights, or transmission credits, that the Interconnection Customer shall be entitled to, now or in the future, under any other agreement or tariff as a result of, or otherwise associated with, the transmission capacity, if any, created by the Network Upgrades, including the right to obtain cash reimbursements or transmission credits for transmission service that is not associated with the Small Generating Facility.

Article 6. Billing, Payment, Milestones, and Financial Security

6.1 Billing and Payment Procedures and Final Accounting

6.1.1 The Transmission Provider shall bill the Interconnection Customer for the design, engineering, construction, and procurement costs of Interconnection Facilities and Upgrades contemplated by this Agreement on a monthly basis, or as otherwise agreed by the Parties. The Interconnection Customer shall pay each bill within 30 calendar days of receipt, or as otherwise agreed to by the Parties.

6.1.2 Within three months of completing the construction and installation of the Transmission Provider's Interconnection Facilities and/or Upgrades described in the Attachments to this Agreement, the Transmission Provider shall provide the Interconnection Customer with a final accounting report of any difference between (1) the Interconnection Customer's cost responsibility for the actual cost of such facilities or Upgrades, and (2) the Interconnection Customer's previous aggregate payments to the Transmission Provider for such facilities or Upgrades. If the Interconnection Customer's cost responsibility exceeds its previous aggregate payments, the Transmission Provider shall invoice the Interconnection Customer for the amount due and the Interconnection Customer shall make payment to the Transmission Provider within 30 calendar days. If the Interconnection Customer's previous aggregate payments exceed its cost responsibility under this Agreement, the Transmission Provider shall refund to the Interconnection Customer an amount equal to the difference within 30 calendar days of the final accounting report.

6.2 Milestones

The Parties shall agree on milestones for which each Party is responsible and list them in Attachment 4 of this Agreement. A Party's obligations under this provision may be extended by agreement. If a Party anticipates that it will be unable to meet a milestone for any reason other than a Force Majeure Event, it shall immediately notify the other Party of the reason(s) for not meeting the milestone and (1) propose the earliest reasonable alternate date by which it can attain this and future milestones, and (2) requesting appropriate amendments to Attachment 4. The Party affected by the failure to meet a milestone shall not unreasonably withhold agreement to such an amendment unless it will suffer significant uncompensated economic or operational harm from the delay, (2) attainment of the same milestone has previously been delayed, or (3) it has reason to believe that the delay in meeting the milestone is intentional or unwarranted notwithstanding the circumstances explained by the Party proposing the amendment.

6.3 Financial Security Arrangements

At least 20 Business Days prior to the commencement of the design, procurement, installation, or construction of a discrete portion of the Transmission Provider's Interconnection Facilities and Upgrades, the Interconnection Customer shall provide the Transmission Provider, at the Interconnection Customer's option, a guarantee, a surety bond, letter of credit or other form of security that is reasonably acceptable to the Transmission Provider and is consistent with the Uniform Commercial Code of the jurisdiction where the Point of Interconnection is located. Such security for payment shall be in an amount sufficient to cover the costs for constructing, designing, procuring, and installing the applicable portion of the Transmission Provider's Interconnection Facilities and Upgrades and shall be reduced on a dollar-for-dollar basis for payments made to the Transmission Provider under this Agreement during its term. In addition:

6.3.1 The guarantee must be made by an entity that meets the creditworthiness requirements of the Transmission Provider, and contain terms and conditions that guarantee payment of any amount that may be due from the Interconnection Customer, up to an agreed-to maximum amount.

6.3.2 The letter of credit or surety bond must be issued by a financial institution or insurer reasonably acceptable to the Transmission Provider and must specify a reasonable expiration date.

Article 7. Assignment, Liability, Indemnity, Force Majeure, Consequential Damages, and Default

7.1 Assignment

This Agreement may be assigned by either Party upon 15 Business Days prior written

notice and opportunity to object by the other Party; provided that:

7.1.1 Either Party may assign this Agreement without the consent of the other Party to any affiliate of the assigning Party with an equal or greater credit rating and with the legal authority and operational ability to satisfy the obligations of the assigning Party under this Agreement, provided that the Interconnection Customer promptly notifies the Transmission Provider of any such assignment;

7.1.2 The Interconnection Customer shall have the right to assign this Agreement, without the consent of the Transmission Provider, for collateral security purposes to aid in providing financing for the Small Generating Facility, provided that the Interconnection Customer will promptly notify the Transmission Provider of any such assignment.

7.1.3 Any attempted assignment that violates this article is void and ineffective. Assignment shall not relieve a Party of its obligations, nor shall a Party's obligations be enlarged, in whole or in part, by reason thereof. An assignee is responsible for meeting the same financial, credit, and insurance obligations as the Interconnection Customer. Where required, consent to assignment will not be unreasonably withheld, conditioned or delayed.

7.2 Limitation of Liability

Each Party's liability to the other Party for any loss, cost, claim, injury, liability, or expense, including reasonable attorney's fees, relating to or arising from any act or omission in its performance of this Agreement, shall be limited to the amount of direct damage actually incurred. In no event shall either Party be liable to the other Party for any indirect, special, consequential, or punitive damages, except as authorized by this Agreement.

7.3 Indemnity

7.3.1 This provision protects each Party from liability incurred to third parties as a result of carrying out the provisions of this Agreement. Liability under this provision is exempt from the general limitations on liability found in article 7.2.

7.3.2 The Parties shall at all times indemnify, defend, and hold the other Party 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, demand, suits, recoveries, costs and expenses, court costs, attorney fees, and all other obligations by or to third parties, arising out of or resulting from the other Party's action or failure to meet its

obligations under this Agreement on behalf of the indemnifying Party, except in cases of gross negligence or intentional wrongdoing by the indemnified Party.

7.3.3 If an indemnified person is entitled to indemnification under this article as a result of a claim by a third party, and the indemnifying Party fails, after notice and reasonable opportunity to proceed under this article, to assume the defense of such claim, such indemnified person may at the expense of the indemnifying Party contest, settle or consent to the entry of any judgment with respect to, or pay in full, such claim.

7.3.4 If an indemnifying party is obligated to indemnify and hold any indemnified person harmless under this article, the amount owing to the indemnified person shall be the amount of such indemnified person's actual loss, net of any insurance or other recovery.

7.3.5 Promptly after receipt by an indemnified person of any claim or notice of the commencement of any action or administrative or legal proceeding or investigation as to which the indemnity provided for in this article may apply, the indemnified person shall notify the indemnifying party of such fact. Any failure of or delay in such notification shall not affect a Party's indemnification obligation unless such failure or delay is materially prejudicial to the indemnifying party.

7.3.6 To the extent, if at all, Section 56-7-1 NMSA 1978, *et seq.* (2005), as amended, is applicable to any indemnity provision in this Agreement, any agreement to indemnify, hold harmless, insure (including a requirement to name the indemnified party as an additional insured) or defend another party, including the other party's employees or agents, contained in this Agreement will not extend to liability, claims, damages losses or expenses, including attorney's fees, arising out of bodily injury to persons or damage to property resulting from, in whole or in part, the negligence, act or omission of any indemnitee, its officers, employees or agents.

7.4 Consequential Damages

Other than as expressly provided for in this Agreement, neither Party shall be liable under any provision of this Agreement for any losses, damages, costs or expenses for any special, indirect, incidental, consequential, or punitive damages, including but not limited to loss of profit or revenue, loss of the use of equipment, cost of capital, cost of temporary equipment or services, whether based in whole or in part in contract, in tort, including negligence, strict liability, or any other theory of liability; provided, however, that damages for which a Party may be liable to the other Party under another agreement will not be considered to be special, indirect, incidental, or consequential damages hereunder.

7.5 Force Majeure

7.5.1 As used in this article, a Force Majeure Event shall mean "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 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 wrongdoing."

7.5.2 If a Force Majeure Event prevents a Party from fulfilling any obligations under this Agreement, the Party affected by the Force Majeure Event (Affected Party) shall promptly notify the other Party, either in writing or via the telephone, of the existence of the Force Majeure Event. The notification must specify in reasonable detail the circumstances of the Force Majeure Event, its expected duration, and the steps that the Affected Party is taking to mitigate the effects of the event on its performance. The Affected Party shall keep the other Party informed on a continuing basis of developments relating to the Force Majeure Event until the event ends. The Affected Party will be entitled to suspend or modify its performance of obligations under this Agreement (other than the obligation to make payments) only to the extent that the effect of the Force Majeure Event cannot be mitigated by the use of Reasonable Efforts. The Affected Party will use Reasonable Efforts to resume its performance as soon as possible.

7.6 Default

7.6.1 No Default shall exist where such failure to discharge an obligation (other than the payment of money) is the result of a Force Majeure Event as defined in this Agreement or the result of an act or omission of the other Party. Upon a Default, the non-defaulting Party shall give written notice of such Default to the defaulting Party. Except as provided in article 7.6.2, the defaulting Party shall have 60 calendar days from receipt of the Default notice within which to cure such Default; provided however, if such Default is not capable of cure within 60 calendar days, the defaulting Party shall commence such cure within 20 calendar days after notice and continuously and diligently complete such cure within six months from receipt of the Default notice; and, if cured within such time, the Default specified in such notice shall cease to exist.

7.6.2 If a Default is not cured as provided in this article, or if a Default is not capable of being cured within the period provided for herein, the non-defaulting Party shall have the right to terminate this Agreement by written notice at any time until cure

occurs, and be relieved of any further obligation hereunder and, whether or not that Party terminates this Agreement, to recover from the defaulting Party all amounts due hereunder, plus all other damages and remedies to which it is entitled at law or in equity. The provisions of this article will survive termination of this Agreement.

Article 8. Insurance

8.1 The Interconnection Customer shall, at its own expense, maintain in force general liability insurance without any exclusion for liabilities related to the interconnection undertaken pursuant to this Agreement. The amount of such insurance shall be sufficient to insure against all reasonably foreseeable direct liabilities given the size and nature of the generating equipment being interconnected, the interconnection itself, and the characteristics of the system to which the interconnection is made. The Interconnection Customer shall obtain additional insurance only if necessary as a function of owning and operating a generating facility. Such insurance shall be obtained from an insurance provider authorized to do business in the State where the interconnection is located. Certification that such insurance is in effect shall be provided upon request of the Transmission Provider, except that the Interconnection Customer shall show proof of insurance to the Transmission Provider no later than ten Business Days prior to the anticipated commercial operation date. An Interconnection Customer of sufficient credit-worthiness may propose to self-insure for such liabilities, and such a proposal shall not be unreasonably rejected.

8.2 The Transmission Provider agrees to maintain general liability insurance or self-insurance consistent with the Transmission Provider’s commercial practice. Such insurance or self-insurance shall not exclude coverage for the Transmission Provider's liabilities undertaken pursuant to this Agreement.

8.3 The Parties further agree to notify each other whenever an accident or incident occurs resulting in any injuries or damages that are included within the scope of coverage of such insurance, whether or not such coverage is sought.

Article 9. Confidentiality

9.1 Confidential Information shall mean any confidential and/or proprietary information provided by one Party to the other Party that is clearly marked or otherwise designated "Confidential." For purposes of this Agreement all design, operating specifications, and

metering data provided by the Interconnection Customer shall be deemed Confidential Information regardless of whether it is clearly marked or otherwise designated as such.

9.2 Confidential Information does not include information previously in the public domain, required to be publicly submitted or divulged by Governmental Authorities (after notice to the other Party and after exhausting any opportunity to oppose such publication or release), or necessary to be divulged in an action to enforce this Agreement. Each Party receiving Confidential Information shall hold such information in confidence and shall not disclose it to any third party nor to the public without the prior written authorization from the Party providing that information, except to fulfill obligations under this Agreement, or to fulfill legal or regulatory requirements.

9.2.1 Each Party shall employ at least the same standard of care to protect Confidential Information obtained from the other Party as it employs to protect its own Confidential Information.

9.2.2 Each Party is entitled to equitable relief, by injunction or otherwise, to enforce its rights under this provision to prevent the release of Confidential Information without bond or proof of damages, and may seek other remedies available at law or in equity for breach of this provision.

9.3 Notwithstanding anything in this article to the contrary, and pursuant to 18 CFR § 1b.20, if FERC, during the course of an investigation or otherwise, requests information from one of the Parties that is otherwise required to be maintained in confidence pursuant to this Agreement, the Party shall provide the requested information to FERC, within the time provided for in the request for information. In providing the information to FERC, the Party may, consistent with 18 CFR § 388.112, request that the information be treated as confidential and non-public by FERC and that the information be withheld from public disclosure. Parties are prohibited from notifying the other Party to this Agreement prior to the release of the Confidential Information to FERC. The Party shall notify the other Party to this Agreement when it is notified by FERC that a request to release Confidential Information has been received by FERC, at which time either of the Parties may respond before such information would be made public, pursuant to 18 CFR § 388.112. Requests from a state regulatory body conducting a confidential investigation shall be treated in a similar manner if consistent with the applicable state rules and regulations.

Article 10. Disputes

10.1 The Parties agree to attempt to resolve all disputes arising out of the interconnection

process according to the provisions of this article.

10.2 In the event of a dispute, either Party shall provide the other Party with a written Notice of Dispute. Such Notice shall describe in detail the nature of the dispute.

10.3 If the dispute has not been resolved within two Business Days after receipt of the Notice, either Party may contact FERC's Dispute Resolution Service (DRS) for assistance in resolving the dispute.

10.4 The DRS will assist the Parties in either resolving their dispute or in selecting an appropriate dispute resolution venue (e.g., mediation, settlement judge, early neutral evaluation, or technical expert) to assist the Parties in resolving their dispute. DRS can be reached at 1-877-337-2237 or via the internet at <http://www.ferc.gov/legal/adr.asp>.

10.5 Each Party agrees to conduct all negotiations in good faith and will be responsible for one-half of any costs paid to neutral third parties.

10.6 If neither Party elects to seek assistance from the DRS, or if the attempted dispute resolution fails, then either Party may exercise whatever rights and remedies it may have in equity or law consistent with the terms of this Agreement.

Article 11. Taxes

11.1 The Parties agree to follow all applicable tax laws and regulations, consistent with FERC policy and Internal Revenue Service requirements.

11.2 Each Party shall cooperate with the other to maintain the other Party's tax status. Nothing in this Agreement is intended to adversely affect the Transmission Provider's tax-exempt status with respect to the issuance of bonds including, but not limited to, local furnishing bonds.

Article 12. Miscellaneous

12.1 Governing Law, Regulatory Authority, and Rules

The validity, interpretation and enforcement of this Agreement and each of its provisions shall be governed by the laws of the state of New Mexico (where the Point of Interconnection is located), without regard to its conflicts of law principles. This Agreement is subject to all Applicable Laws and Regulations. Each Party expressly

reserves the right to seek changes in, appeal, or otherwise contest any laws, orders, or regulations of a Governmental Authority.

12.2 Amendment

The Parties may amend this Agreement by a written instrument duly executed by both Parties, or under article 12.12 of this Agreement.

12.3 No Third-Party Beneficiaries

This Agreement is not intended to and does not create rights, remedies, or benefits of any character whatsoever in favor of any persons, corporations, associations, or entities other than the Parties, and the obligations herein assumed are solely for the use and benefit of the Parties, their successors in interest and where permitted, their assigns.

12.4 Waiver

12.4.1 The failure of a Party to this Agreement to insist, on any occasion, upon strict performance of any provision of this Agreement will not be considered a waiver of any obligation, right, or duty of, or imposed upon, such Party.

12.4.2 Any waiver at any time by either Party of its rights with respect to this Agreement shall not be deemed a continuing waiver or a waiver with respect to any other failure to comply with any other obligation, right, duty of this Agreement. Termination or default of this Agreement for any reason by Interconnection Customer shall not constitute a waiver of the Interconnection Customer's legal rights to obtain an interconnection from the Transmission Provider. Any waiver of this Agreement shall, if requested, be provided in writing.

12.5 Entire Agreement

This Agreement, including all Attachments, constitutes the entire agreement between the Parties with reference to the subject matter hereof, and supersedes all prior and contemporaneous understandings or agreements, oral or written, between the Parties with respect to the subject matter of this Agreement. There are no other agreements, representations, warranties, or covenants, which constitute any part of the consideration for, or any condition to, either Party's compliance with its obligations under this Agreement.

12.6 Multiple Counterparts

This Agreement may be executed in two or more counterparts, each of which is deemed an original but all constitute one and the same instrument.

12.7 No Partnership

This Agreement shall not be interpreted or construed to create an association, joint venture, agency relationship, or partnership between the Parties or to impose any partnership obligation or partnership liability upon either Party. Neither Party shall have any right, power or authority to enter into any agreement or undertaking for, or act on behalf of, or to act as or be an agent or representative of, or to otherwise bind, the other Party.

12.8 Severability

If any provision or portion of this Agreement shall for any reason be held or adjudged to be invalid or illegal or unenforceable by any court of competent jurisdiction or other Governmental Authority, (1) such portion or provision shall be deemed separate and independent, (2) the Parties shall negotiate in good faith to restore insofar as practicable the benefits to each Party that were affected by such ruling, and (3) the remainder of this Agreement shall remain in full force and effect.

12.9 Security Arrangements

Infrastructure security of electric system equipment and operations and control hardware and software is essential to ensure day-to-day reliability and operational security. FERC expects all Transmission Providers, market participants, and Interconnection Customers interconnected to electric systems to comply with the recommendations offered by the President's Critical Infrastructure Protection Board and, eventually, best practice recommendations from the electric reliability authority. All public utilities are expected to meet basic standards for system infrastructure and operational security, including physical, operational, and cyber-security practices.

12.10 Environmental Releases

Each Party shall notify the other Party, first orally and then in writing, of the release of any hazardous substances, any asbestos or lead abatement activities, or any type of remediation activities related to the Small Generating Facility or the Interconnection Facilities, each of which may reasonably be expected to affect the other Party. The notifying Party shall (1) provide the notice as soon as practicable, provided such Party makes a good faith effort to provide the notice no later than 24 hours after such Party becomes aware of the occurrence, and (2) promptly furnish to the other Party copies of any publicly available reports filed with any governmental authorities addressing such events.

12.11 Subcontractors

Nothing in this Agreement shall prevent a Party from utilizing the services of any subcontractor as it deems appropriate to perform its obligations under this Agreement; provided, however, that each Party shall require its subcontractors to comply with all applicable terms and conditions of this Agreement in providing such services and each Party shall remain primarily liable to the other Party for the performance of such subcontractor.

12.11.1 The creation of any subcontract relationship shall not relieve the hiring Party of any of its obligations under this Agreement. The hiring Party shall be fully responsible to the other Party for the acts or omissions of any subcontractor the hiring Party hires as if no subcontract had been made; provided, however, that in no event shall the Transmission Provider be liable for the actions or inactions of the Interconnection Customer or its subcontractors with respect to obligations of the Interconnection Customer under this Agreement. Any applicable obligation imposed by this Agreement upon the hiring Party shall be equally binding upon, and shall be construed as having application to, any subcontractor of such Party.

12.11.2 The obligations under this article will not be limited in any way by any limitation of subcontractor's insurance.

12.12 Reservation of Rights

The Transmission Provider shall have the right to make a unilateral filing with FERC to modify this Agreement with respect to any rates, terms and conditions, charges, classifications of service, rule or regulation under section 205 or any other applicable provision of the Federal Power Act and FERC's rules and regulations thereunder, and the Interconnection Customer shall have the right to make a unilateral filing with FERC to modify this Agreement under any applicable provision of the Federal Power Act and FERC's rules and regulations; provided that each Party shall have the right to protest any such filing by the other Party and to participate fully in any proceeding before FERC in which such modifications may be considered. Nothing in this Agreement shall limit the rights of the Parties or of FERC under sections 205 or 206 of the Federal Power Act and FERC's rules and regulations, except to the extent that the Parties otherwise agree as provided herein.

Article 13. Notices

13.1 General

Unless otherwise provided in this Agreement, any written notice, demand, or request required or authorized in connection with this Agreement ("Notice") shall be deemed properly given if delivered in person, delivered by recognized national currier service, or sent by first class mail, postage prepaid, to the person specified below:

If to the Interconnection Customer:

Interconnection Customer: _____
Attention: _____
Address: _____
City: _____ State:_____ Zip:_____
Phone: _____ Fax: _____

If to the Transmission Provider:

Transmission Provider: _____
Attention: _____
Address: _____
City: _____ State:_____ Zip:_____
Phone: _____ Fax: _____

13.2 Billing and Payment

Billings and payments shall be sent to the addresses set out below:

Interconnection Customer: _____
Attention: _____
Address: _____
City: _____ State:_____ Zip:_____

Transmission Provider: _____
Attention: _____
Address: _____
City: _____ State:_____ Zip:_____

13.3 Alternative Forms of Notice

Any notice or request required or permitted to be given by either Party to the other and not required by this Agreement to be given in writing may be so given by telephone, facsimile or e-mail to the telephone numbers and e-mail addresses set out below:

If to the Interconnection Customer:

Interconnection Customer: _____
Attention: _____
Address: _____
City: _____ State:_____ Zip:_____
Phone: _____ Fax: _____

If to the Transmission Provider:

Transmission Provider: _____
Attention: _____
Address: _____
City: _____ State:_____ Zip:_____
Phone: _____ Fax: _____

13.4 Designated Operating Representative

The Parties may also designate operating representatives to conduct the communications, which may be necessary or convenient for the administration of this Agreement. This person will also serve as the point of contact with respect to operations and maintenance of the Party's facilities.

Interconnection Customer's Operating Representative:

Interconnection Customer: _____
Attention: _____
Address: _____
City: _____ State:_____ Zip:_____
Phone: _____ Fax: _____

Transmission Provider's Operating Representative:

Transmission Provider: _____
Attention: _____
Address: _____
City: _____ State:_____ Zip:_____
Phone: _____ Fax: _____

13.5 Changes to the Notice Information

Either Party may change this information by giving five Business Days written notice prior to the effective date of the change.

Article 14. Signatures

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

For the Transmission Provider

Name: _____

Title: _____

Date: _____

For the Interconnection Customer

Name: _____

Title: _____

Date: _____

SGIA Attachment 1

Glossary of Terms

Affected System - An electric system other than the Transmission Provider's Transmission System that may be affected by the proposed interconnection.

Applicable Laws and Regulations - All duly promulgated applicable federal, state and local laws, regulations, rules, ordinances, codes, decrees, judgments, directives, or judicial or administrative orders, permits and other duly authorized actions of any Governmental Authority.

Business Day - Monday through Friday, excluding Federal Holidays.

Default - The failure of a breaching Party to cure its Breach under the Small Generator Interconnection Agreement.

Distribution System - The Transmission Provider's facilities and equipment used to transmit electricity to ultimate usage points such as homes and industries directly from nearby generators or from interchanges with higher voltage transmission networks which transport bulk power over longer distances. The voltage levels at which Distribution Systems operate differ among areas.

Distribution Upgrades - The additions, modifications, and upgrades to the Transmission Provider's Distribution System at or beyond the Point of Interconnection to facilitate interconnection of the Small Generating Facility and render the transmission service necessary to effect the Interconnection Customer's wholesale sale of electricity in interstate commerce. Distribution Upgrades do not include Interconnection Facilities.

Good Utility Practice - Any of the practices, methods and acts engaged in or approved by a significant portion of the electric industry during the relevant time period, or any of the practices, methods and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition. Good Utility Practice is not intended to be limited to the optimum practice, method, or act to the exclusion of all others, but rather to be acceptable practices, methods, or acts generally accepted in the region.

Governmental Authority - Any federal, state, local or other governmental regulatory or administrative agency, court, commission, department, board, or other governmental subdivision, legislature, rulemaking board, tribunal, or other governmental authority having jurisdiction over the Parties, their respective facilities, or the respective services they provide, and exercising or entitled to exercise any administrative, executive, police, or taxing authority or power; provided,

however, that such term does not include the Interconnection Customer, the Interconnection Provider, or any Affiliate thereof.

Interconnection Customer - Any entity, including the Transmission Provider, the Transmission Owner or any of the affiliates or subsidiaries of either, that proposes to interconnect its Small Generating Facility with the Transmission Provider's Transmission System.

Interconnection Facilities - The Transmission Provider's Interconnection Facilities and the Interconnection Customer's Interconnection Facilities. Collectively, Interconnection Facilities include all facilities and equipment between the Small Generating Facility and the Point of Interconnection, including any modification, additions or upgrades that are necessary to physically and electrically interconnect the Small Generating Facility to the Transmission Provider's Transmission System. Interconnection Facilities are sole use facilities and shall not include Distribution Upgrades or Network Upgrades.

Interconnection Request - The Interconnection Customer's request, in accordance with the Tariff, to interconnect a new Small Generating Facility, or to increase the capacity of, or make a Material Modification to the operating characteristics of, an existing Small Generating Facility that is interconnected with the Transmission Provider’s Transmission System.

Material Modification - A modification that has a material impact on the cost or timing of any Interconnection Request with a later queue priority date.

Network Upgrades - Additions, modifications, and upgrades to the Transmission Provider's Transmission System required at or beyond the point at which the Small Generating Facility interconnects with the Transmission Provider’s Transmission System to accommodate the interconnection of the Small Generating Facility with the Transmission Provider’s Transmission System. Network Upgrades do not include Distribution Upgrades.

Operating Requirements - Any operating and technical requirements that may be applicable due to Regional Transmission Organization, Independent System Operator, control area, or the Transmission Provider's requirements, including those set forth in the Small Generator Interconnection Agreement.

Party or Parties - The Transmission Provider, Transmission Owner, Interconnection Customer or any combination of the above.

Point of Interconnection - The point where the Interconnection Facilities connect with the Transmission Provider's Transmission System.

Reasonable Efforts - With respect to an action required to be attempted or taken by a Party under

the Small Generator Interconnection Agreement, efforts that are timely and consistent with Good Utility Practice and are otherwise substantially equivalent to those a Party would use to protect its own interests.

Small Generating Facility - The Interconnection Customer's device for the production and/or storage for later injection of electricity identified in the Interconnection Request, but shall not include the Interconnection Customer's Interconnection Facilities.

Tariff - The Transmission Provider or Affected System's Tariff through which open access transmission service and Interconnection Service are offered, as filed with the FERC, and as amended or supplemented from time to time, or any successor tariff.

Transmission Owner - The entity that owns, leases or otherwise possesses an interest in the portion of the Transmission System at the Point of Interconnection and may be a Party to the Small Generator Interconnection Agreement to the extent necessary.

Transmission Provider - The public utility (or its designated agent) that owns, controls, or operates transmission or distribution facilities used for the transmission of electricity in interstate commerce and provides transmission service under the Tariff. The term Transmission Provider should be read to include the Transmission Owner when the Transmission Owner is separate from the Transmission Provider.

Transmission System - The facilities owned, controlled or operated by the Transmission Provider or the Transmission Owner that are used to provide transmission service under the Tariff.

Upgrades - The required additions and modifications to the Transmission Provider's Transmission System at or beyond the Point of Interconnection. Upgrades may be Network Upgrades or Distribution Upgrades. Upgrades do not include Interconnection Facilities.

SGIA Attachment 2

Description and Costs of the Small Generating Facility, Interconnection Facilities, and Metering Equipment

Equipment, including the Small Generating Facility, Interconnection Facilities, and metering equipment shall be itemized and identified as being owned by the Interconnection Customer, the Transmission Provider, or the Transmission Owner. The Transmission Provider will provide a best estimate itemized cost, including overheads, of its Interconnection Facilities and metering equipment, and a best estimate itemized cost of the annual operation and maintenance expenses associated with its Interconnection Facilities and metering equipment.

SGIA Attachment 3

One-line Diagram Depicting the Small Generating Facility, Interconnection Facilities, Metering Equipment, and Upgrades

SGIA Attachment 4

Milestones

In-Service Date: _____

Critical milestones and responsibility as agreed to by the Parties:

	Milestone/Date	Responsible Party
(1)	_____	_____
(2)	_____	_____
(3)	_____	_____
(4)	_____	_____
(5)	_____	_____
(6)	_____	_____
(7)	_____	_____
(8)	_____	_____
(9)	_____	_____
(10)	_____	_____

Agreed to by:

For the Transmission Provider_____ Date_____

For the Transmission Owner (If Applicable) _____ Date_____

For the Interconnection Customer_____ Date_____

SGIA Attachment 5

Additional Operating Requirements for the Transmission Provider's Transmission System and Affected Systems Needed to Support The Interconnection Customer's Needs

The Transmission Provider shall also provide requirements that must be met by the Interconnection Customer prior to initiating parallel operation with the Transmission Provider's Transmission System.

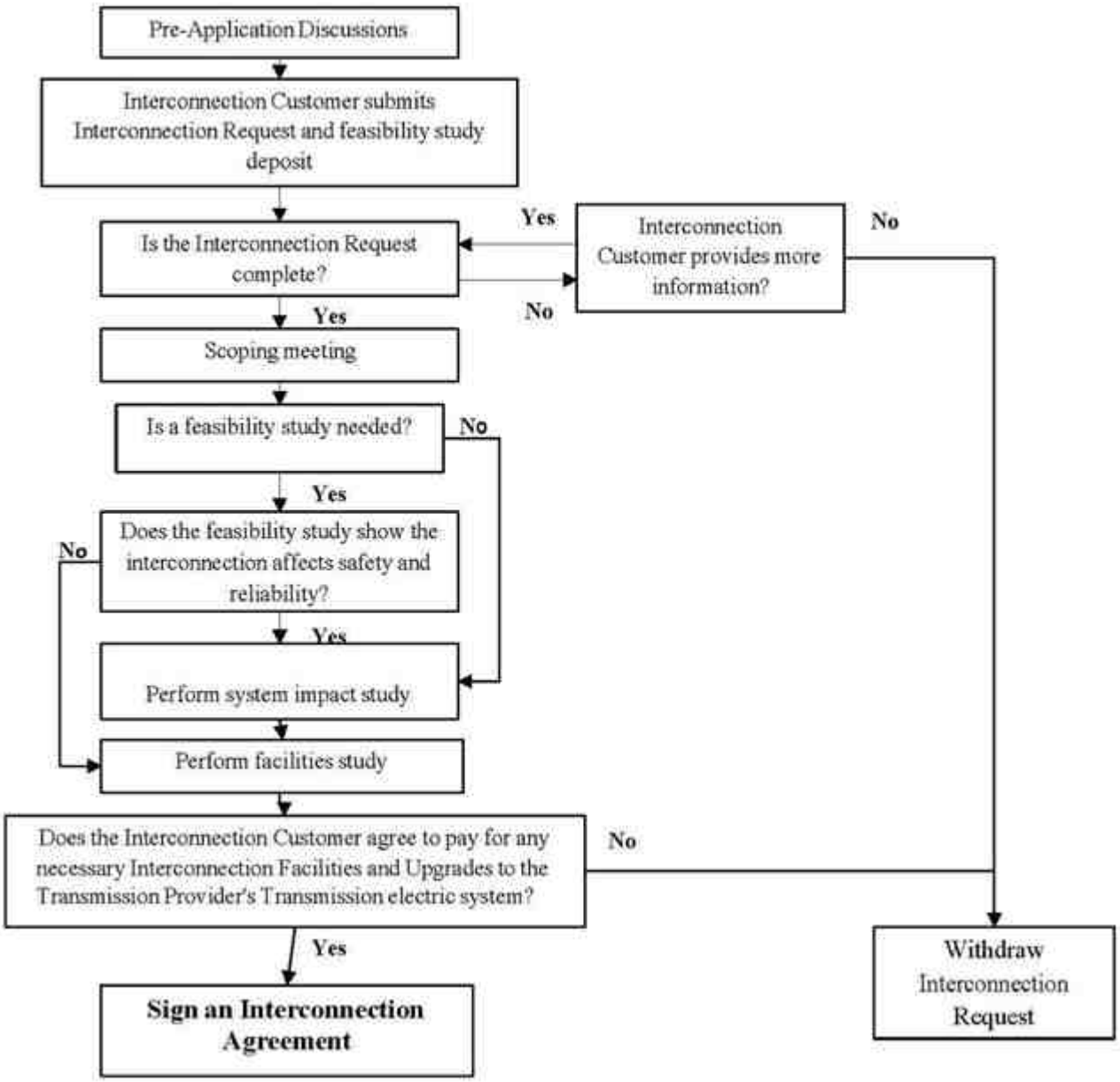
SGIA Attachment 6

Transmission Provider's Description of its Upgrades And Best Estimate of Upgrade Costs

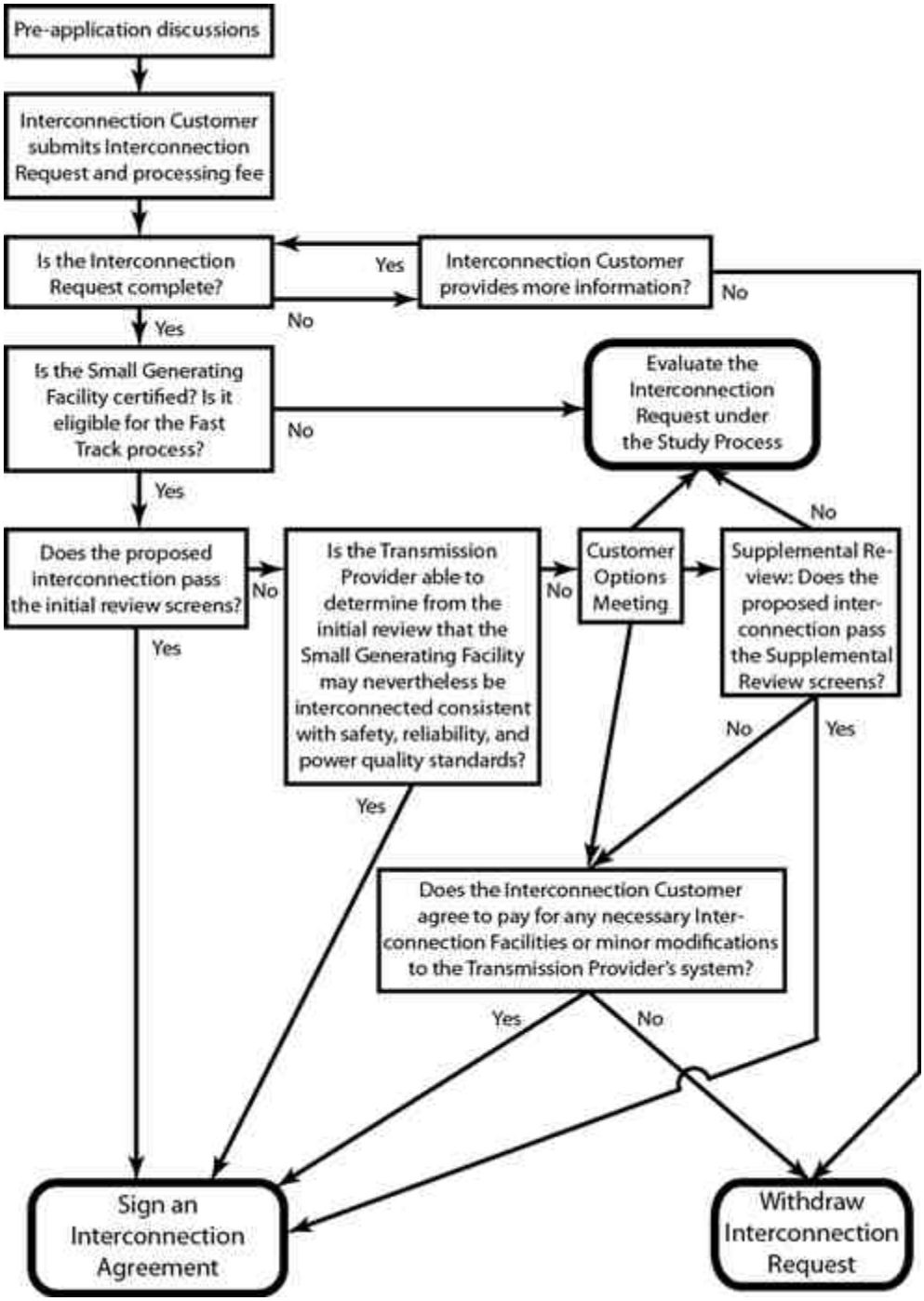
The Transmission Provider shall describe Upgrades and provide an itemized best estimate of the cost, including overheads, of the Upgrades and annual operation and maintenance expenses associated with such Upgrades. The Transmission Provider shall functionalize Upgrade costs and annual expenses as either transmission or distribution related.

ATTACHMENT M-2 SGIP Flowcharts

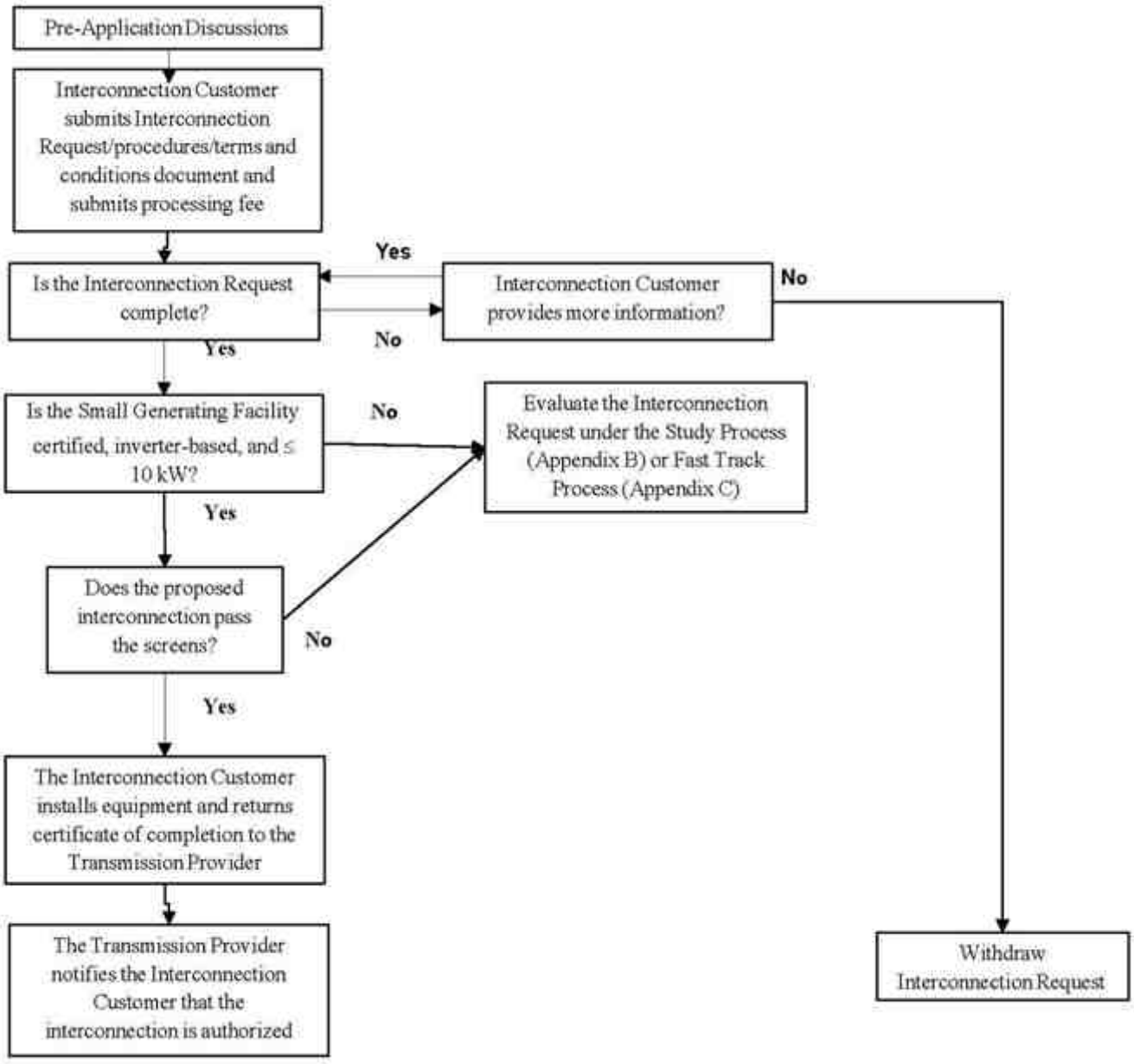
Flow Chart for Interconnecting a Small Generating Facility Using the "Study Process"



Flow Chart for Interconnecting a Certified Small Generating Facility Using the "Fast Track Process"



Flow Chart for Interconnecting a Certified Inverter-Based Small Generating Facility No Larger than 10 kW Using the "10 kW Inverter Process"



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Appendix 4 - Interconnection Facilities Study Agreement

Appendix 5 - RESERVED

Appendix 6 - Standard Large Generator Interconnection Agreement

Section 1. Definitions

Adverse System Impact shall mean the negative effects due to technical or operational limits on conductors or equipment being exceeded that may compromise the safety and reliability of the electric system.

Affected System shall mean an electric system other than the Transmission Provider's Transmission System that may be affected by the proposed interconnection.

Affected System Operator shall mean the entity that operates an Affected System.

Affiliate shall mean, with respect to a corporation, partnership or other entity, each such other corporation, partnership or other entity that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such corporation, partnership or other entity.

Ancillary Services shall mean those services that are necessary to support the transmission of capacity and energy from resources to loads while maintaining reliable operation of the Transmission Provider's Transmission System in accordance with Good Utility Practice.

Applicable Laws and Regulations shall mean all duly promulgated applicable federal, state and local laws, regulations, rules, ordinances, codes, decrees, judgments, directives, or judicial or administrative orders, permits and other duly authorized actions of any Governmental Authority.

Applicable Reliability Council shall mean the reliability council applicable to the Transmission System to which the Generating Facility is directly interconnected.

Applicable Reliability Standards shall mean the requirements and guidelines of NERC, the Applicable Reliability Council, and the Control Area of the Transmission System to which the Generating Facility is directly interconnected.

Base Case shall mean the base case power flow, short circuit, and stability data bases used for the Interconnection Studies by the Transmission Provider or Interconnection Customer.

Breach shall mean the failure of a Party to perform or observe any material term or condition of the Standard Large Generator Interconnection Agreement.

Breaching Party shall mean a Party that is in Breach of the Standard Large Generator Interconnection Agreement.

Business Day shall mean Monday through Friday, excluding Federal Holidays.

Calendar Day shall mean any day including Saturday, Sunday or a Federal Holiday.

Clustering shall mean the process whereby a group of Interconnection Requests is studied

together, instead of serially, for the purpose of conducting the Interconnection Studies.

Commercial Operation shall mean the status of a Generating Facility that has commenced generating electricity for sale, excluding electricity generated during Trial Operation.

Commercial Operation Date of a unit shall mean the date on which the Generating Facility commences Commercial Operation as agreed to by the Parties pursuant to Appendix E to the Standard Large Generator Interconnection Agreement.

Confidential Information shall mean any confidential, proprietary or trade secret information of a plan, specification, pattern, procedure, design, device, list, concept, policy or compilation relating to the present or planned business of a Party, which is designated as confidential by the Party supplying the information, whether conveyed orally, electronically, in writing, through inspection, or otherwise.

Control Area shall mean an electrical system or systems bounded by interconnection metering and telemetry, capable of controlling generation to maintain its interchange schedule with other Control Areas and contributing to frequency regulation of the interconnection. A Control Area must be certified by an Applicable Reliability Council.

Default shall mean the failure of a Breaching Party to cure its Breach in accordance with Article 17 of the Standard Large Generator Interconnection Agreement.

Definitive Interconnection System Impact Study ("DISIS") shall mean an engineering study that evaluates the impact of the proposed interconnection on the safety and reliability of the Transmission System and, if applicable, an Affected System. The study shall identify and detail the system impacts that would result if the Generating Facility were interconnected without project modifications or system modifications, focusing on Adverse System Impacts identified in a Preliminary Interconnection System Impact Study or that may be caused by the withdrawal or addition of an Interconnection Request, or to study potential impacts, including but not limited to those identified in the Scoping Meeting as described in the Standard Large Generator Interconnection Procedures.

Definitive Interconnection System Impact Study Agreement shall mean the form of agreement contained in Appendix 3 of the Standard Large Generator Interconnection Procedures for conducting the Definitive Interconnection System Impact Study.

Definitive Interconnection System Impact Study Queue shall mean a Transmission Provider separately maintained queue for valid Interconnection Requests for a Definitive Interconnection System Impact Study.

Dispute Resolution shall mean the procedure for resolution of a dispute between the Parties in which they will first attempt to resolve the dispute on an informal basis.

Distribution System shall mean the Transmission Provider's facilities and equipment used to transmit electricity to ultimate usage points such as homes and industries directly from

nearby generators or from interchanges with higher voltage transmission networks which transport bulk power over longer distances. The voltage levels at which distribution systems operate differ among areas.

Distribution Upgrades shall mean the additions, modifications, and upgrades to the Transmission Provider's Distribution System at or beyond the Point of Interconnection to facilitate interconnection of the Generating Facility and render the transmission service necessary to effect Interconnection Customer's wholesale sale of electricity in interstate commerce. Distribution Upgrades do not include Interconnection Facilities.

Effective Date shall mean the date on which the Standard Large Generator Interconnection Agreement becomes effective upon execution by the Parties subject to acceptance by FERC, or if filed unexecuted, upon the date specified by FERC.

Emergency Condition shall mean a condition or situation: (1) that in the judgment of the Party making the claim is imminently likely to endanger life or property; or (2) that, in the case of a Transmission Provider, is imminently likely (as determined in a non-discriminatory manner) to cause a material adverse effect on the security of, or damage to Transmission Provider's Transmission System, Transmission Provider's Interconnection Facilities or the electric systems of others to which the Transmission Provider's Transmission System is directly connected; or (3) that, in the case of Interconnection Customer, is imminently likely (as determined in a non-discriminatory manner) to cause a material adverse effect on the security of, or damage to, the Generating Facility or Interconnection Customer's Interconnection Facilities. System restoration and black start shall be considered Emergency Conditions; provided that Interconnection Customer is not obligated by the Standard Large Generator Interconnection Agreement to possess black start capability.

Energy Resource Interconnection Service shall mean an Interconnection Service that allows the Interconnection Customer to connect its Generating Facility to the Transmission Provider's Transmission System to be eligible to deliver the Generating Facility's electric output using the existing firm or nonfirm capacity of the Transmission Provider's Transmission System on an as available basis. Energy Resource Interconnection Service in and of itself does not convey transmission service.

Environmental Law shall mean Applicable Laws or Regulations relating to pollution or protection of the environment or natural resources.

Federal Power Act shall mean the Federal Power Act, as amended, 16 U.S.C. §§ 791a et seq.

FERC shall mean the Federal Energy Regulatory Commission ("Commission") or its successor.

Force Majeure shall mean 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 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 acts of negligence or intentional wrongdoing by the Party claiming Force Majeure.

Generating Facility shall mean Interconnection Customer's device for the production of electricity identified in the Interconnection Request, but shall not include the Interconnection Customer's Interconnection Facilities.

Generating Facility Capacity shall mean the net capacity of the Generating Facility and the aggregate net capacity of the Generating Facility where it includes multiple energy production devices.

Good Utility Practice shall mean any of the practices, methods and acts engaged in or approved by a significant portion of the electric industry during the relevant time period, or any of the practices, methods and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition. Good Utility Practice is not intended to be limited to the optimum practice, method, or act to the exclusion of all others, but rather to be acceptable practices, methods, or acts generally accepted in the region.

Governmental Authority shall mean any federal, state, local or other governmental regulatory or administrative agency, court, commission, department, board, or other governmental subdivision, legislature, rulemaking board, tribunal, or other governmental authority having jurisdiction over the Parties, their respective facilities, or the respective services they provide, and exercising or entitled to exercise any administrative, executive, police, or taxing authority or power; provided, however, that such term does not include Interconnection Customer, Transmission Provider, or any Affiliate thereof.

Hazardous Substances shall mean any chemicals, materials or substances defined as or included in the definition of "hazardous substances," "hazardous wastes," "hazardous materials," "hazardous constituents," "restricted hazardous materials," "extremely hazardous substances," "toxic substances," "radioactive substances," "contaminants," "pollutants," "toxic pollutants" or words of similar meaning and regulatory effect under any applicable Environmental Law, or any other chemical, material or substance, exposure to which is prohibited, limited or regulated by any applicable Environmental Law.

Initial Synchronization Date shall mean the date upon which the Generating Facility is initially synchronized and upon which Trial Operation begins.

In-Service Date shall mean the date upon which the Interconnection Customer reasonably expects it will be ready to begin use of the Transmission Provider's Interconnection Facilities to obtain back feed power.

Interconnection Customer shall mean any entity, including the Transmission Provider,

Transmission Owner or any of the Affiliates or subsidiaries of either, that proposes to interconnect its Generating Facility with the Transmission Provider's Transmission System.

Interconnection Customer's Interconnection Facilities shall mean all facilities and equipment, as identified in Appendix A of the Standard Large Generator Interconnection Agreement, that are located between the Generating Facility and the Point of Change of Ownership, including any modification, addition, or upgrades to such facilities and equipment necessary to physically and electrically interconnect the Generating Facility to the Transmission Provider's Transmission System. Interconnection Customer's Interconnection Facilities are sole use facilities.

Interconnection Facilities shall mean the Transmission Provider's Interconnection Facilities and the Interconnection Customer's Interconnection Facilities. Collectively, Interconnection Facilities include all facilities and equipment between the Generating Facility and the Point of Interconnection, including any modification, additions or upgrades that are necessary to physically and electrically interconnect the Generating Facility to the Transmission Provider's Transmission System. Interconnection Facilities are sole use facilities and shall not include Distribution Upgrades, Stand Alone Network Upgrades or Network Upgrades.

Interconnection Facilities Study shall mean a study conducted by the Transmission Provider or a third party consultant for the Interconnection Customer to determine a list of facilities (including Transmission Provider's Interconnection Facilities and Network Upgrades as identified in the Definitive Interconnection System Impact Study), the cost of those facilities, and the time required to interconnect the Generating Facility with the Transmission Provider's Transmission System. The scope of the study is defined in Section 7 of the Standard Large Generator Interconnection Procedures.

Interconnection Facilities Study Agreement shall mean the form of agreement contained in Appendix 4 of the Standard Large Generator Interconnection Procedures for conducting the Interconnection Facilities Study.

Interconnection Request shall mean an Interconnection Customer's request, in the form of Appendix 1 to the Standard Large Generator Interconnection Procedures, in accordance with the Tariff, to interconnect a new Generating Facility, or to increase the capacity of, or make a Material Modification to the operating characteristics of, an existing Generating Facility that is interconnected with the Transmission Provider's Transmission System.

Interconnection Service shall mean the service provided by the Transmission Provider associated with interconnecting the Interconnection Customer's Generating Facility to the Transmission Provider's Transmission System and enabling it to receive electric energy and capacity from the Generating Facility at the Point of Interconnection, pursuant to the terms of the Standard Large Generator Interconnection Agreement and, if applicable, the Transmission Provider's Tariff.

Interconnection Study shall mean any of the following studies: the Preliminary Interconnection System Impact Study, the Definitive Interconnection System Impact Study, and

the Interconnection Facilities Study described in the Standard Large Generator Interconnection Procedures.

Interconnection Study Agreement shall mean any of the following agreements: the Preliminary Interconnection System Impact Study Agreement, the Definitive Interconnection System Impact Study Agreement, or the Interconnection Facilities Study Agreement described in the Standard Large Generator Interconnection Procedures.

IRS shall mean the Internal Revenue Service.

Joint Operating Committee shall be a group made up of representatives from Interconnection Customers and the Transmission Provider to coordinate operating and technical considerations of Interconnection Service.

Large Generating Facility shall mean a Generating Facility having a Generating Facility Capacity of more than 20 MW.

Loss shall mean any and all losses relating to injury to or death of any person or damage to property, demand, suits, recoveries, costs and expenses, court costs, attorney fees, and all other obligations by or to third parties, arising out of or resulting from the other Party's performance, or non-performance of its obligations under the Standard Large Generator Interconnection Agreement on behalf of the indemnifying Party, except in cases of gross negligence or intentional wrongdoing by the indemnifying Party.

Material Modification shall mean those modifications that have a material impact on the cost or timing of any Interconnection Request with a later Queue priority date.

Metering Equipment shall mean all metering equipment installed or to be installed at the Generating Facility pursuant to the Standard Large Generator Interconnection Agreement at the metering points, including but not limited to instrument transformers, MWh-meters, data acquisition equipment, transducers, remote terminal unit, communications equipment, phone lines, and fiber optics.

NERC shall mean the North American Electric Reliability Council or its successor organization.

Network Resource shall mean 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.

Network Resource Interconnection Service shall mean an Interconnection Service that allows the Interconnection Customer to integrate its Large Generating Facility with the Transmission Provider's Transmission System (1) in a manner comparable to that in which the Transmission Provider integrates its generating facilities to serve native load customers; or (2) in

an RTO or ISO with market based congestion management, in the same manner as Network Resources. Network Resource Interconnection Service in and of itself does not convey transmission service.

Network Upgrades shall mean the additions, modifications, and upgrades to the Transmission Provider's Transmission System required at or beyond the point at which the Interconnection Facilities connect to the Transmission Provider's Transmission System to accommodate the interconnection of the Large Generating Facility to the Transmission Provider's Transmission System.

Notice of Dispute shall mean a written notice of a dispute or claim that arises out of or in connection with the Standard Large Generator Interconnection Agreement or its performance.

Party or Parties shall mean Transmission Provider, Transmission Owner, Interconnection Customer or any combination of the above.

Point of Change of Ownership shall mean the point, as set forth in Appendix A to the Standard Large Generator Interconnection Agreement, where the Interconnection Customer's Interconnection Facilities connect to the Transmission Provider's Interconnection Facilities.

Point of Interconnection shall mean the point, as set forth in Appendix A to the Standard Large Generator Interconnection Agreement, where the Interconnection Facilities connect to the Transmission Provider's Transmission System.

Preliminary Interconnection System Impact Study ("PISIS") shall mean an engineering study that evaluates the impact of the proposed interconnection on the safety and reliability of the Transmission System and, if applicable, an Affected System. The study shall identify and detail the system impacts that would result if the Generating Facility were interconnected without project modifications or system modifications, focusing on Adverse System Impacts that may be caused by the withdrawal or addition of an Interconnection Request, or to study potential impacts, including but not limited to those identified in the Scoping Meeting as described in the Standard Large Generator Interconnection Procedures.

Preliminary Interconnection System Impact Study Agreement shall mean the form of agreement contained in Appendix 2 of the Standard Large Generator Interconnection Procedures for conducting the Preliminary Interconnection System Impact Study.

Preliminary Interconnection System Impact Study Queue shall mean a Transmission Provider separately maintained queue for valid Interconnection Requests for a Preliminary Interconnection System Impact Study.

Queue shall mean the Preliminary Interconnection System Impact Study Queue or the Definitive Interconnection System Impact Study Queue, as applicable.

Queue Position shall mean the order of a valid Interconnection Request within the Preliminary Interconnection System Impact Study Queue, relative to all other pending valid

Interconnection Requests within the Preliminary Interconnection System Impact Study Queue, or the order of a valid Interconnection Request within the Definitive Interconnection System Impact Study Queue, relative to all other pending valid Interconnection Requests within the Definitive Interconnection System Impact Study Queue, as applicable that is established based upon the date and time of receipt of the valid Interconnection Request and the date and time of receipt of other information specified under Section 4.1 of this LGIP, as applicable, by the Transmission Provider.

Reasonable Efforts shall mean, with respect to an action required to be attempted or taken by a Party under the Standard Large Generator Interconnection Agreement, efforts that are timely and consistent with Good Utility Practice and are otherwise substantially equivalent to those a Party would use to protect its own interests.

Revised LGIP shall mean the effective date of the LGIP as revised in Docket No. ER11-3522-000 and ER11-3522-001 and accepted by the Commission on September 30, 2011["Final Order"].

Scoping Meeting shall mean the meeting between representatives of the Interconnection Customer and Transmission Provider conducted for the purpose of discussing alternative interconnection options, to exchange information including any transmission data and earlier study evaluations that would be reasonably expected to impact such interconnection options, to analyze such information, and to determine the potential feasible Points of Interconnection.

Site Control shall mean documentation reasonably demonstrating: (1) ownership of, a leasehold interest in, or a right to develop a site of sufficient size for the purpose of constructing the Generating Facility; (2) an option to purchase or acquire a leasehold site of sufficient size for such purpose; or (3) an exclusivity or other business relationship between Interconnection Customer and the entity having the right to sell, lease or grant Interconnection Customer the right to possess or occupy a site of sufficient size for such purpose.

Small Generating Facility shall mean a Generating Facility that has a Generating Facility Capacity of no more than 20 MW.

Stand Alone Network Upgrades shall mean Network Upgrades that an Interconnection Customer may construct without affecting day-to-day operations of the Transmission System during their construction. Both the Transmission Provider and the Interconnection Customer must agree as to what constitutes Stand Alone Network Upgrades and identify them in Appendix A to the Standard Large Generator Interconnection Agreement.

Standard Large Generator Interconnection Agreement (LGIA) shall mean the form of interconnection agreement applicable to an Interconnection Request pertaining to a Large Generating Facility that is included in the Transmission Provider's Tariff.

Standard Large Generator Interconnection Procedures (LGIP) shall mean the interconnection procedures applicable to an Interconnection Request pertaining to a Large Generating Facility that are included in the Transmission Provider's Tariff.

System Protection Facilities shall mean the equipment, including necessary protection signal communications equipment, required to protect (1) the Transmission Provider's Transmission System from faults or other electrical disturbances occurring at the Generating Facility and (2) the Generating Facility from faults or other electrical system disturbances occurring on the Transmission Provider's Transmission System or on other delivery systems or other generating systems to which the Transmission Provider's Transmission System is directly connected.

Tariff shall mean the Transmission Provider's Tariff through which open access transmission service and Interconnection Service are offered, as filed with FERC, and as amended or supplemented from time to time, or any successor tariff.

Transmission Owner shall mean an entity that owns, leases or otherwise possesses an interest in the portion of the Transmission System at the Point of Interconnection and may be a Party to the Standard Large Generator Interconnection Agreement to the extent necessary.

Transmission Provider shall mean the public utility (or its designated agent) that owns, controls, or operates transmission or distribution facilities used for the transmission of electricity in interstate commerce and provides transmission service under the Tariff. The term Transmission Provider should be read to include the Transmission Owner when the Transmission Owner is separate from the Transmission Provider.

Transmission Provider's Interconnection Facilities shall mean all facilities and equipment owned, controlled, or operated by the Transmission Provider from the Point of Change of Ownership to the Point of Interconnection as identified in Appendix A to the Standard Large Generator Interconnection Agreement, including any modifications, additions or upgrades to such facilities and equipment. Transmission Provider's Interconnection Facilities are sole use facilities and shall not include Distribution Upgrades, Stand Alone Network Upgrades or Network Upgrades.

Transmission System shall mean the facilities owned, controlled or operated by the Transmission Provider or Transmission Owner that are used to provide transmission service under the Tariff.

Trial Operation shall mean the period during which Interconnection Customer is engaged in on-site test operations and commissioning of the Generating Facility prior to Commercial Operation.

Section 2. Scope and Application

2.1 Application of Standard Large Generator Interconnection Procedures.

Sections 2 through 12 apply to processing an Interconnection Request pertaining to a Large Generating Facility.

2.2 Comparability.

Transmission Provider shall receive, process and analyze all Interconnection Requests in a timely manner as set forth in this LGIP. Transmission Provider will use the same Reasonable Efforts in processing and analyzing Interconnection Requests from all Interconnection Customers, whether the Generating Facilities are owned by Transmission Provider, its subsidiaries or Affiliates or others.

2.3 Base Case Data.

In accordance with the Applicable Reliability Council policies, Transmission Provider shall provide current base power flow, short circuit and stability databases, including all underlying assumptions, and contingency list upon request subject to confidentiality provisions in LGIP Section 12.1, that the Transmission Provider is using to perform Definitive Interconnection System Impact Studies. Transmission Provider is permitted to require that Interconnection Customer sign a confidentiality agreement before the release of commercially sensitive information or Critical Energy Infrastructure Information in the Base Case data. Such databases and lists, hereinafter referred to as Base Cases, shall include all (1) generation projects and (ii) transmission projects, including merchant transmission projects that are proposed for the Transmission System for which a transmission expansion plan has been submitted and approved by the applicable authority.

2.4 No Applicability to Transmission Service.

Nothing in this LGIP shall constitute a request for transmission service or confer upon an Interconnection Customer any right to receive transmission service.

Section 3. Interconnection Requests

3.1 General.

An Interconnection Customer shall submit to Transmission Provider an Interconnection Request in the form of Appendix 1 to this LGIP and a deposit of:

a. $75,000 for requests of less than 50 MW, or
b. $150,000 for requests of 50 MW and greater, but less than 200 MW, or
c. $250,000 for requests of 200 MW and greater.

$5,000 of the deposit shall be nonrefundable. The remainder shall be refundable pursuant to the terms outlined herein.

Transmission Provider shall apply the refundable portion of the deposit toward the cost of the applicable Interconnection Study. Interconnection Customer shall submit a separate Interconnection Request for each site and may submit multiple Interconnection Requests for a single site. Interconnection Customer must submit a deposit with each Interconnection Request even when more than one request is submitted for a single site. An Interconnection Request to evaluate one site at two different voltage levels shall be treated as two Interconnection Requests.

At Interconnection Customer's option, Transmission Provider and Interconnection Customer will identify alternative Point(s) of

Interconnection and configurations at the Scoping Meeting to evaluate in this process and attempt to eliminate alternatives in a reasonable fashion given resources and information available. Interconnection Customer will select the definitive Point(s) of Interconnection to be studied no later than the execution of the PISIS Agreement or DISIS Agreement. For purposes of clustering Interconnection Service requests, Transmission Provider may make reasonable changes to the requested Point(s) of Interconnection to facilitate efficient interconnection of Interconnection Customers at common points of interconnection. Transmission Provider will notify Interconnection Customers in writing of any intended changes to the requested Point(s) of Interconnection.

3.2 Identification of Types of Interconnection Services.

At the time the Interconnection Request is submitted, Interconnection Customer must request either Energy Resource Interconnection Service or Network Resource Interconnection Service, as described below. An Interconnection Customer may designate only one type of Interconnection Service for each separate Interconnection Service request in either the PISIS Queue or the DISIS Queue. The type of Interconnection Service must be finalized on submission of the appropriate executed System Impact Study Agreement and may not be changed after the start of the study process.

3.2.1 Energy Resource Interconnection Service.

3.2.1.1 **The Product**. Energy Resource Interconnection Service allows Interconnection Customer to connect the Large Generating Facility to the Transmission System and be eligible to deliver the Large Generating Facility's output using the existing firm or non-firm capacity of the Transmission System on an "as available" basis. Energy Resource Interconnection Service does not in and of itself convey any right to deliver electricity to any specific customer or Point of Delivery.

3.2.1.2 **The Study**. The study consists of short circuit/fault duty, steady state (thermal and voltage) and stability analyses. The short circuit/fault duty analysis would identify direct Interconnection Facilities required and the Network Upgrades necessary to address short circuit issues associated with the Interconnection Facilities. The stability and steady state studies would identify necessary upgrades to allow full output of the proposed Large Generating Facility and would also identify the maximum allowed output, at the time the study is performed, of the interconnecting Large Generating Facility without requiring additional Network Upgrades.

3.2.2 Network Resource Interconnection Service.

3.2.2.1 **The Product**. Transmission Provider must conduct the necessary studies and construct the Network Upgrades needed to integrate the Large Generating Facility (1) in a manner comparable to that in which Transmission Provider integrates its generating facilities to serve native load customers; or (2) in an ISO or RTO with market based congestion management, in the same manner as Network Resources. Network Resource Interconnection Service Allows Interconnection Customer's Large Generating Facility to be designated as a Network Resource, up to the Large Generating Facility's full output, on the same basis as existing Network Resources interconnected to Transmission Provider's Transmission System, and to be studied as a Network Resource on the assumption that such a designation will occur. If a Large Generating Facility's full output has not been designated as a Network Resource within the Transmission Provider's Control Area, Interconnection Customer must provide the point of delivery at which the Interconnection Customer intends to deliver the output out of the Transmission Provider's Control Area.

3.2.2.2 **The Study**. The Interconnection Study for Network Resource Interconnection Service shall assure that Interconnection Customer's Large Generating Facility meets the requirements for Network Resource Interconnection Service and as a general matter, that such Large Generating Facility's interconnection is also studied with Transmission Provider's Transmission System at peak load, under a variety of severely stressed conditions, to determine whether, with the Large Generating Facility at full output, the aggregate of generation in the local area can be delivered to the aggregate of load on Transmission Provider's Transmission System, consistent with Transmission Provider's reliability criteria and procedures. This approach assumes that some portion of existing Network Resources in the Transmission Provider's Control Area and, if necessary, the generating facilities of other Control Areas are displaced by the output of Interconnection Customer's Large Generating Facility. Network Resource Interconnection Service in and of itself does not convey any right to deliver electricity to any specific customer or Point of Delivery. The Transmission Provider may also study the Transmission System under non-peak load conditions. However, upon request by the Interconnection Customer, the Transmission Provider must explain in writing to the

Interconnection Customer why the study of non-peak load conditions is required for reliability purposes.

3.3 Valid Interconnection Request.

3.3.1 Initiating an Interconnection Request.

To initiate an Interconnection Request, Interconnection Customer must submit all of the following:

(i) A deposit of:
a. $75,000 for requests of less than 50 MW, or
b. $150,000 for requests of 50 MW or greater, but less than 200 MW, or
c. $250,000 for requests of 200 MW and greater.

Deposits, net of $5,000 which is nonrefundable, provided pursuant to this section shall be applied toward any Interconnection Studies pursuant to the Interconnection Request.

(ii) A completed application in the form of Appendix 1, and

(iii) A demonstration of Site Control; provided, however, demonstration of Site Control is not required for inclusion of an Interconnection Request in the PISIS Queue. Specifications for acceptable site size for the purpose of demonstrating Site Control are posted on the Transmission Provider's OASIS website (<http://www.oatioasis.com/cwo_default.htm%20>) Interconnection Customer may propose alternative specifications for site size for Transmission Provider approval.

The expected Commercial Operation Date of the new Large Generating Facility or increase in capacity of the existing Generating Facility shall be no more than the process window for the regional expansion planning period (or in the absence of a regional planning process, the process window for Transmission Provider's expansion planning period) not to exceed seven years from the date the Interconnection Request is received by Transmission Provider, unless Interconnection Customer demonstrates that engineering, permitting and construction of the new Large Generating Facility or increase in capacity of the existing Generating Facility will take longer than the regional expansion planning period. The Commercial Operation Date may succeed the date the Interconnection Request is received by Transmission Provider by a period up to ten years or longer where Interconnection Customer and Transmission Provider agree, such agreement not to be unreasonably withheld.

3.3.2 Acknowledgment of Interconnection Request.

Transmission Provider shall acknowledge receipt of the Interconnection Request within five (5) Business Days of receipt of the request and attach a copy of the received Interconnection Request to the acknowledgement.

3.3.3 Deficiencies in Interconnection Request.

An Interconnection Request will not be considered to be a valid request until all items in Section 3.3.1 have been received by Transmission Provider; provided however, that demonstration of Site Control is not required for inclusion of an Interconnection Request in the PISIS Queue.

If an Interconnection Request fails to meet the requirements set forth in Section 3.3.1, Transmission Provider shall notify Interconnection Customer within five (5) Business Days of receipt of the initial Interconnection Request of the reasons for such failure and that the Interconnection Request does not constitute a valid request. Interconnection Customer shall provide Transmission Provider the additional requested information needed to constitute a valid request within ten (10) Business Days after receipt of such notice. Failure by Interconnection Customer to comply with this Section 3.3.3 shall be treated in accordance with Section 3.6.

3.3.4 Scoping Meeting.

Within ten (10) Business Days after receipt of a valid Interconnection Request, Transmission Provider shall establish a date agreeable to Interconnection Customer for the Scoping Meeting, and such date shall be no later than thirty (30) Calendar Days from receipt of the valid Interconnection Request, unless otherwise mutually agreed upon by the Parties.

The purpose of the Scoping Meeting shall be to discuss alternative interconnection options, to exchange information including any transmission data that would reasonably be expected to impact such interconnection options, to analyze such information and to determine the potential feasible Points of Interconnection. Transmission Provider and Interconnection Customer will bring to the meeting such technical data, including, but not limited to: (i) general facility loadings, (ii) general instability issues, (iii) general short circuit issues, (iv) general voltage issues, and (v) general reliability issues as may be reasonably required to accomplish the purpose of the meeting. Transmission Provider and Interconnection Customer will also bring to the meeting personnel and other resources as may be reasonably required to accomplish the purpose of the meeting in the time allocated for the meeting. On the basis of the meeting, Interconnection Customer shall designate its Point of Interconnection, pursuant to Section 6.1, and one or more available alternative Point(s) of Interconnection. The duration of the meeting shall be sufficient to accomplish its purpose.

3.4 OASIS Posting.

Transmission Provider will maintain on its OASIS a list of all Interconnection Requests. The list will identify, for each Interconnection Request: (i) the maximum summer and winter megawatt electrical output; (ii) the location by county and state; (iii) the station or transmission line or lines where the interconnection will be made; (iv) the projected In-Service Date; (v) the status of the Interconnection Request, including Queue Position; (vi) the type of Interconnection Service and Study Queue being requested; and (vii) the availability of any studies related to the Interconnection Request; (viii) the date of the Interconnection Request; (ix) the type of Generating Facility to be constructed (combined cycle, base load or combustion turbine and fuel type); and (x) for Interconnection Requests that have not resulted in a completed interconnection, an explanation as to why it was not completed. Except in the case of an Affiliate, the list will not disclose the identity of Interconnection Customer until Interconnection Customer executes an LGIA or requests that Transmission Provider file an unexecuted LGIA with FERC. Before holding a Scoping Meeting with its Affiliate, Transmission Provider shall post on OASIS an advance notice of its intent to do so. Transmission Provider shall post to its OASIS site any deviations from the study timelines set forth herein. Interconnection Study reports shall be posted to Transmission Provider's OASIS site subsequent to the meeting between Interconnection Customer and Transmission Provider to discuss the applicable study results. Transmission Provider shall also post any known deviations in the Large Generating Facility's In-Service Date.

3.5 Coordination with Affected Systems.

Transmission Provider will coordinate the conduct of any studies required to determine the impact of the Interconnection Request on Affected Systems with Affected System Operators and, if possible, include those results (if available) in its applicable Interconnection Study within the time frame specified in this LGIP. Transmission Provider will include such Affected System Operators in all meetings held with Interconnection Customer as required by this LGIP. Interconnection Customer will cooperate with Transmission Provider in all matters related to the conduct of studies and the determination of modifications to Affected Systems. A Transmission Provider which may be an Affected System shall cooperate with Transmission Provider with whom interconnection has been requested in all matters related to the conduct of studies and the determination of modifications to Affected Systems.

3.6 Withdrawal.

Interconnection Customer may withdraw its Interconnection Request at any time by written notice of such withdrawal to Transmission Provider unless the Interconnection Customer has executed a Definitive Interconnection System Impact Study Agreement. In addition, if Interconnection Customer fails to adhere to all requirements of this LGIP, except as provided in Section 12.5 (Disputes), Transmission Provider shall deem the Interconnection Request to be withdrawn and shall provide written notice to Interconnection Customer of the deemed

withdrawal and an explanation of the reasons for such deemed withdrawal. Upon receipt of such written notice, Interconnection Customer shall have fifteen (15) Business Days in which to either respond with information or actions that cure the deficiency or to notify Transmission Provider of its intent to pursue Dispute Resolution.

Withdrawal shall result in the loss of Interconnection Customer's Queue Position. If an Interconnection Customer disputes the withdrawal and loss of its Queue Position, then during Dispute Resolution, Interconnection Customer's Interconnection Request is eliminated from the Queue until such time that the outcome of Dispute Resolution would restore its Queue Position. An Interconnection Customer that withdraws or is deemed to have withdrawn its Interconnection Request shall pay to Transmission Provider all costs that Transmission Provider prudently incurs with respect to that Interconnection Request prior to Transmission Provider's receipt of notice described above. Interconnection Customer must pay all monies due to Transmission Provider before it is allowed to obtain any Interconnection Study data or results.

Transmission Provider shall (i) update the OASIS Queue Position posting and (ii) refund to Interconnection Customer any of the refundable portion of Interconnection Customer's deposit or study payments that exceeds the costs that Transmission Provider has incurred, including interest calculated in accordance with section 35.19a(a)(2) of FERC's regulations. In the event of such withdrawal, Transmission Provider, subject to the confidentiality provisions of Section 12.1, shall provide, at Interconnection Customer's request, all information that Transmission Provider developed for any completed study conducted up to the date of withdrawal of the Interconnection Request.

Section 4. Interconnection Request Evaluation Process

4.1 Queue Position.

4.1.1 The Transmission Provider shall assign a Queue Position within each study Queue as follows.

a. The Queue Position within the Preliminary Interconnection System Impact Study Queue ("PISIS Queue") shall be assigned based upon the date and time of receipt of all items required under Section 6.2 pursuant to the provisions of Section 3.3.3.

b. The Queue Position within the Definitive Interconnection System Impact Study Queue ("DISIS Queue") shall be assigned based upon the date and time of receipt of all items required under Section 7.2 pursuant to the provisions of Section 3.3.3.

4.1.2 A higher Queue Position assigned to an Interconnection Request is one that

has been placed "earlier" in the Queue in relation to another Interconnection Request that is assigned a lower Queue Position. A Queue Position in the DISIS Queue shall be deemed higher than all Queue Positions in the PISIS Queue. Moving a Point of Interconnection shall result in a lowering of Queue Position if it is deemed a Material Modification under Section 4.4.3.

4.2 General Study Process.

The diagram attached as Appendix 1-A provides an overview and timeline of the Transmission Provider's Interconnection Request submission and study process which is further described in detail in this Section 4.2 and Sections 5, 6, and 7 of this LGIP.

4.2.1 PISIS Queue Study Procedures.

The Transmission Provider shall accept Interconnection Requests for the PISIS Queue during a ninety (90) Calendar Day period, hereinafter referred to as the "PISIS Queue Cluster Window". There shall be two (2) PISIS Queue Cluster Windows every twelve months and each PISIS Queue Cluster Window shall open 180 Calendar Days after the close of the previous PISIS Queue Cluster Window. Following the close of each PISIS Queue Cluster Window, the Transmission Provider shall complete the study of valid Interconnection Requests within the PISIS Queue in accordance with the timeline specified in Section 6.4. The Transmission Provider shall, without regard to Queue Position, simultaneously study two or more valid Interconnection Requests within the PISIS Queue on the basis of geographic location and proposed electrical interconnection as specified in the Interconnection Requests in a non-discriminatory manner without regard to the nature of the underlying Interconnection Service, whether Energy Resource Interconnection Service or Network Resource Interconnection Service ("Cluster Study"). The Queue Position of an Interconnection Request shall have no bearing on the allocation of the cost of the common upgrades identified in a Cluster Study.

The Transmission Provider may study an Interconnection Request separately (not in a Cluster Study) to the extent warranted by Good Utility Practice based upon the electrical remoteness of the proposed Large Generating Facility. If such an individual Interconnection Request within the PISIS Queue is not included within a Cluster Study, the Transmission Provider shall study such individual Interconnection Request based upon Queue Position without regard to the nature of the underlying Interconnection Service, whether Energy Resource Interconnection Service or Network Resource Interconnection Service.

Cluster Studies performed within the PISIS phase shall be conducted in such a manner to ensure the efficient implementation of the applicable

regional transmission expansion plan in light of the Transmission System's capabilities at the time of each study. In the event that an Interconnection Customer withdraws from the process at any point during the PISIS phase and that Interconnection Customer's request was included in a Cluster Study, the Transmission Provider may substitute the next highest queued similarly situated Interconnection Request within the PISIS Queue into the current PISIS phase, provided such substitution occurs on a non-discriminatory basis and does not have a material impact on the effort required for completion of the applicable PISIS.

4.2.2 DISIS Queue Study Procedures.

The Transmission Provider shall accept Interconnection Requests for DISIS Queue during a ninety (90) Calendar Day period, hereinafter referred to as the "DISIS Queue Cluster Window". There shall be two (2) DISIS Queue Cluster Windows every twelve (12) months and each DISIS Queue Cluster Window shall open 180 Calendar Days after the close of the previous DISIS Queue Cluster Window. Following the close of the DISIS Queue Cluster Window, the Transmission Provider shall complete the study of valid Interconnection Requests within the DISIS Queue in accordance with the timeline specified in Section 7.4. The Transmission Provider shall, without regard to Queue Position, simultaneously study two or more valid Interconnection Requests within the DISIS Queue as a Cluster Study on the basis of geographic location and proposed electrical interconnection as specified in the Interconnection Requests in a non-discriminatory manner without regard to the nature of the underlying Interconnection Service, whether Energy Resource Interconnection Service or Network Resource Interconnection Service. The Queue Position of an Interconnection Request shall have no bearing on the allocation of the cost of the common upgrades identified in a Cluster Study.

The Transmission Provider may study an Interconnection Request separately (not in a Cluster Study) to the extent warranted by Good Utility Practice based upon the electrical remoteness of the proposed Large Generating Facility. If such an individual Interconnection Request within the DISIS Queue is not included within a Cluster Study, the Transmission Provider shall study individual Interconnection Request based upon Queue Position without regard to the nature of the underlying Interconnection Service, whether Energy Resource Interconnection Service or Network Resource Interconnection Service.

Cluster Studies performed within the DISIS phase shall be conducted in such a manner to ensure the efficient implementation of the applicable regional transmission expansion plan in light of the Transmission System's capabilities at the time of each study. In the event that an Interconnection Customer withdraws from the process at any point during the DISIS phase

and that Interconnection Customer's request was included in a Cluster Study, the Transmission Provider may substitute the next highest queued similarly situated Interconnection Request within the DISIS Queue or PISIS Queue into the current study phase, provided such substitution occurs on a non-discriminatory basis and does not have a material impact on the effort required for completion of the applicable study. Moreover, any Interconnection Request that is considered from the PISIS Queue must meet the requirements of the DISIS Queue.

4.2.3 Changes to Study Procedures.

The PISIS Queue Cluster Window and the DISIS Queue Cluster Window described in the following subsections have fixed time intervals based on fixed annual opening and closing dates.

Any changes to the established PISIS Queue Cluster Window or the DISIS Queue Cluster Window and opening or closing dates shall be announced with a posting on Transmission Provider's OASIS beginning at least one hundred and eighty (180) Calendar Days in advance of changes and continuing thereafter through the end date of the first queue cluster window that is to be modified.

4.2.4 Study Cost and Network Upgrade Cost allocation.

The Transmission Provider shall determine each Interconnection Customer's share of PISIS costs and/or DISIS costs of a Cluster Study by allocating (1) 50% of the applicable study costs to Interconnection Customers on a pro-rata basis based on number of Interconnection Requests included in the applicable study and (2) 50% of the applicable study costs to Interconnection Customers on a pro-rata basis based on requested MWs included in the applicable study.

For Network Upgrades identified in Cluster Studies, the Transmission Provider shall calculate each Interconnection Customer's share of Network Upgrade costs in the following manner:

a. Station equipment including all switching stations will be allocated based on the number of Generating Facilities interconnecting at an individual station on a pro rata basis.

b. All transmission lines, transformers and voltage support related Network Upgrades will be allocated based on the proportional capacity of each individual Generating Facility in the Cluster Studies requiring such Network Upgrades.

4.3 Transferability of Queue Position.

An Interconnection Customer may transfer its Queue Position to another entity only if such entity acquires the specific Generating Facility identified in the Interconnection Request and the Point of Interconnection does not change.

4.4 Modifications.

Interconnection Customer shall submit to Transmission Provider, in writing, modifications to any information provided in the Interconnection Request. Interconnection Customer shall retain its Queue Position if the modifications are in accordance with Sections 4.4.1, or 4.4.4, or are determined not to be Material Modifications pursuant to Section 4.4.2.

Notwithstanding the above, during the course of the Interconnection Studies, either Interconnection Customer or Transmission Provider may identify changes to the planned interconnection that may improve the costs and benefits (including reliability) of the interconnection, and the ability of the proposed change to accommodate the Interconnection Request. To the extent the identified changes are acceptable to Transmission Provider and Interconnection Customer, such acceptance not to be unreasonably withheld, Transmission Provider shall modify the Point of Interconnection and/or configuration in accordance with such changes and proceed with any re-studies necessary to do so in accordance with Section 7.6 and Section 7.11 as applicable and Interconnection Customer shall retain its Queue Position.

4.4.1 Prior to the return of the executed Definitive Interconnection System Impact Study Agreement to Transmission Provider, modifications permitted under this Section shall include specifically: (a) a change of electrical output (MW) of the proposed project; (b) modifying the technical parameters associated with the Large Generating Facility technology or the Large Generating Facility step-up transformer impedance characteristics; and (c) modifying the interconnection configuration. For plant increases, the incremental increase in plant output will go to the end of the queue for the purposes of cost allocation and study analysis. Prior to the return of the executed Interconnection Facility Study Agreement to Transmission Provider, the Interconnection Customer shall be allowed to modify the electrical output (MW) of the generating facility by up to ten (10) percent above or below the interconnection capacity included in the Definitive Interconnection System Impact Study Agreement.

4.4.2 Prior to making any modification other than those specifically permitted by Sections 4.4.1, and 4.4.4, Interconnection Customer may first request that Transmission Provider evaluate whether such modification is a Material Modification. In response to Interconnection Customer's request, Transmission Provider shall evaluate the proposed modifications prior to making them and inform Interconnection Customer in writing of whether the modifications would constitute a Material Modification. Any change to the Point of Interconnection, except those deemed acceptable under

Sections 4.4.1, 6.1, 7.2 or so allowed elsewhere, shall constitute a Material Modification. Interconnection Customer may then withdraw the proposed modification or proceed with a new Interconnection Request for such modification. An Interconnection Customer may change the Point of Interconnection for a Generating Facility if the Interconnection Customer submits an application for Interconnection Service in the PISIS Queue and later resubmits the same generating facility in a later PISIS Queue or DISIS Queue.

4.4.3 Upon receipt of Interconnection Customer's request for modification permitted under this Section 4.4, Transmission Provider shall commence and perform any necessary additional studies as soon as practicable, but in no event shall Transmission Provider commence such studies later than thirty (30) Calendar Days after receiving notice of Interconnection Customer's request. Any additional studies resulting from such modification shall be done at Interconnection Customer's cost.

4.4.4 Extensions of less than three (3) cumulative years in the Commercial Operation Date of the Large Generating Facility to which the Interconnection Request relates are not material and should be handled through construction sequencing; provided, however, that extensions may necessitate a determination of whether the Generating Facility will retain its WECC accepted rating status and whether additional studies are required pursuant to the Applicable Reliability Standards.

Section 5. Procedures for Interconnection Requests Submitted Prior to Effective Date of Standard Large Generator Interconnection Procedures

5.1 Transition Procedures.

5.1.1 Any Interconnection Customer assigned a Queue Position prior to the effective date of this LGIP as revised in Docket No. ER11-3522-000 and ER11-3522-001 and accepted by the Commission on September 30, 2011 shall retain that Queue Position subject to meeting the requirements below in Sections 5.1.1.1 and 5.1.1.2. Any Interconnection Customer that fails to meet these requirements shall have its Interconnection Request deemed withdrawn pursuant to Section 3.6.

5.1.1.1 All Interconnection Requests for which an Interconnection Facilities Study Agreement has been executed, including those that have an Interconnection Facilities Study posted or that are in LGIA negotiation process pursuant to Section 10.2, shall not be required to conform to the Revised LGIP. All Interconnection Facility Studies in process at the issuance of the Final Order shall be completed within sixty (60) Calendar Days, prior to the start of the Transition DISIS

Cluster Window.

5.1.1.2 All Interconnection Requests for which an Interconnection Facilities Study Agreement has not been executed as of the effective date of the Revised LGIP will be required to conform to the Revised LGIP and shall be subject to the Revised LGIP. Within sixty (60) Calendar Days of the effective date of the Revised LGIP, Interconnection Customers with Interconnection Requests subject to the Revised LGIP shall take all actions necessary to conform to the Revised LGIP, including but not limited to revising the previously submitted Interconnection Request and providing any additional deposits required to conform to all deposit and data requirements specified under Section 3.3.1, Section 6.2 or Section 7.2 of the Revised LGIP, as applicable. Interconnection Customer shall retain its priority in the applicable Queue, as determined by its deposit and data submittal, relative to the other Interconnection Customers in that respective Queue.

5.1.1.3 Transmission Provider will initiate the Revised LGIP by establishing a "Transition DISIS Cluster Window." Only Interconnection Customers with a valid Interconnection Request on September 30, 2011, and who notify Transmission Provider in writing by November 29, 2011, of their intention to be included in the Transition DISIS Cluster Window, and who have complied with the provisions of Section 7.2 shall be included in the Transition DISIS Cluster Window. The Transition DISIS Queue Cluster Window will close at the close of business on November 29, 2011, and Transmission Provider will produce the first DISIS Study pursuant to the schedule provided for in the LGIP. Following the close of the Transition DISIS Cluster Window, Transmission Provider will tender DISIS Agreements that must be executed and returned to the Transmission Provider no later than December 29, 2011.

Interconnection Requests submitted after September 30, 2011, shall be included in either the DISIS Cluster Window following the completion of the Transition DISIS Cluster Window or in the first available PISIS Queue Cluster Window.

The "Transition PISIS Queue Cluster Window" will open on December 29, 2011.

Future cluster windows will operate per the terms of Sections 4.2.1 and 4.2.2 respectively.

5.1.2 If an LGIA has been submitted to FERC for approval prior to September 30, 2011, then the LGIA shall not be required to conform to the Revised LGIP.

5.2 New Transmission Provider.

If Transmission Provider transfers control of its Transmission System to a successor Transmission Provider during the period when an Interconnection Request is pending, the original Transmission Provider shall transfer to the successor Transmission Provider any amount of the deposit or payment with interest thereon that exceeds the cost that it incurred to evaluate the request for interconnection. Any difference between such net amount and the deposit or payment required by this LGIP shall be paid by or refunded to the Interconnection Customer, as appropriate. The original Transmission Provider shall coordinate with the successor Transmission Provider to complete any Interconnection Study, as appropriate, that the original Transmission Provider has begun but has not completed. If Transmission Provider has tendered a draft LGIA to Interconnection Customer but Interconnection Customer has not either executed the LGIA or requested the filing of an unexecuted LGIA with FERC, unless otherwise provided, Interconnection Customer must complete negotiations with the successor Transmission Provider.

Section 6. Preliminary Interconnection System Impact Study

6.1 Preliminary Interconnection System Impact Study Agreement.

Unless otherwise agreed, pursuant to the Scoping Meeting provided in Section 3.3.4, or simultaneously with the acknowledgement of a valid Interconnection Request indicating that a PISIS is to be performed, Transmission Provider shall provide to Interconnection Customer a PISIS Agreement in the form of Appendix 2 to this LGIP. The PISIS Agreement shall provide that Interconnection Customer shall compensate Transmission Provider for the actual cost of the PISIS. Within seven (7) Calendar Days of the close of a Cluster Window, the Transmission Provider shall provide to Interconnection Customers a non-binding updated good faith estimate of the cost and timeframe for completing the PISIS.

6.2 Execution of Preliminary Interconnection System Impact Study Agreement.

Interconnection Customer shall execute the PISIS Agreement and deliver the executed PISIS Agreement to Transmission Provider no later than the lesser of (i) thirty (30) Calendar Days following its receipt, or (ii) ten (10) Calendar Days following the close of the PISIS Queue Cluster Window, along with technical data as denoted in Appendix 1 of this LGIP, if applicable.

Failure to return the PISIS Agreement and to meet the requirements listed above

will result in immediate withdrawal of the Interconnection Request.

Deposits will be applied towards the PISIS costs. If the Interconnection Customer's share of the PISIS costs exceeds the deposited amount, then the Interconnection Customer will be responsible for this excess cost. If the Interconnection Customer's share of the PISIS cost is less than the deposited amount, the difference shall be refunded to the Interconnection Customer, or, the Interconnection Customer may elect to apply the difference as part of the deposit requirements for participation in a DISIS.

6.3 Scope of Preliminary Interconnection System Impact Study.

The PISIS shall evaluate the impact of the proposed interconnection on the reliability of the Transmission System. The PISIS will consider the Base Case as well as all generating facilities (and with respect to (iii) below, any identified Network Upgrades associated with such higher queued interconnection) that, on the date the PISIS is commenced: (i) are directly interconnected to the Transmission System; (ii) are interconnected to Affected Systems and may have an impact on the Interconnection Request; (iii) have a pending higher queued Interconnection Request to interconnect to the Transmission System; and (iv) have no Queue Position but have executed an LGIA or requested that an unexecuted LGIA be filed with FERC.

The PISIS will consist of a short circuit analysis, a stability analysis, and a power flow analysis. The PISIS will state the assumptions upon which it is based; state the results of the analyses; and provide the requirements or potential impediments to providing the requested interconnection service, including a preliminary indication of the cost and length of time that would be necessary to correct any problems identified in those analyses and implement the interconnection. The PISIS will provide a list of facilities that are required as a result of the Interconnection Request and a non-binding good faith estimate of cost responsibility and a non-binding good faith estimated time to construct.

6.4 Preliminary Interconnection System Impact Study Procedures.

Transmission Provider shall coordinate the PISIS with any Affected System that is affected by the Interconnection Request pursuant to Section 3.5 above. Transmission Provider shall utilize existing studies to the extent practicable when it performs the study. Interconnection Requests for PISIS may be submitted within the PISIS Queue Cluster Window pursuant to Section 4.2.1 Transmission Provider shall use Reasonable Efforts to complete the PISIS no later than one-hundred-fifty (150) Calendar Days after the close of the PISIS Queue Cluster Window.

At the request of an Interconnection Customer in the PISIS Cluster, Transmission Provider shall notify Interconnection Customer as to the schedule status of the PISIS. If Transmission Provider is unable to complete the PISIS within the time period, it shall notify Interconnection Customer and provide an estimated

completion date with an explanation of the reasons why additional time is required.

Upon request, Transmission Provider shall provide Interconnection Customer all supporting documentation, workpapers and relevant pre-Interconnection Request and post-Interconnection Request power flow, short circuit and stability databases for the PISIS, subject to confidentiality arrangements consistent with Section 12.1.

6.5 Meeting with Transmission Provider.
Within ten (10) Business Days of providing a PISIS report to Interconnection Customer, Transmission Provider and Interconnection Customer shall meet to discuss the results of the PISIS.

Section 7. Definitive Planning Phase

7.1 Definitive Interconnection System Impact Study Agreement.
Unless otherwise agreed, pursuant to the Scoping Meeting provided in Section 3.3.4, simultaneously with the acknowledgement of a valid Interconnection Request indicating that a DISIS is to be performed, Transmission Provider shall provide to Interconnection Customer a DISIS Agreement in the form of Appendix 3 to this LGIP. The DISIS Agreement shall provide that Interconnection Customer shall compensate Transmission Provider for the actual cost of the DISIS. Within seven (7) Calendar Days of the close of a Cluster Window, the Transmission provider shall provide to Interconnection Customer a non-binding updated good faith estimate of the cost and timeframe for completing the DISIS.

7.2 Execution of Definitive Interconnection System Impact Study Agreement.
Interconnection Customer shall execute the DISIS Agreement and deliver the executed DISIS Agreement to Transmission Provider no later than the lesser of (i) thirty (30) Calendar Days following its receipt or (ii) ten (10) Calendar Days following the close of the DISIS Queue Cluster Window, along with:

a. demonstration of Site Control and site adequacy; and

b. definitive Point of Interconnection; and

c. If Transmission Provider has not been notified pursuant to Section 29.2 of Part III of the OATT that Interconnection Customer's proposed Generating Facility is to be designated as a Network Resource within Transmission Provider's Control Area, the point of delivery or the geographic area on PNM's system at which Interconnection Customer intends to deliver output out of Transmission Provider's Control Area; and

d. definitive plant size (MW); and

e. Technical information required in Appendix 1 of this LGIP, if applicable; and

f. one of the following:

i. Security equal to $2000/MW of the plant size (refundable at commercial operation or if LGIA is not executed by Interconnection Customer); or

ii. An executed contract (or comparable evidence) for the sale of electric energy or capacity from the Generating Facility; or

iii. Statement signed by an officer or authorized agent of the Interconnection Customer attesting that the Large Generating Facility is included in an applicable state resource plan; or

iv. Other information that the Transmission Provider deems to be reasonable evidence that the Large Generating Facility will qualify as a designated Network Resource; or

v. Site specific Purchase Order for generating equipment specific to Queue Position, or statement signed by an officer or authorized agent of the Interconnection Customer attesting that the Generating Facility included is to be supplied with turbines with a manufacturer's blanket purchase agreement to which Interconnection Customer is a party. This blanket purchase agreement shall be provided to Transmission Provider.

If the DISIS uncovers any unexpected result(s) not contemplated during the Scoping Meeting, a substitute Point of Interconnection identified by Transmission Provider may be substituted for the designated Point of Interconnection specified above without loss of Queue Position, and re-studies shall be completed pursuant to Section 7.6 as applicable.

7.3 Scope of Definitive Interconnection System Impact Study.

The DISIS scope shall be the same as the PISIS scope described under Section 6.3. and shall include any Interconnection Requests received during the DISIS Queue Cluster Window.

7.4 Definitive Interconnection System Impact Study Procedures.

a. Transmission Provider shall coordinate the DISIS with any Affected System that is affected by the Interconnection Request pursuant to Section 3.5 above. Transmission Provider shall utilize existing studies to the extent practicable when it performs the study. Interconnection Requests for DISIS may be submitted within the DISIS Queue Cluster Window pursuant to Section 4.2.2. Transmission Provider shall use Reasonable Efforts to

complete the DISIS no later than one-hundred-fifty (150) Calendar Days after the close of the DISIS Queue Cluster Window.

b. At the request of an Interconnection Customer in the DISIS Cluster, Transmission Provider shall notify Interconnection Customer as to the schedule status of the DISIS. If Transmission Provider is unable to complete the DISIS within the time period, it shall notify Interconnection Customer and provide an estimated completion date with an explanation of the reasons why additional time is required.

Upon request, Transmission Provider shall provide Interconnection Customer all supporting documentation, workpapers and relevant pre-Interconnection Request and post-Interconnection Request power flow, short circuit and stability databases for the DISIS, subject to confidentiality arrangements consistent with Section 12.1.

c. Interconnection Customer's study cost obligations and refunds shall be as defined in Section 12.3 with the following exception. If an Interconnection Customer withdraws from an active DISIS prior to the Interconnection Facilities Study phase, that Interconnection Customer's study cost obligation shall be equal to two (2) times its actual allocated cost of the DISIS.

If the Interconnection Customer's study cost obligation as defined above exceeds the deposited amount submitted pursuant to Section 3.3.1 and Section 7.2, then the Interconnection Customer will be responsible for this excess cost. If the Interconnection Customer's study cost obligation as defined above is less than the deposited amount submitted pursuant to Section 3.3.1 and Section 7.2, the difference shall be refunded to the Interconnection Customer.

7.5 Meeting with Transmission Provider.

Within ten (10) Business Days of providing a DISIS report to Interconnection Customer, Transmission Provider, Transmission Owner and Interconnection Customer shall meet to discuss the results of the DISIS.

7.6 Re-Study.

If Re-Study of the DISIS is required due to a higher or equal priority queued project dropping out of the queue, or a modification of a higher queued project subject to Section 4.4, or re-designation of the Point of Interconnection pursuant to Section 7.2, Transmission Provider shall notify Interconnection Customer in writing. Any cost of Re-Study, as reduced by deposit amounts retained under Section 7.4.c, shall be borne by the Interconnection Customer(s) being re-studied. To the extent possible, Transmission Provider will undertake reasonable efforts to reduce Re-Study work by modifying existing studies that may closely approximate the system load and conditions reflected by the withdrawal from the DISIS Queue or

by advancing customers with equivalent technology and size from the PISIS Queue or the pending DISIS Queue.

7.7 Interconnection Facilities Study Agreement.

Simultaneously with the delivery of the DISIS report to Interconnection Customer, Transmission Provider shall provide to Interconnection Customer an Interconnection Facilities Study Agreement in the form of Appendix 4 to this LGIP. The Interconnection Facilities Study Agreement shall provide that Interconnection Customer shall compensate Transmission Provider for the actual cost of the Interconnection Facilities Study. Within three (3) Business Days following the DISIS results meeting, Transmission Provider shall provide to Interconnection Customer a non-binding good faith estimate of the cost and timeframe for completing the Interconnection Facilities Study. Interconnection Customer shall execute the Interconnection Facilities Study Agreement and deliver the executed Interconnection Facilities Study Agreement to Transmission Provider within thirty (30) Calendar Days after its receipt, together with the required technical data along with one of the following:

a. Letter of Credit or payment of Interconnection Customer's share of estimated Network Upgrades less any amounts provided under Section 7.2.f.i (refundable if LGIA is not executed by Interconnection Customer); or

b. An executed contract (or comparable evidence) for the sale of electric energy or capacity from the Generating Facility; or

c. Statement signed by an officer or authorized agent of the Interconnection Customer attesting that the Large Generating Facility is included in an applicable state resource plan; or

d. Other information that the Transmission Provider deems to be reasonable evidence that the Large Generating Facility will qualify as a designated Network Resource; or

e. Site Specific Purchase Order for generating equipment specific to Queue Position or statement signed by an officer or authorized agent of the Interconnection Customer attesting that the Generating Facility is to be supplied with turbines with a manufacturer's blanket purchase agreement to which Interconnection Customer is a party. This blanket purchase agreement shall be provided to Transmission Provider.

7.7.1 Transmission Provider shall invoice Interconnection Customer on a monthly basis for the work to be conducted on the Interconnection Facilities Study. Interconnection Customer shall pay invoiced amounts within thirty (30) Calendar Days of receipt of invoice. Transmission Provider shall continue to hold the amounts on deposit until settlement of the final invoice.

7.8 Scope of Interconnection Facilities Study.

The Interconnection Facilities Study shall specify and estimate the cost of the equipment, engineering, procurement and construction work needed to implement the conclusions of the DISIS in accordance with Good Utility Practice to physically and electrically connect the Large Generating Interconnection Facility to the Transmission System. The Interconnection Facilities Study shall also identify the electrical switching configuration of the connection equipment, including, without limitation: the transformer, switchgear, meters, and other station equipment; the nature and estimated cost of any Transmission Provider's Interconnection Facilities and Network Upgrades necessary to accomplish the interconnection; and an estimate of the time required to complete the construction and installation of such facilities.

7.9 Interconnection Facilities Study Procedures.

a. Transmission Provider shall coordinate the Interconnection Facilities Study with any Affected System pursuant to Section 3.5 above. Transmission Provider shall utilize existing studies to the extent practicable in performing the Interconnection Facilities Study. Transmission Provider shall use Reasonable Efforts to complete the study and issue a draft Interconnection Facilities Study report to Interconnection Customer within one-hundred-fifty (150) Calendar Days after receipt of an executed Interconnection Facilities Study Agreement.

b. At the request of Interconnection Customer, Transmission Provider shall notify Interconnection Customer as to the schedule status of the Interconnection Facilities Study. If Transmission Provider is unable to complete the Interconnection Facilities Study and issue a draft Interconnection Facilities Study report within the time required, it shall notify Interconnection Customer and provide an estimated completion date and an explanation of the reasons why additional time is required.

c. Interconnection Customer may, within thirty (30) Calendar Days after receipt of the draft Interconnection Facilities Study report, provide written comments to Transmission Provider, which Transmission Provider shall consider in completing the final Interconnection Facilities Study report. Transmission Provider shall issue the final Interconnection Facilities Study report within fifteen (15) Business Days of receiving Interconnection Customer's comments or promptly upon receiving Interconnection Customer's statement that it will not provide comments. Transmission Provider may reasonably extend such fifteen-day period upon notice to Interconnection Customer if Interconnection Customer's comments require Transmission Provider to perform additional analyses or make other significant modifications prior to the issuance of the final Interconnection Facilities Study report. Upon request, Transmission Provider shall provide Interconnection Customer supporting documentation, workpapers, and

databases or data developed in the preparation of the Interconnection Facilities Study, subject to confidentiality arrangements consistent with Section 12.1.

d. Interconnection Customer's study cost obligations and refunds shall be as defined in Section 12.3 with the following exception. An Interconnection Customer that withdraws during or after the completion of the Interconnection Facilities Study will receive no refund unless the facilities cost estimate from the Interconnection Facilities Study exceeds the facilities cost estimate from the DISIS by twenty-five percent (25%) or more. In such case, the Interconnection Customer's study cost obligation shall be equal to two (2) times its actual allocated costs of such DISIS and Interconnection Facilities Study. If the Interconnection Customer's study cost obligation as defined above exceeds the deposited amount submitted pursuant to Section 3.1.1 and Section 7.2, then the Interconnection Customer will be responsible for this excess cost. If the Interconnection Customer's study cost obligation as defined above is less than the deposited amount submitted pursuant to Section 3.3.1 and Section 7.2, the difference shall be refunded to the Interconnection Customer.

7.10 Meeting with Transmission Provider.

Within ten (10) Business Days of providing a draft Interconnection Facilities Study report to Interconnection Customer, Transmission Provider and Interconnection Customer shall meet to discuss the results of the Interconnection Facilities Study.

7.11 Re-Study.

If Re-Study of the Interconnection Facilities Study is required due to a higher or equal priority queued project dropping out of the queue or a modification of a higher queued project pursuant to Section 4.4, Transmission Provider shall so notify Interconnection Customer in writing. Any cost of Re-Study, as reduced by deposit amounts retained under Section 7.9.d, shall be borne by the Interconnection Customer(s) being re-studied. To the extent possible, Transmission Provider will undertake reasonable efforts to reduce Re-Study work by modifying existing studies that may closely approximate the system load and conditions reflected by the withdrawal from the DISIS Queue or by advancing customers with equivalent technology and size from the PISIS Queue or a pending DISIS Queue. Further, other Interconnection Customers remaining in the study shall be offered the first right to increase the size of their Generating Facility, in proportion to their share of the total amount of Generating Facilities included in the DISIS Cluster Window, in order to equal the original amount of Interconnection Service subject to the DISIS and Interconnection Facility Study. To the extent any Interconnection Customer declines the additional Interconnection Service, the remaining available capacity shall be made available to other Interconnection Customers in the DISIS Queue and Interconnection Facility Study Cluster Window.

Section 8. Reserved

Section 9. Reserved

Section 10. Standard Large Generator Interconnection Agreement (LGIA)

10.1 Tender.

Within thirty (30) Calendar Days after Transmission Provider issues the final Interconnection Facilities Study report, Transmission Provider shall tender a draft LGIA, together with draft appendices completed to the extent practicable. The draft LGIA shall be in the form of Transmission Provider's FERC-approved standard form LGIA, which is in Appendix 6. Interconnection Customer shall execute and return the completed draft appendices within thirty (30) Calendar Days.

10.2 Negotiation.

Notwithstanding Section 10.1, at the request of Interconnection Customer Transmission Provider shall begin negotiations with Interconnection Customer concerning the appendices to the LGIA at any time after Interconnection Customer executes the Interconnection Facilities Study Agreement. Transmission Provider and Interconnection Customer shall negotiate concerning any disputed provisions of the appendices to the draft LGIA for not more than sixty (60) Calendar Days after tender of the final Interconnection Facilities Study Report. If Interconnection Customer determines that negotiations are at an impasse, it may request termination of the negotiations at any time after tender of the draft LGIA pursuant to Section 10.1 and request submission of the unexecuted LGIA with FERC or initiate Dispute Resolution procedures pursuant to Section 12.5. If Interconnection Customer requests termination of the negotiations, but within sixty (60) Calendar Days thereafter fails to request either the filing of the unexecuted LGIA or initiate Dispute Resolution, it shall be deemed to have withdrawn its Interconnection Request. Unless otherwise agreed by the Parties, if Interconnection Customer has not executed the LGIA, requested filing of an unexecuted LGIA, or initiated Dispute Resolution procedures pursuant to Section 12.5 within sixty (60) Calendar Days of tender of draft LGIA, it shall be deemed to have withdrawn its Interconnection Request.

Transmission Provider shall provide to Interconnection Customer a final LGIA within fifteen (15) Business Days after the completion of the negotiation process.

10.3 Execution and Filing.

Within fifteen (15) Business Days after receipt of the final LGIA, Interconnection Customer shall provide Transmission Provider (A) reasonable evidence of continued Site Control or (B) posting of $250,000, non-refundable additional security, which shall be applied toward future construction costs. At the same time, Interconnection Customer also shall provide reasonable evidence that one or more of the following milestones in the development of the Large Generating Facility, at Interconnection Customer election, has been achieved: (i) the

execution of a contract for the supply or transportation of fuel to the Large Generating Facility; (ii) the execution of a contract for the supply of cooling water to the Large Generating Facility; (iii) execution of a contract for the engineering for, procurement of major equipment for, or construction of, the Large Generating Facility; (iv) execution of a contract (or comparable evidence) for the sale of electric energy or capacity from the Large Generating Facility; (v) statement signed by an officer or authorized agent of the Interconnection Customer attesting the Large Generating Facility is included in an applicable state resource plan; (vi) other information that the Transmission Provider deems to be reasonable evidence that the Large Generating Facility will qualify as a designated Network Resource; or (vii) application for an air, water, or land use permit. The Transmission Provider will not execute the final LGIA unless the Interconnection Customer provides the information described in this paragraph.

Interconnection Customer shall either: (i) execute two originals of the tendered LGIA and return them to Transmission Provider; or (ii) request in writing that Transmission Provider file with FERC an LGIA in unexecuted form. As soon as practicable, but not later than ten (10) Business Days after receiving either the two executed originals of the tendered LGIA (if it does not conform with a FERC-approved standard form of interconnection agreement) or the request to file an unexecuted LGIA, Transmission Provider shall file the LGIA with FERC, together with its explanation of any matters as to which Interconnection Customer and Transmission Provider disagree and support for the costs that Transmission Provider proposes to charge to Interconnection Customer under the LGIA. An unexecuted LGIA should contain terms and conditions deemed appropriate by Transmission Provider for the Interconnection Request. If the Parties agree to proceed with design, procurement, and construction of facilities and upgrades under the agreed-upon terms of the unexecuted LGIA, they may proceed pending FERC action.

10.4 Commencement of Interconnection Activities.

If Interconnection Customer executes the final LGIA, Transmission Provider and Interconnection Customer shall perform their respective obligations in accordance with the terms of the LGIA, subject to modification by FERC. Upon submission of an unexecuted LGIA, Interconnection Customer and Transmission Provider shall promptly comply with the unexecuted LGIA, subject to modification by FERC.

Section 11. Construction of Transmission Provider's Interconnection Facilities and Network Upgrades

11.1 Schedule.

Transmission Provider and Interconnection Customer shall negotiate in good faith concerning a schedule for the construction of Transmission Provider's Interconnection Facilities and the Network Upgrades.

11.2 Construction Sequencing.

11.2.1 General.

In general, the In-Service Date of an Interconnection Customers seeking interconnection to the Transmission System will determine the sequence of construction of Network Upgrades.

11.2.2 Advance Construction of Network Upgrades that are an Obligation of an Entity other than Interconnection Customer.

An Interconnection Customer with an LGIA, in order to maintain its In-Service Date, may request that Transmission Provider advance to the extent necessary the completion of Network Upgrades that: (i) were assumed in the Interconnection Studies for such Interconnection Customer, (ii) are necessary to support such In-Service Date, and (iii) would otherwise not be completed, pursuant to a contractual obligation of an entity other than Interconnection Customer that is seeking interconnection to the Transmission System, in time to support such In-Service Date. Upon such request, Transmission Provider will use Reasonable Efforts to advance the construction of such Network Upgrades to accommodate such request; provided that Interconnection Customer commits to pay Transmission Provider: (i) any associated expediting costs and (ii) the cost of such Network Upgrades.

Transmission Provider will refund to Interconnection Customer both the expediting costs and the cost of Network Upgrades, in accordance with Article 11.4 of the LGIA. Consequently, the entity with a contractual obligation to construct such Network Upgrades shall be obligated to pay only that portion of the costs of the Network Upgrades that Transmission Provider has not refunded to Interconnection Customer. Payment by that entity shall be due on the date that it would have been due had there been no request for advance construction. Transmission Provider shall forward to Interconnection Customer the amount paid by the entity with a contractual obligation to construct the Network Upgrades as payment in full for the outstanding balance owed to Interconnection Customer. Transmission Provider then shall refund to that entity the amount that it paid for the Network Upgrades, in accordance with Article 11.4 of the LGIA.

11.2.3 Advancing Construction of Network Upgrades that are Part of an Expansion Plan of the Transmission Provider.

An Interconnection Customer with an LGIA, in order to maintain its In-Service Date, may request that Transmission Provider advance to the extent necessary the completion of Network Upgrades that: (i) are necessary to support such In-Service Date and (ii) would

otherwise not be completed, pursuant to an expansion plan of Transmission Provider, in time to support such In-Service Date. Upon such request, Transmission Provider will use Reasonable Efforts to
advance the construction of such Network Upgrades to accommodate such request; provided that Interconnection Customer commits to pay Transmission Provider any associated expediting costs. Interconnection Customer shall be entitled to transmission credits, if any, for any expediting costs paid.

11.2.4 Amended Definitive Interconnection System Impact Study.
A DISIS will be amended to determine the facilities necessary to support the requested In-Service Date. This amended study will include those transmission and Large Generating Facilities that are expected to be in service on or before the requested In-Service Date.

Section 12. Miscellaneous

12.1 Confidentiality.

Confidential Information shall include, without limitation, all information relating to a Party's technology, research and development, business affairs, and pricing, and any information supplied by either of the Parties to the other prior to the execution of an LGIA.

Information is Confidential Information only if it is clearly designated or marked in writing as confidential on the face of the document, or, if the information is conveyed orally or by inspection, if the Party providing the information orally informs the Party receiving the information that the information is confidential.

If requested by either Party, the other Party shall provide in writing, the basis for asserting that the information referred to in this Article warrants confidential treatment, and the requesting Party may disclose such writing to the appropriate Governmental Authority. Each Party shall be responsible for the costs associated with affording confidential treatment to its information.

Transmission Provider may perform study work using Western Electric Coordinating Council ("WECC") data (power flow, stability, and disturbance monitoring data) for nonmembers provided that the WECC
data are not provided to the nonmember. Under such arrangements the nonmembers are permitted to look at the data in the Transmission Provider's office to gain an understanding of the study results, but are not permitted to have the data or a copy of the data. Interconnection Customer must also sign the WECC Nonmember Confidentiality Agreement in accordance with regional Reliability Council policies.

12.1.1 Scope.

Confidential Information shall not include information that the receiving Party can demonstrate: (1) is generally available to the public other than as a result of a disclosure by the receiving Party; (2) was in the lawful possession of the receiving Party on a non-confidential basis before receiving it from the disclosing Party; (3) was supplied to the receiving Party without restriction by a third party, who, to the knowledge of the receiving Party after due inquiry, was under no obligation to the disclosing Party to keep such information confidential; (4) was independently developed by the receiving Party without reference to Confidential Information of the disclosing Party; (5) is, or becomes, publicly known, through no wrongful act or omission of the receiving Party or Breach of the LGIA; or (6) is required, in accordance with Section 12.1.6, Order of Disclosure, to be disclosed by any Governmental Authority or is otherwise required to be disclosed by law or subpoena, or is necessary in any legal proceeding establishing rights and obligations under the LGIA. Information designated as Confidential Information will no longer be deemed confidential if the Party that designated the information as confidential notifies the other Party that it no longer is confidential.

12.1.2 Release of Confidential Information.

Neither Party shall release or disclose Confidential Information to any other person, except to its Affiliates (limited by the Standards of Conduct requirements), employees, consultants, or to parties who may be or considering providing financing to or equity participation with Interconnection Customer, or to potential purchasers or assignees of Interconnection Customer, on a need-to-know basis in connection with these procedures, unless such person has first been advised of the confidentiality provisions of this Section 12.1 and has agreed to comply with such provisions. Notwithstanding the foregoing, a Party providing Confidential Information to any person shall remain primarily responsible for any release of Confidential Information in contravention of this Section 13.1.

12.1.3 Rights.

Each Party retains all rights, title, and interest in the Confidential Information that each Party discloses to the other Party. The disclosure by each Party to the other Party of Confidential Information shall not be deemed a waiver by either Party or any other person or entity of the right to protect the Confidential Information from public disclosure.

12.1.4 No Warranties.

By providing Confidential Information, neither Party makes any warranties or representations as to its accuracy or completeness. In

addition, by supplying Confidential Information, neither Party obligates itself to provide any particular information or Confidential Information to the other Party nor to enter into any further agreements or proceed with any other relationship or joint venture.

12.1.5 Standard of Care.

Each Party shall use at least the same standard of care to protect Confidential Information it receives as it uses to protect its own Confidential Information from unauthorized disclosure, publication or dissemination. Each Party may use Confidential Information solely to fulfill its obligations to the other Party under these procedures or its regulatory requirements.

12.1.6 Order of Disclosure.

If a court or a Government Authority or entity with the right, power, and apparent authority to do so requests or requires either Party, by subpoena, oral deposition, interrogatories, requests for production of documents, administrative order, or otherwise, to disclose Confidential Information, that Party shall provide the other Party with prompt notice of such request(s) or requirement(s) so that the other Party may seek an appropriate protective order or waive compliance with the terms of the LGIA. Notwithstanding the absence of a protective order or waiver, the Party may disclose such Confidential Information which, in the opinion of its counsel, the Party is legally compelled to disclose. Each Party will use Reasonable Efforts to obtain reliable assurance that confidential treatment will be accorded any Confidential Information so furnished.

12.1.7 Remedies.

The Parties agree that monetary damages would be inadequate to compensate a Party for the other Party's Breach of its obligations under this Section 12.1. Each Party accordingly agrees that the other Party shall be entitled to equitable relief, by way of injunction or otherwise, if the first Party Breaches or threatens to Breach its obligations under this Section 12.1, which equitable relief shall be granted without bond or proof of damages, and the receiving Party shall not plead in defense that there would be an adequate remedy at law. Such remedy shall not be deemed an exclusive remedy for the Breach of this Section 12.1, but shall be in addition to all other remedies available at law or in equity. The Parties further acknowledge and agree that the covenants contained herein are necessary for the protection of legitimate business interests and are reasonable in scope. No Party, however, shall be liable for indirect, incidental, or consequential or punitive damages of any nature or kind resulting from or arising in connection with this Section 12.1.

12.1.8 Disclosure to FERC, its Staff, or a State.
Notwithstanding anything in this Section 12.1 to the contrary, and pursuant to 18 CFR Section 1b.20, if FERC or its staff, during the course of an investigation or otherwise, requests information from one of the Parties that is otherwise required to be maintained in confidence pursuant
to the LGIP, the Party shall provide the requested information to FERC or its staff, within the time provided for in the request for information. In providing the information to FERC or its staff, the Party must, consistent with 18 CFR Section 388.112, request that the information be treated as confidential and non-public by FERC and its staff and that the information be withheld from public disclosure. Parties are prohibited from notifying the other Party prior to the release of the Confidential Information to FERC or its staff. The Party shall notify the other Party to the LGIA when it is notified by FERC or its staff that a request to release Confidential Information has been received by FERC, at which time either of the Parties may respond before such information would be made public, pursuant to 18 CFR Section 388.112. Requests from a state regulatory body conducting a confidential investigation shall be treated in a similar manner, consistent with applicable state rules and regulations.

12.1.9 Subject to the exception in Section 12.1.8, any information that a Party claims is competitively sensitive, commercial or financial information ("Confidential Information") shall not be disclosed by the other Party to any person not employed or retained by the other Party, except to the extent disclosure is (i) required by law; (ii) reasonably deemed by the disclosing Party to be required to be disclosed in connection with a dispute between or among the Parties, or the defense of litigation or dispute; (iii) otherwise permitted by consent of the other Party, such consent not to be unreasonably withheld; or (iv) necessary to fulfill its obligations under this LGIP or as a transmission service provider or a Control Area operator including disclosing the Confidential Information to an RTO or ISO or to a subregional, regional or national reliability organization or planning group. The Party asserting confidentiality shall notify the other Party in writing of the information it claims is confidential. Prior to any disclosures of the other Party's Confidential Information under this subparagraph, or if any third party or Governmental Authority makes any request or demand for any of the information described in this subparagraph, the disclosing Party agrees to promptly notify the other Party in writing and agrees to assert confidentiality and cooperate with the other Party in seeking to protect the Confidential Information from public disclosure by confidentiality agreement, protective order or other

reasonable measures.

12.1.10 This provision shall not apply to any information that was or is hereafter in the public domain (except as a result of a Breach of this provision).

12.1.11 Transmission Provider shall, at Interconnection Customer's election, destroy, in a confidential manner, or return the Confidential Information provided at the time of Confidential Information is no longer needed.

12.2 Delegation of Responsibility.

Transmission Provider may use the services of subcontractors as it deems appropriate to perform its obligations under this LGIP. Transmission Provider shall remain primarily liable to Interconnection Customer for the performance of such subcontractors and compliance with its obligations of this LGIP. The subcontractor shall keep all information provided confidential and shall use such information solely for the performance of such obligation for which it was provided and no other purpose.

12.3 Obligation for Study Costs.

Except as provided in Section 7.4.c and Section 7.9.d, Transmission Provider shall charge and Interconnection Customer shall pay the actual costs of the Interconnection Studies. Any difference between the study deposit and the actual cost of the applicable Interconnection Study shall be paid by or refunded, except as otherwise provided herein, to Interconnection Customer or offset against the cost of any future Interconnection Studies associated with the applicable Interconnection Request prior to beginning of any such future Interconnection Studies. Any invoices for Interconnection Studies shall include a detailed and itemized accounting of the cost of each Interconnection Study. Interconnection Customer shall pay any such undisputed costs within thirty (30) Calendar Days of receipt of an invoice therefore. Transmission Provider shall not be obligated to perform or continue to perform any studies unless Interconnection Customer has paid all undisputed amounts in compliance herewith.

Unused study deposits provided pursuant to Section 3.3.1 and Section 7.2 will be refunded upon Commercial Operation. In the event that the Interconnection Customer withdraws its Interconnection Request during or after the Interconnection Facilities Study phase consistent with Section 3.6 or terminates or suspends its interconnection agreement, Transmission Provider shall refund to Interconnection Customer such unused study deposits, less any costs associated with any studies or restudies required as a result of the withdrawal of the Interconnection Request or suspension or termination of the interconnection agreement, including any restudies associated with any affected lower-queued customers.

12.4 Third Parties Conducting Studies.

If (i) at the time of the signing of an Interconnection Study Agreement there is disagreement as to the estimated time to complete an Interconnection Study, (ii) Interconnection Customer receives notice pursuant to Sections 6.4 or 7.3 that Transmission Provider will not complete an Interconnection Study within the applicable timeframe for such Interconnection Study, or (iii) Interconnection Customer receives neither the Interconnection Study nor a notice under Sections 6.4 or 7.3 within the applicable timeframe for such Interconnection Study, then Interconnection Customer may require Transmission Provider to utilize a third party consultant reasonably acceptable to Interconnection Customer and Transmission Provider to perform such Interconnection Study under the direction of Transmission Provider. At other times, Transmission Provider may also utilize a third party consultant to perform such Interconnection Study, either in response to a general request of Interconnection Customer, or on its own volition.

In all cases, use of a third party consultant shall be in accord with Article 26 of the LGIA (Subcontractors) and limited to situations where Transmission Provider determines that doing so will help maintain or accelerate the study process for Interconnection Customer's pending Interconnection Request and not interfere with Transmission Provider's progress on Interconnection Studies for other pending Interconnection Requests. In cases where Interconnection Customer requests use of a third party consultant to perform such Interconnection Study, Interconnection Customer and Transmission Provider shall negotiate all of the pertinent terms and conditions, including reimbursement arrangements and the estimated study completion date and study review deadline. Transmission Provider shall convey all workpapers, data bases, study results and all other supporting documentation prepared to date with respect to the Interconnection Request as soon as soon as practicable upon Interconnection Customer's request subject to the confidentiality provision in Section 12.1. In any case, such third party contract may be entered into with either Interconnection Customer or Transmission Provider at Transmission Provider's discretion. In the case of (iii) Interconnection Customer maintains its right to submit a claim to Dispute Resolution to recover the costs of such third party study. Such third party consultant shall be required to comply with this LGIP, Article 26 of the LGIA (Subcontractors), and the relevant Tariff procedures and protocols as would apply if Transmission Provider were to conduct the Interconnection Study and shall use the information provided to it solely for purposes of performing such services and for no other purposes. Transmission Provider shall cooperate with such third party consultant and Interconnection Customer to complete and issue the Interconnection Study in the shortest reasonable time.

12.5 Disputes.

12.5.1 Submission.

In the event either Party has a dispute, or asserts a claim, that arises out of or in connection with the LGIA, the LGIP, or their

performance, such Party (the "disputing Party") shall provide the other Party with written notice of the dispute or claim ("Notice of Dispute"). Such dispute or claim shall be referred to a designated senior representative of each Party for resolution on an informal basis as promptly as practicable after receipt of the Notice of Dispute by the other Party. In the event the designated representatives are unable to resolve the claim or dispute through unassisted or assisted negotiations within thirty (30) Calendar Days of the other Party's receipt of the Notice of Dispute, such claim or dispute may, upon mutual agreement of the Parties, be submitted to arbitration and resolved in accordance with the arbitration procedures set forth below. In the event the Parties do not agree to submit such claim or dispute to arbitration, each Party may exercise whatever rights and remedies it may have in equity or at law consistent with the terms of this LGIA.

12.5.2 External Arbitration Procedures.

Any arbitration initiated under these procedures shall be conducted before a single neutral arbitrator appointed by the Parties. If the Parties fail to agree upon a single arbitrator within ten (10) Calendar Days of the submission of the dispute to arbitration, each Party shall choose one arbitrator who shall sit on a three-member arbitration panel. The two arbitrators so chosen shall within twenty (20) Calendar Days select a third arbitrator to chair the arbitration panel. In either case, the arbitrators shall be knowledgeable in electric utility matters, including electric transmission and bulk power issues, and shall not have any current or past substantial business or financial relationships with any party to the arbitration (except prior arbitration). The arbitrator(s) shall provide each of the Parties an opportunity to be heard and, except as otherwise provided herein, shall conduct the arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association ("Arbitration Rules") and any applicable FERC regulations or RTO rules; provided, however, in the event of a conflict between the Arbitration Rules and the terms of this Section 12, the terms of this Section 12 shall prevail.

12.5.3 Arbitration Decisions.

Unless otherwise agreed by the Parties, the arbitrator(s) shall render a decision within ninety (90) Calendar Days of appointment and shall notify the Parties in writing of such decision and the reasons therefore. The arbitrator(s) shall be authorized only to interpret and apply the provisions of the LGIA and LGIP and shall have no power to modify or change any provision of the LGIA and LGIP in any manner. The decision of the arbitrator(s) shall be final and binding upon the Parties, and judgment on the award may be entered

in any court having jurisdiction. The decision of the arbitrator(s) may be appealed solely on the grounds that the conduct of the arbitrator(s), or the decision itself, violated the standards set forth in the Federal Arbitration Act or the Administrative Dispute Resolution Act. The final decision of the arbitrator must also be filed with FERC if it affects jurisdictional rates, terms and conditions of service, Interconnection Facilities, or Network Upgrades.

12.5.4 Costs.

Each Party shall be responsible for its own costs incurred during the arbitration process and for the following costs, if applicable: (1) the cost of the arbitrator chosen by the Party to sit on the three member panel and one half of the cost of the third arbitrator chosen; or (2) one half the cost of the single arbitrator jointly chosen by the Parties.

12.6 Local Furnishing Bonds.

12.6.1 Transmission Providers That Own Facilities Financed by Local Furnishing Bonds.

This provision is applicable only to a Transmission Provider that has financed facilities for the local furnishing of electric energy with tax-exempt bonds, as described in Section 142(f) of the Internal Revenue Code ("local furnishing bonds"). Notwithstanding any other provision of this LGIA and LGIP, Transmission Provider shall not be required to provide Interconnection Service to Interconnection Customer pursuant to this LGIA and LGIP if the provision of such Transmission Service would jeopardize the tax-exempt status of any local furnishing bond(s) used to finance Transmission Provider's facilities that would be used in providing such Interconnection Service.

12.6.2 Alternative Procedures for Requesting Interconnection Service.

If Transmission Provider determines that the provision of Interconnection Service requested by Interconnection Customer would jeopardize the tax-exempt status of any local furnishing bond(s) used to finance its facilities that would be used in providing such Interconnection Service, it shall advise the Interconnection Customer within thirty (30) Calendar Days of receipt of the Interconnection Request.

Interconnection Customer thereafter may renew its request for interconnection using the process specified in Article 5.2(ii) of the Transmission Provider's Tariff.

APPENDIX 1 to LGIP
INTERCONNECTION REQUEST FOR A LARGE GENERATING FACILITY

1. The undersigned Interconnection Customer submits this request to interconnect its Large Generating Facility with Transmission Provider's Transmission System pursuant to a Tariff.

2. This Interconnection Request is for (check one):
   _____ A proposed new Large Generating Facility.
   _____ An increase in the generating capacity or a Material Modification of an existing Generating Facility.

3. The type of interconnection service requested (check one):
   _____ Energy Resource Interconnection Service
   _____ Network Resource Interconnection Service

4. Interconnection Customer provides the following information:

   a. Address or location or the proposed new Large Generating Facility site (to the extent known) or, in the case of an existing Generating Facility, the name and specific location of the existing Generating Facility;

   b. Maximum summer at ____ degrees C and winter at _____ degrees C megawatt electrical output of the proposed new Large Generating Facility or the amount of megawatt increase in the generating capacity of an existing Generating Facility;

   c. General description of the equipment configuration;

   d. Commercial Operation Date (Day, Month, and Year);

   e. Name, address, telephone number, and e-mail address of Interconnection Customer's contact person;

   f. Approximate location of the proposed Point of Interconnection (optional); and

   g. Interconnection Customer Data (set forth in Attachment A)

5. Applicable deposit amount as specified in the LGIP.
   ____ $75,000 for requests of less than 50 MW
   ____ $150,000 for requests of 50 MW and Greater, but less than 200 MW
   ____ $250,000 for requests of 200 MW and greater

6. Type of Interconnection Study Requested

____ Preliminary Interconnection System Impact Study
____ Definitive Interconnection System Impact Study

7. For application to the Definitive Interconnection System Impact Study Queue, point of delivery to deliver to adjoining Control Area if the Generating Facility is not designated a Network Resource pursuant to Section 30.2 of the OATT.

8. Evidence of Site Control as specified in the LGIP (check one)
____ Is attached to this Interconnection Request
____ Will be provided at a later date in accordance with this LGIP (only applicable to the Definitive Interconnection System Impact Study)

9. This Interconnection Request shall be submitted to the representative indicated below:

Public Service Company of New Mexico
Director, Transmission/Distribution Planning and Contracts
Mail Stop 0604
414 Sliver Avenue S.W.
Albuquerque, NM 87102

10. Representative of Interconnection Customer to contact:

[To be completed by Interconnection Customer]

11. This Interconnection Request is submitted by:

Name of Interconnection Customer: _____

By (signature): _____

Name (type or print): _____

Title: _____

Date: _____

Attachment A to Appendix 1
Interconnection Request

LARGE GENERATING FACILITY DATA

UNIT RATINGS

kVA _____ °F _____ Voltage _____
Power Factor _____
Speed (RPM) _____ Connection (e.g. Wye)
_____
Short Circuit Ratio _____ Frequency, Hertz _____
Stator Amperes at Rated kVA _____ Field Volts _____
Max Turbine MW _____ °F _____

COMBINED TURBINE-GENERATOR-EXCITER INERTIA DATA

Inertia Constant, H = _____ kW sec/kVA
Moment-of-Inertia, WR^2 = _____ lb. $ft.^2$

REACTANCE DATA (PER UNIT-RATED KVA)

		DIRECT AXIS		QUADRATURE AXIS
Synchronous - saturated	X_{dv}	_____	X_{qv}	_____
Synchronous - unsaturated	X_{di}	_____	X_{qi}	_____
Transient - saturated	X'_{dv}	_____	X'_{qv}	_____
Transient - unsaturated	X'_{di}	_____	X'_{qi}	_____
Subtransient - saturated	X''_{dv}	_____	X''_{qv}	_____
Subtransient - unsaturated	X''_{di}	_____	X''_{qi}	_____
Negative Sequence - saturated	$X2_v$	_____		
Negative Sequence - unsaturated	$X2_i$	_____		
Zero Sequence - saturated	$X0_v$	_____		
Zero Sequence - unsaturated	$X0_i$	_____		
Leakage Reactance	Xl_m	_____		

FIELD TIME CONSTANT DATA (SEC)

Open Circuit	T'_{do}	_____	T'_{qo}	_____
Three-Phase Short Circuit Transient	T'_{d3}	_____	T'_{q}	_____
Line to Line Short Circuit Transient	T'_{d2}	_____		
Line to Neutral Short Circuit Transient	T'_{d1}	_____		
Short Circuit Subtransient	T''_{d}	_____	T''_{q}	_____
Open Circuit Subtransient	T''_{do}	_____	T''_{qo}	_____

ARMATURE TIME CONSTANT DATA (SEC)

Three Phase Short Circuit	T_{a3}	_____
Line to Line Short Circuit	T_{a2}	_____
Line to Neutral Short Circuit	T_{a1}	_____

NOTE: If requested information is not applicable, indicate by marking "N/A."

MW CAPABILITY AND PLANT CONFIGURATION
LARGE GENERATING FACILITY DATA

ARMATURE WINDING RESISTANCE DATA (PER UNIT)

Positive	R_1	_____
Negative	R_2	_____
Zero	R_0	_____

Rotor Short Time Thermal Capacity I_2^2t = _____
Field Current at Rated kVA, Armature Voltage and PF = _____ amps
Field Current at Rated kVA and Armature Voltage, 0 PF = _____ amps
Three Phase Armature Winding Capacitance = _____ microfarad
Field Winding Resistance = _____ ohms _____ °C
Armature Winding Resistance (Per Phase) = _____ ohms _____ °C

CURVES

Provide Saturation, Vee, Reactive Capability, Capacity Temperature Correction curves.
Designate normal and emergency Hydrogen Pressure operating range for multiple curves.

GENERATOR STEP-UP TRANSFORMER DATA RATINGS

Capacity Self-cooled/

Maximum Nameplate
_____/_____kVA

Voltage Ratio(Generator Side/System side/Tertiary)
_____/_____/_____kV

Winding Connections (Low V/High V/Tertiary V (Delta or Wye))
_____/_____/_____

Fixed Taps Available _____

Present Tap Setting _____

If more than one transformer stage is used to deliver the output from the proposed generator to the transmission system, please provide the information above for each transformer or transformer type.

IMPEDANCE

Positive Z_1 (on self-cooled kVA rating)_____ % _____
X/R

Zero Z_0 (on self-cooled kVA rating)_____ % _____
X/R

EXCITATION SYSTEM DATA

Identify appropriate IEEE model block diagram of excitation system and power system stabilizer (PSS) for computer representation in power system stability simulations and the corresponding excitation system and PSS constants for use in the model.

GOVERNOR SYSTEM DATA

Identify appropriate IEEE model block diagram of governor system for computer representation in power system stability simulations and the corresponding governor system constants for use in the model.

WIND GENERATORS

Number of generators to be interconnected pursuant to this Interconnection Request:
_____

Elevation: _____ _____ Single Phase _____ Three Phase

Inverter manufacturer, model name, number, and version:

_____

List of adjustable setpoints for the protective equipment or software:

_____

Note: A completed General Electric Company Power Systems Load Flow (PSLF) data sheet or other compatible formats, such as IEEE and PTI power flow models, must be supplied with the Interconnection Request. If other data sheets are more appropriate to the proposed device, then they shall be provided and discussed at Scoping Meeting.

INDUCTION GENERATORS

(*) Field Volts: _____
(*) Field Amperes: _____
(*) Motoring Power (kW): _____
(*) Neutral Grounding Resistor (If Applicable): _____
(*) I_2^2t or K (Heating Time Constant): _____
(*) Rotor Resistance: _____
(*) Stator Resistance: _____
(*) Stator Reactance: _____
(*) Rotor Reactance: _____
(*) Magnetizing Reactance: _____
(*) Short Circuit Reactance: _____
(*) Exciting Current: _____
(*) Temperature Rise: _____
(*) Frame Size: _____
(*) Design Letter: _____
(*) Reactive Power Required In Vars (No Load): _____
(*) Reactive Power Required In Vars (Full Load): _____
(*) Total Rotating Inertia, H: _____Per Unit on KVA Base

Note: Please consult Transmission Provider prior to submitting the Interconnection Request to determine if the information designated by (*) is required.

Tariff Submitter: Public Service Company of New Mexico

FERC Tariff Program Name: FERC FPA Electric Tariff

Tariff Title: Open Access Transmission Tariff

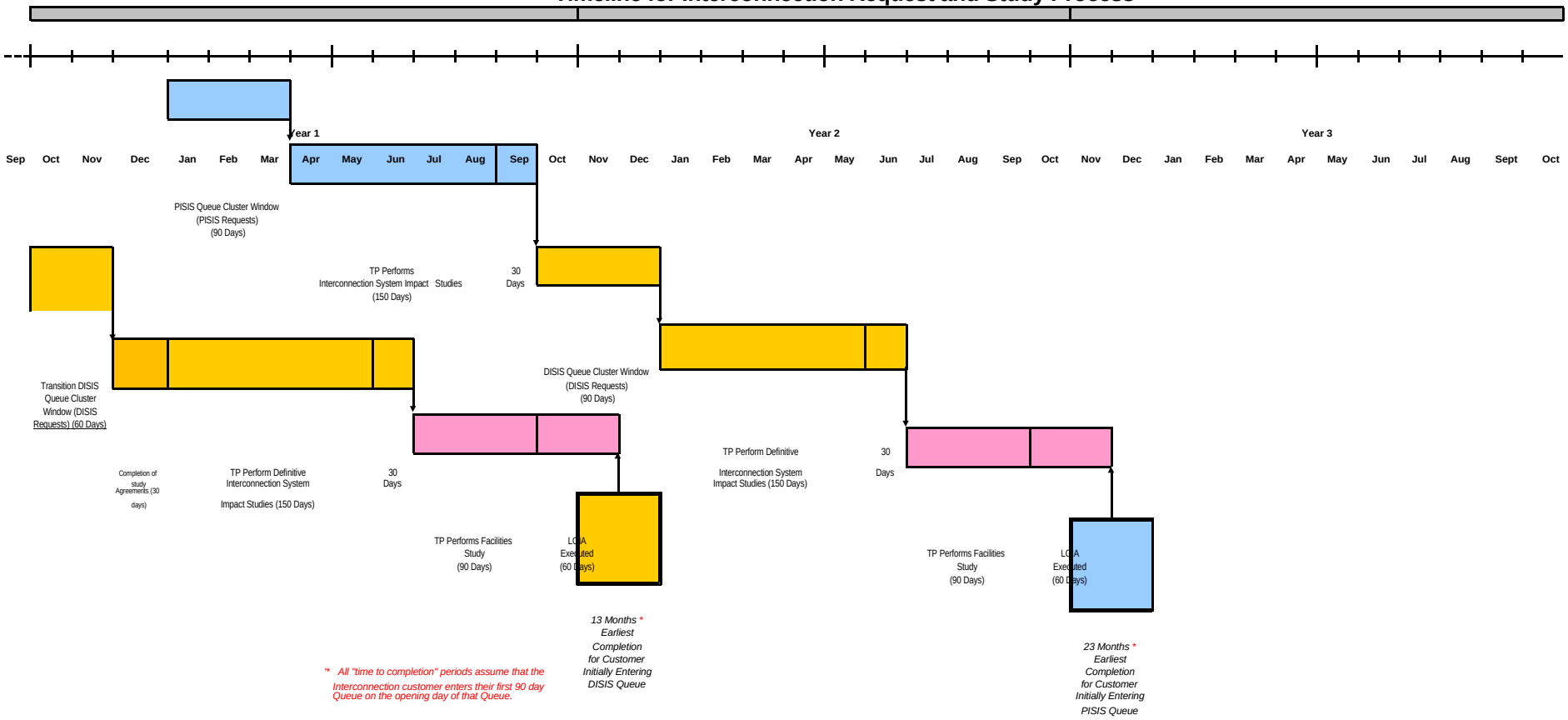
Tariff Record Proposed Effective Date: October 28, 2013

Tariff Record Title: Attachment N, Appendix 1-A

Option Code: A

Appendix 1-A
Timeline for Interconnection Request and Study Process

10-31-11



APPENDIX 2 to LGIP
PRELIMINARY INTERCONNECTION SYSTEM IMPACT STUDY AGREEMENT

THIS AGREEMENT is made and entered into this_____day of _____ , 20___ by and between_____, a _____ organized and existing under the laws of the State of _____, ("Interconnection Customer,") and Public Service Company of New Mexico a corporation existing under the laws of the State of New Mexico ("Transmission Provider "). Interconnection Customer and Transmission Provider each may be referred to as a "Party," or collectively as the "Parties."

RECITALS

WHEREAS, Interconnection Customer is proposing to develop a Large Generating Facility or generating capacity addition to an existing Generating Facility consistent with the Interconnection Request submitted by Interconnection Customer dated _____; and

WHEREAS, Interconnection Customer desires to interconnect the Large Generating Facility with the Transmission System;

WHEREAS, Transmission Provider has completed an Interconnection Feasibility Study (the "Feasibility Study") and provided the results of said study to Interconnection Customer (This recital to be omitted if Transmission Provider or Interconnection Customer does not require the Interconnection Feasibility Study.); and

WHEREAS, Interconnection Customer has requested Transmission Provider to perform a Preliminary Interconnection System Impact Study to assess the impact of interconnecting the Large Generating Facility to the Transmission System, and of any Affected Systems;

NOW, THEREFORE, in consideration of and subject to the mutual covenants contained herein the Parties agreed as follows:

1.0 When used in this Agreement, with initial capitalization, the terms specified shall have the meanings indicated in Transmission Provider's FERC-approved LGIP.

2.0 Interconnection Customer elects and Transmission Provider shall cause to be performed a Preliminary Interconnection System Impact Study consistent with Section 6.0 of this LGIP in accordance with the Tariff.

3.0 The scope of the Preliminary Interconnection System Impact Study shall be subject to the assumptions set forth in Attachment A to this Agreement.

4.0 The Preliminary Interconnection System Impact Study will be based upon the technical information provided by Interconnection Customer in the Interconnection

Request, subject to any modifications in accordance with Section 4.4 of the LGIP. Transmission Provider reserves the right to request additional technical information from Interconnection Customer as may reasonably become necessary consistent with Good Utility Practice during the course of the Preliminary Interconnection System Impact Study. If Interconnection Customer modifies its designated Point of Interconnection, Interconnection Request, or the technical information provided therein is modified, the time to complete the Preliminary Interconnection System Impact Study may be extended.

5.0 The Preliminary Interconnection System Impact Study report shall provide the following information:

- identification of any circuit breaker short circuit capability limits exceeded as a result of the interconnection;

- identification of any thermal overload or voltage limit violations resulting from the interconnection;

- identification of any instability or inadequately damped response to system disturbances resulting from the interconnection and

- description and non-binding, good faith estimated cost of facilities required to interconnect the Large Generating Facility to the Transmission System and to address the identified short circuit, instability, and power flow issues.

6.0 Interconnection Customer shall provide the deposit as specified in Section 3.1 of the LGIP for the performance of the Preliminary Interconnection System Impact Study. Transmission Provider's good faith estimate for the time of completion of the Preliminary Interconnection System Impact Study is [insert date].

Upon receipt of the Preliminary Interconnection System Impact Study results, Transmission Provider shall charge and Interconnection Customer shall pay the actual costs of the Preliminary Interconnection System Impact Study.

Any difference between the deposit and the actual cost of the study shall be paid by or refunded to Interconnection Customer in accordance with Section 6.2 of the LGIP.

7.0 Miscellaneous. The Preliminary Interconnection System Impact Study Agreement shall include standard miscellaneous terms including, but not limited to, indemnities, representations, disclaimers, warranties, governing law, amendment, execution, waiver, enforceability and assignment, that reflect best practices in the electric industry, that are consistent with regional practices, Applicable Laws and Regulations and the organizational nature of each Party. All of these provisions, to the extent practicable, shall be consistent with the provisions of the LGIP and the LGIA.

IN WITNESS THEREOF, the Parties have caused this Agreement to be duly executed by their duly authorized officers or agents on the day and year first above written.

PUBLIC SERVICE COMPANY OF NEW MEXICO

By: _____

Title: _____

Date: _____

[Insert name of Interconnection Customer]

By: _____

Title: _____

Date: _____

Attachment A To Appendix 2
Preliminary Interconnection System Impact Study Agreement

ASSUMPTIONS USED IN CONDUCTING THE PRELIMINARY INTERCONNECTION SYSTEM IMPACT STUDY

The Preliminary Interconnection System Impact Study will be based upon the following assumptions, subject to any modifications in accordance with Section 4.4 of the LGIP:

Designation of Point of Interconnection and configuration to be studied.
Designation of alternative Point(s) of Interconnection and configuration.

[Above assumptions to be completed by Interconnection Customer and other assumptions to be provided by Interconnection Customer and Transmission Provider]

APPENDIX 3 to LGIP
DEFINITIVE INTERCONNECTION SYSTEM IMPACT STUDY AGREEMENT

THIS AGREEMENT is made and entered into this_____day of _____ , 20___ by and between_____, a _____ organized and existing under the laws of the State of _____, ("Interconnection Customer,") and Public Service Company of New Mexico a corporation existing under the laws of the State of New Mexico ("Transmission Provider"). Interconnection Customer and Transmission Provider each may be referred to as a "Party," or collectively as the "Parties."

RECITALS

WHEREAS, Interconnection Customer is proposing to develop a Large Generating Facility or generating capacity addition to an existing Generating Facility consistent with the Interconnection Request submitted by Interconnection Customer dated _____; and

WHEREAS, Interconnection Customer desires to interconnect the Large Generating Facility with the Transmission System;

WHEREAS, Transmission Provider has completed a Preliminary Interconnection System Impact Study and provided the results of said study to Interconnection Customer (This recital to be omitted if Interconnection Customer did not participate in the Preliminary Interconnection System Impact Study.); and

WHEREAS, Interconnection Customer has requested Transmission Provider to perform a Definitive Interconnection System Impact Study to assess the impact of interconnecting the Large Generating Facility to the Transmission System, and of any Affected Systems;

NOW, THEREFORE, in consideration of and subject to the mutual covenants contained herein the Parties agreed as follows:

1.0 When used in this Agreement, with initial capitalization, the terms specified shall have the meanings indicated in Transmission Provider's FERC-approved LGIP.

2.0 Interconnection Customer elects and Transmission Provider shall cause to be performed a Definitive Interconnection System Impact Study consistent with Section 7.0 of this LGIP in accordance with the Tariff.

3.0 The scope of the Definitive Interconnection System Impact Study shall be subject to the assumptions set forth in Attachment A to this Agreement.

4.0 The Definitive Interconnection System Impact Study will be based upon the results of the Preliminary Interconnection System Impact Study (if performed and as applicable) and the technical information provided by Interconnection Customer in

the Interconnection Request, subject to any modifications in accordance with Section 4.4 of the LGIP. Transmission Provider reserves the right to request additional technical information from Interconnection Customer as may reasonably become necessary consistent with Good Utility Practice during the course of the Definitive Interconnection System Impact Study. If Interconnection Customer modifies its designated Point of Interconnection, Interconnection Request, or the technical information provided therein is modified, the time to complete the Definitive Interconnection System Impact Study may be extended.

5.0 The Definitive Interconnection System Impact Study report shall provide the following information:

- identification of any circuit breaker short circuit capability limits exceeded as a result of the interconnection;

- identification of any thermal overload or voltage limit violations resulting from the interconnection;

- identification of any instability or inadequately damped response to system disturbances resulting from the interconnection and

- description and non-binding, good faith estimated cost of facilities required to interconnect the Large Generating Facility to the Transmission System and to address the identified short circuit, instability, and power flow issues.

6.0 Interconnection Customer shall provide the deposit as specified in Section 3.1 of the LGIP for the performance of the Definitive Interconnection System Impact Study. Transmission Provider's good faith estimate for the time of completion of the Definitive Interconnection System Impact Study is [insert date].

Upon receipt of the Definitive Interconnection System Impact Study results, Transmission Provider shall charge and Interconnection Customer shall pay the actual costs of the Definitive Interconnection System Impact Study.

Any difference between the deposit and the actual cost of the study shall be paid by or refunded to Interconnection Customer in accordance with Section 7.4 of the LGIP.

7.0 Miscellaneous. The Definitive Interconnection System Impact Study Agreement shall include standard miscellaneous terms including, but not limited to, indemnities, representations, disclaimers, warranties, governing law, amendment, execution, waiver, enforceability and assignment, that reflect best practices in the electric industry, that are consistent with regional practices, Applicable Laws and Regulations and the organizational nature of each Party. All of these provisions, to the extent practicable, shall be consistent with the provisions of the LGIP and the LGIA.

IN WITNESS THEREOF, the Parties have caused this Agreement to be duly executed by their duly authorized officers or agents on the day and year first above written.

PUBLIC SERVICE COMPANY OF NEW MEXICO

By: _____

Title: _____

Date: _____

[Insert name of Interconnection Customer]

By: _____

Title: _____

Date: _____

Attachment A to Appendix 3
Definitive Interconnection System Impact Study Agreement

ASSUMPTIONS USED IN CONDUCTING THE DEFINITIVE INTERCONNECTION SYSTEM IMPACT STUDY

The Definitive Interconnection System Impact Study will be based upon the information set forth in the Interconnection Requests and results of applicable prior studies, subject to any modifications in accordance with Section 4.4 of the LGIP, and the following assumptions:

Designation of Point of Interconnection and configuration to be studied.

[Above assumptions to be completed by Interconnection Customer and other assumptions to be provided by Interconnection Customer and Transmission Provider]

APPENDIX 4 to LGIP
INTERCONNECTION FACILITIES STUDY AGREEMENT

THIS AGREEMENT is made and entered into this_____day of _____ , 20___ by and between_____, a _____ organized and existing under the laws of the State of _____, ("Interconnection Customer,") and Public Service Company of New Mexico a corporation existing under the laws of the State of New Mexico, ("Transmission Provider "). Interconnection Customer and Transmission Provider each may be referred to as a "Party," or collectively as the "Parties."

RECITALS

WHEREAS, Interconnection Customer is proposing to develop a Large Generating Facility or generating capacity addition to an existing Generating Facility consistent with the Interconnection Request submitted by Interconnection Customer dated _____; and

WHEREAS, Interconnection Customer desires to interconnect the Large Generating Facility with the Transmission System;

WHEREAS, Transmission Provider has completed a Definitive Interconnection System Impact Study (the "System Impact Study") and provided the results of said study to Interconnection Customer; and

WHEREAS, Interconnection Customer has requested Transmission Provider to perform an Interconnection Facilities Study to specify and estimate the cost of the equipment, engineering, procurement and construction work needed to implement the conclusions of the Definitive Interconnection System Impact Study in accordance with Good Utility Practice to physically and electrically connect the Large Generating Facility to the Transmission System.

NOW, THEREFORE, in consideration of and subject to the mutual covenants contained herein the Parties agreed as follows:

1.0 When used in this Agreement, with initial capitalization, the terms specified shall have the meanings indicated in Transmission Provider's FERC-approved LGIP.

2.0 Interconnection Customer elects and Transmission Provider shall cause an Interconnection Facilities Study consistent with Section 8.0 of this LGIP to be performed in accordance with the Tariff

3.0 The scope of the Interconnection Facilities Study shall be subject to the assumptions set forth in Attachment A and the data provided in Attachment B to this Agreement.

4.0 The Interconnection Facilities Study report (i) shall provide a description,

estimated cost of (consistent with Attachment A), schedule for required facilities to interconnect the Large Generating Facility to the Transmission System and (ii) shall address the short circuit, instability, and power flow issues identified in the Definitive Interconnection System Impact Study.

5.0 Interconnection Customer shall meet the milestone requirements specified under Section 7.7 of the LGIP prior to the performance of the Interconnection Facilities Study. The time for completion of the Interconnection Facilities Study is specified in Attachment A.

Transmission Provider shall invoice Interconnection Customer on a monthly basis for the work to be conducted on the Interconnection Facilities Study each month. Interconnection Customer shall pay invoiced amounts within thirty (30) Calendar Days of receipt of invoice. Transmission Provider shall continue to hold the amounts on deposit until settlement of the final invoice. Any difference between the applicable deposits specified under Section 3.1 of the LGIP and Interconnection Customer's share of study costs shall be paid by or refunded to Interconnection Customer, as appropriate per Section 7.9 of the LGIP.

6.0 Miscellaneous. The Interconnection Facility Study Agreement shall include standard miscellaneous terms including, but not limited to, indemnities, representations, disclaimers, warranties, governing law, amendment, execution, waiver, enforceability and assignment, that reflect best practices in the electric industry, and that are consistent with regional practices, Applicable Laws and Regulations, and the organizational nature of each Party. All of these provisions, to the extent practicable, shall be consistent with the provisions of the LGIP and the LGIA.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their duly authorized officers or agents on the day and year first above written.

PUBLIC SERVICE COMPANY OF NEW MEXICO

By: _____

Title: _____

Date: _____

[Insert name of Interconnection Customer]

By: _____

Title: _____

Date: _____

Attachment A to Appendix 4
Interconnection Facilities
Study Agreement

DATA FORM TO BE PROVIDED BY INTERCONNECTION CUSTOMER WITH THE INTERCONNECTION FACILITIES STUDY AGREEMENT

Provide location plan and simplified one-line diagram of the plant and station facilities. For staged projects, please indicate future generation, transmission circuits, etc.

One set of metering is required for each generation connection to the new ring bus or existing Transmission Provider station. Number of generation connections:

On the one line diagram indicate the generation capacity attached at each metering location. (Maximum load on CT/PT)

On the one line diagram indicate the location of auxiliary power. (Minimum load on CT/PT) Amps

Will an alternate source of auxiliary power be available during CT/PT maintenance?
_____Yes _____ No

Will a transfer bus on the generation side of the metering require that each meter set be designed for the total plant generation? _____Yes _____No (Please indicate on one line diagram).

What type of control system or PLC will be located at Interconnection Customer's Large Generating Facility?

_____

What protocol does the control system or PLC use?

_____

Please provide a 7.5-minute quadrangle of the site. Sketch the plant, station, transmission line, and property line.

Physical dimensions of the proposed interconnection station:

_____

Bus length from generation to interconnection station:

_____

Line length from interconnection station to Transmission Provider's transmission line.

_____

Tower number observed in the field. (Painted on tower leg)* _____

Number of third party easements required for transmission lines*:
_____

* To be completed in coordination with Transmission Provider.

Is the Large Generating Facility in the Transmission Provider's service area?

_____Yes _____No Local provider: _____

Please provide proposed schedule dates:

Begin Construction	Date: _____
Generator step-up transformer receives back feed power	Date: _____
Generation Testing	Date: _____
Commercial Operation	Date: _____

Appendix 6 to the Standard Large Generator Interconnection Procedures

STANDARD LARGE GENERATOR

INTERCONNECTION AGREEMENT (LGIA)

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STANDARD LARGE GENERATOR INTERCONNECTION AGREEMENT

THIS STANDARD LARGE GENERATOR INTERCONNECTION AGREEMENT ("Agreement") is made and entered into this ____ day of _____ 20__, by and between _____, a _____ organized and existing under the laws of the State/Commonwealth of _____ ("Interconnection Customer" with a Large Generating Facility), and Public Service Company of New Mexico, a corporation organized and existing under the laws of the State/Commonwealth of New Mexico ("Transmission Provider and/or Transmission Owner"). Interconnection Customer and Transmission Provider each may be referred to as a "Party" or collectively as the "Parties."

Recitals

WHEREAS, Transmission Provider operates the Transmission System; and

WHEREAS, Interconnection Customer intends to own, lease and/or control and operate the Generating Facility identified as a Large Generating Facility in Appendix C to this Agreement; and,

WHEREAS, Interconnection Customer and Transmission Provider have agreed to enter into this Agreement for the purpose of interconnecting the Large Generating Facility with the Transmission System;

NOW, THEREFORE, in consideration of and subject to the mutual covenants contained herein, it is agreed:

When used in this Standard Large Generator Interconnection Agreement, terms with initial capitalization that are not defined in Article 1 shall have the meanings specified in the Article in which they are used or the Open Access Transmission Tariff ("Tariff").

Article 1. Definitions

Adverse System Impact shall mean the negative effects due to technical or operational limits on conductors or equipment being exceeded that may compromise the safety and reliability of the electric system.

Affected System shall mean an electric system other than the Transmission Provider's Transmission System that may be affected by the proposed interconnection.

Affected System Operator shall mean the entity that operates an Affected System.

Affiliate shall mean, with respect to a corporation, partnership or other entity, each such other corporation, partnership or other entity that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such corporation, partnership or other entity.

Ancillary Services shall mean those services that are necessary to support the transmission of capacity and energy from resources to loads while maintaining reliable operation of the Transmission Provider's Transmission System in accordance with Good Utility Practice.

Applicable Laws and Regulations shall mean all duly promulgated applicable federal, state and local laws, regulations, rules, ordinances, codes, decrees, judgments, directives, or judicial or administrative orders, permits and other duly authorized actions of any Governmental Authority.

Applicable Reliability Council shall mean the reliability council applicable to the Transmission System to which the Generating Facility is directly interconnected.

Applicable Reliability Standards shall mean the requirements and guidelines of NERC, the Applicable Reliability Council, and the Control Area of the Transmission System to which the Generating Facility is directly interconnected.

Base Case shall mean the base case power flow, short circuit, and stability data bases used for the Interconnection Studies by the Transmission Provider or Interconnection Customer.

Breach shall mean the failure of a Party to perform or observe any material term or condition of the Standard Large Generator Interconnection Agreement.

Breaching Party shall mean a Party that is in Breach of the Standard Large Generator Interconnection Agreement.

Business Day shall mean Monday through Friday, excluding Federal Holidays.

Calendar Day shall mean any day including Saturday, Sunday or a Federal Holiday.

Clustering shall mean the process whereby a group of Interconnection Requests is studied together, instead of serially, for the purpose of conducting the Interconnection System Impact Study.

Commercial Operation shall mean the status of a Generating Facility that has commenced generating electricity for sale, excluding electricity generated during Trial Operation.

Commercial Operation Date of a unit shall mean the date on which the Generating Facility commences Commercial Operation as agreed to by the Parties pursuant to Appendix E to the Standard Large Generator Interconnection Agreement.

Confidential Information shall mean any confidential, proprietary or trade secret information of a plan, specification, pattern, procedure, design, device, list, concept, policy or compilation relating to the present or planned business of a Party, which is designated as confidential by the Party supplying the information, whether conveyed orally, electronically, in writing, through inspection, or otherwise.

Control Area shall mean an electrical system or systems bounded by interconnection metering and telemetry, capable of controlling generation to maintain its interchange schedule with other Control Areas and contributing to frequency regulation of the interconnection. A Control Area must be certified by the Applicable Reliability Council.

Default shall mean the failure of a Breaching Party to cure its Breach in accordance with Article 17 of the Standard Large Generator Interconnection Agreement.

Dispute Resolution shall mean the procedure for resolution of a dispute between the Parties in which they will first attempt to resolve the dispute on an informal basis.

Distribution System shall mean the Transmission Provider's facilities and equipment used to transmit electricity to ultimate usage points such as homes and industries directly from nearby generators or from interchanges with higher voltage transmission networks which transport bulk power over longer distances. The voltage levels at which distribution systems operate differ among areas.

Distribution Upgrades shall mean the additions, modifications, and upgrades to the Transmission Provider's Distribution System at or beyond the Point of Interconnection to facilitate interconnection of the Generating Facility and render the transmission service necessary to effect Interconnection Customer's wholesale sale of electricity in interstate commerce. Distribution Upgrades do not include Interconnection Facilities.

Effective Date shall mean the date on which the Standard Large Generator Interconnection Agreement becomes effective upon execution by the Parties subject to acceptance by FERC, or if filed unexecuted, upon the date specified by FERC.

Emergency Condition shall mean a condition or situation: (1) that in the judgment of the Party making the claim is imminently likely to endanger life or property; or (2) that, in the case of a Transmission Provider, is imminently likely (as determined in a non-discriminatory manner) to cause a material adverse effect on the security of, or damage to Transmission Provider's Transmission System, Transmission Provider's Interconnection Facilities or the electric systems of others to which the Transmission Provider's Transmission System is directly connected; or (3) that, in the case of Interconnection Customer, is imminently likely (as determined in a non-discriminatory manner) to cause a material adverse effect on the security of, or damage to, the Generating Facility or Interconnection Customer's Interconnection Facilities. System restoration and black start shall be considered Emergency Conditions; provided, that Interconnection Customer is not obligated by the Standard Large Generator Interconnection Agreement to possess black start capability.

Energy Resource Interconnection Service shall mean an Interconnection Service that allows the Interconnection Customer to connect its Generating Facility to the Transmission Provider's Transmission System to be eligible to deliver the Generating Facility's electric output using the existing firm or nonfirm capacity of the Transmission Provider's Transmission System on an as available basis. Energy Resource Interconnection Service in and of itself does not convey transmission service.

Engineering & Procurement (E&P) Agreement shall mean an agreement that authorizes the Transmission Provider to begin engineering and procurement of long lead-time items necessary for the establishment of the interconnection in order to advance the implementation of the Interconnection Request.

Environmental Law shall mean Applicable Laws or Regulations relating to pollution or protection of the environment or natural resources.

Federal Power Act shall mean the Federal Power Act, as amended, 16 U.S.C. §§ 791a et seq.

FERC shall mean the Federal Energy Regulatory Commission (Commission) or its successor.

Force Majeure shall mean 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 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 acts of negligence or intentional wrongdoing by the Party claiming Force Majeure.

Generating Facility shall mean Interconnection Customer's device for the production of

electricity identified in the Interconnection Request, but shall not include the Interconnection Customer's Interconnection Facilities.

Generating Facility Capacity shall mean the net capacity of the Generating Facility and the aggregate net capacity of the Generating Facility where it includes multiple energy production devices.

Good Utility Practice shall mean any of the practices, methods and acts engaged in or approved by a significant portion of the electric industry during the relevant time period, or any of the practices, methods and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition. Good Utility Practice is not intended to be limited to the optimum practice, method, or act to the exclusion of all others, but rather to be acceptable practices, methods, or acts generally accepted in the region.

Governmental Authority shall mean any federal, state, local or other governmental regulatory or administrative agency, court, commission, department, board, or other governmental subdivision, legislature, rulemaking board, tribunal, or other governmental authority having jurisdiction over the Parties, their respective facilities, or the respective services they provide, and exercising or entitled to exercise any administrative, executive, police, or taxing authority or power; provided, however, that such term does not include Interconnection Customer, Transmission Provider, or any Affiliate thereof.

Hazardous Substances shall mean any chemicals, materials or substances defined as or included in the definition of "hazardous substances," "hazardous wastes," "hazardous materials," "hazardous constituents," "restricted hazardous materials," "extremely hazardous substances," "toxic substances," "radioactive substances," "contaminants," "pollutants," "toxic pollutants" or words of similar meaning and regulatory effect under any applicable Environmental Law, or any other chemical, material or substance, exposure to which is prohibited, limited or regulated by any applicable Environmental Law.

Initial Synchronization Date shall mean the date upon which the Generating Facility is initially synchronized and upon which Trial Operation begins.

In-Service Date shall mean the date upon which the Interconnection Customer reasonably expects it will be ready to begin use of the Transmission Provider's Interconnection Facilities to obtain back feed power.

Interconnection Customer shall mean any entity, including the Transmission Provider, Transmission Owner or any of the Affiliates or subsidiaries of either, that proposes to interconnect its Generating Facility with the Transmission Provider's Transmission System.

Interconnection Customer's Interconnection Facilities shall mean all facilities and equipment, as identified in Appendix A of the Standard Large Generator Interconnection Agreement, that are located between the Generating Facility and the Point of Change of

Ownership, including any modification, addition, or upgrades to such facilities and equipment necessary to physically and electrically interconnect the Generating Facility to the Transmission Provider's Transmission System. Interconnection Customer's Interconnection Facilities are sole use facilities.

Interconnection Facilities shall mean the Transmission Provider's Interconnection Facilities and the Interconnection Customer's Interconnection Facilities. Collectively, Interconnection Facilities include all facilities and equipment between the Generating Facility and the Point of Interconnection, including any modification, additions or upgrades that are necessary to physically and electrically interconnect the Generating Facility to the Transmission Provider's Transmission System. Interconnection Facilities are sole use facilities and shall not include Distribution Upgrades, Stand Alone Network Upgrades or Network Upgrades.

Interconnection Facilities Study shall mean a study conducted by the Transmission Provider or a third party consultant for the Interconnection Customer to determine a list of facilities (including Transmission Provider's Interconnection Facilities and Network Upgrades as identified in the Interconnection System Impact Study), the cost of those facilities, and the time required to interconnect the Generating Facility with the Transmission Provider's Transmission System. The scope of the study is defined in Section 8 of the Standard Large Generator Interconnection Procedures.

Interconnection Facilities Study Agreement shall mean the form of agreement contained in Appendix 4 of the Standard Large Generator Interconnection Procedures for conducting the Interconnection Facilities Study.

Interconnection Feasibility Study shall mean a preliminary evaluation of the system impact and cost of interconnecting the Generating Facility to the Transmission Provider's Transmission System, the scope of which is described in Section 6 of the Standard Large Generator Interconnection Procedures.

Interconnection Feasibility Study Agreement shall mean the form of agreement contained in Appendix 2 of the Standard Large Generator Interconnection Procedures for conducting the Interconnection Feasibility Study.

Interconnection Request shall mean an Interconnection Customer's request, in the form of Appendix 1 to the Standard Large Generator Interconnection Procedures, in accordance with the Tariff, to interconnect a new Generating Facility, or to increase the capacity of, or make a Material Modification to the operating characteristics of, an existing Generating Facility that is interconnected with the Transmission Provider's Transmission System.

Interconnection Service shall mean the service provided by the Transmission Provider associated with interconnecting the Interconnection Customer's Generating Facility to the Transmission Provider's Transmission System and enabling it to receive electric energy and capacity from the Generating Facility at the Point of Interconnection, pursuant to the terms of the Standard Large Generator Interconnection Agreement and, if applicable, the Transmission Provider's Tariff.

Interconnection Study shall mean any of the following studies: the Interconnection Feasibility Study, the Interconnection System Impact Study, and the Interconnection Facilities Study described in the Standard Large Generator Interconnection Procedures.

Interconnection System Impact Study shall mean an engineering study that evaluates the impact of the proposed interconnection on the safety and reliability of Transmission Provider's Transmission System and, if applicable, an Affected System. The study shall identify and detail the system impacts that would result if the Generating Facility were interconnected without project modifications or system modifications, focusing on the Adverse System Impacts identified in the Interconnection Feasibility Study, or to study potential impacts, including but not limited to those identified in the Scoping Meeting as described in the Standard Large Generator Interconnection Procedures.

Interconnection System Impact Study Agreement shall mean the form of agreement contained in Appendix 3 of the Standard Large Generator Interconnection Procedures for conducting the Interconnection System Impact Study.

IRS shall mean the Internal Revenue Service.

Joint Operating Committee shall be a group made up of representatives from Interconnection Customers and the Transmission Provider to coordinate operating and technical considerations of Interconnection Service.

Large Generating Facility shall mean a Generating Facility having a Generating Facility Capacity of more than 20 MW.

Loss shall mean any and all losses relating to injury to or death of any person or damage to property, demand, suits, recoveries, costs and expenses, court costs, attorney fees, and all other obligations by or to third parties, arising out of or resulting from the other Party's performance, or non-performance of its obligations under the Standard Large Generator Interconnection Agreement on behalf of the indemnifying Party, except in cases of gross negligence or intentional wrongdoing by the indemnifying Party.

Material Modification shall mean those modifications that have a material impact on the cost or timing of any Interconnection Request with a later queue priority date.

Metering Equipment shall mean all metering equipment installed or to be installed at the Generating Facility pursuant to the Standard Large Generator Interconnection Agreement at the metering points, including but not limited to instrument transformers, MWh-meters, data acquisition equipment, transducers, remote terminal unit, communications equipment, phone lines, and fiber optics.

NERC shall mean the North American Electric Reliability Council or its successor organization.

Network Resource shall mean 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.

Network Resource Interconnection Service shall mean an Interconnection Service that allows the Interconnection Customer to integrate its Large Generating Facility with the Transmission Provider's Transmission System (1) in a manner comparable to that in which the Transmission Provider integrates its generating facilities to serve native load customers; or (2) in an RTO or ISO with market based congestion management, in the same manner as Network Resources. Network Resource Interconnection Service in and of itself does not convey transmission service.

Network Upgrades shall mean the additions, modifications, and upgrades to the Transmission Provider's Transmission System required at or beyond the point at which the Interconnection Facilities connect to the Transmission Provider's Transmission System to accommodate the interconnection of the Large Generating Facility to the Transmission Provider's Transmission System.

Notice of Dispute shall mean a written notice of a dispute or claim that arises out of or in connection with the Standard Large Generator Interconnection Agreement or its performance.

Optional Interconnection Study shall mean a sensitivity analysis based on assumptions specified by the Interconnection Customer in the Optional Interconnection Study Agreement.

Optional Interconnection Study Agreement shall mean the form of agreement contained in Appendix 5 of the Standard Large Generator Interconnection Procedures for conducting the Optional Interconnection Study.

Party or Parties shall mean Transmission Provider, Transmission Owner, Interconnection Customer or any combination of the above.

Point of Change of Ownership shall mean the point, as set forth in Appendix A to the Standard Large Generator Interconnection Agreement, where the Interconnection Customer's Interconnection Facilities connect to the Transmission Provider's Interconnection Facilities.

Point of Interconnection shall mean the point, as set forth in Appendix A to the Standard Large Generator Interconnection Agreement, where the Interconnection Facilities connect to the Transmission Provider's Transmission System.

Queue Position shall mean the order of a valid Interconnection Request, relative to all other pending valid Interconnection Requests, that is established based upon the date and time of receipt of the valid Interconnection Request by the Transmission Provider.

Reasonable Efforts shall mean, with respect to an action required to be attempted or taken

by a Party under the Standard Large Generator Interconnection Agreement, efforts that are timely and consistent with Good Utility Practice and are otherwise substantially equivalent to those a Party would use to protect its own interests.

Scoping Meeting shall mean the meeting between representatives of the Interconnection Customer and Transmission Provider conducted for the purpose of discussing alternative interconnection options, to exchange information including any transmission data and earlier study evaluations that would be reasonably expected to impact such interconnection options, to analyze such information, and to determine the potential feasible Points of Interconnection.

Site Control shall mean documentation reasonably demonstrating: (1) ownership of, a leasehold interest in, or a right to develop a site for the purpose of constructing the Generating Facility; (2) an option to purchase or acquire a leasehold site for such purpose; or (3) an exclusivity or other business relationship between Interconnection Customer and the entity having the right to sell, lease or grant Interconnection Customer the right to possess or occupy a site for such purpose.

Small Generating Facility shall mean a Generating Facility that has a Generating Facility Capacity of no more than 20 MW.

Stand Alone Network Upgrades shall mean Network Upgrades that an Interconnection Customer may construct without affecting day-to-day operations of the Transmission System during their construction. Both the Transmission Provider and the Interconnection Customer must agree as to what constitutes Stand Alone Network Upgrades and identify them in Appendix A to the Standard Large Generator Interconnection Agreement.

Standard Large Generator Interconnection Agreement (LGIA) shall mean the form of interconnection agreement applicable to an Interconnection Request pertaining to a Large Generating Facility that is included in the Transmission Provider's Tariff.

Standard Large Generator Interconnection Procedures (LGIP) shall mean the interconnection procedures applicable to an Interconnection Request pertaining to a Large Generating Facility that are included in the Transmission Provider's Tariff.

System Protection Facilities shall mean the equipment, including necessary protection signal communications equipment, required to protect (1) the Transmission Provider's Transmission System from faults or other electrical disturbances occurring at the Generating Facility and (2) the Generating Facility from faults or other electrical system disturbances occurring on the Transmission Provider's Transmission System or on other delivery systems or other generating systems to which the Transmission Provider's Transmission System is directly connected.

Tariff shall mean the Transmission Provider's Tariff through which open access transmission service and Interconnection Service are offered, as filed with FERC, and as amended or supplemented from time to time, or any successor tariff.

Transmission Owner shall mean an entity that owns, leases or otherwise possesses an

interest in the portion of the Transmission System at the Point of Interconnection and may be a Party to the Standard Large Generator Interconnection Agreement to the extent necessary.

Transmission Provider shall mean the public utility (or its designated agent) that owns, controls, or operates transmission or distribution facilities used for the transmission of electricity in interstate commerce and provides transmission service under the Tariff. The term Transmission Provider should be read to include the Transmission Owner when the Transmission Owner is separate from the Transmission Provider.

Transmission Provider's Interconnection Facilities shall mean all facilities and equipment owned, controlled or operated by the Transmission Provider from the Point of Change of Ownership to the Point of Interconnection as identified in Appendix A to the Standard Large Generator Interconnection Agreement, including any modifications, additions or upgrades to such facilities and equipment. Transmission Provider's Interconnection Facilities are sole use facilities and shall not include Distribution Upgrades, Stand Alone Network Upgrades or Network Upgrades.

Transmission System shall mean the facilities owned, controlled or operated by the Transmission Provider or Transmission Owner that are used to provide transmission service under the Tariff.

Trial Operation shall mean the period during which Interconnection Customer is engaged in on-site test operations and commissioning of the Generating Facility prior to Commercial Operation.

Variable Energy Resource shall mean a device for the production of electricity that is characterized by an energy source that: (1) is renewable; (2) cannot be stored by the facility owner or operator; and (3) has variability that is beyond the control of the facility owner or operator.

Article 2. Effective Date, Term, and Termination

2.1 Effective Date. This LGIA shall become effective upon execution by the Parties subject to acceptance by FERC (if applicable), or if filed unexecuted, upon the date specified by FERC. Transmission Provider shall promptly file this LGIA with FERC upon execution in accordance with Article 3.1, if required.

2.2 Term of Agreement. Subject to the provisions of Article 2.3, this LGIA shall remain in effect for a period of ten (10) years from the Effective Date or such other longer period as Interconnection Customer may request (Term to be specified in individual agreements) and shall be automatically renewed for each successive one-year period thereafter.

2.3 Termination Procedures.

2.3.1 Written Notice. This LGIA may be terminated by Interconnection Customer

after giving Transmission Provider ninety (90) Calendar Days advance written notice, or by Transmission Provider notifying FERC after the Generating Facility permanently ceases Commercial Operation.

2.3.2 Default. Either Party may terminate this LGIA in accordance with Article 17.

2.3.3 Notwithstanding Articles 2.3.1 and 2.3.2, no termination shall become effective until the Parties have complied with all Applicable Laws and Regulations applicable to such termination, including the filing with FERC of a notice of termination of this LGIA, which notice has been accepted for filing by FERC.

2.4 Termination Costs. If a Party elects to terminate this Agreement pursuant to Article 2.3 above, each Party shall pay all costs incurred (including any cancellation costs relating to orders or contracts for Interconnection Facilities and equipment) or charges assessed by the other Party, as of the date of the other Party's receipt of such notice of termination, that are the responsibility of the Terminating Party under this LGIA. In the event of termination by a Party, the Parties shall use commercially Reasonable Efforts to mitigate the costs, damages and charges arising as a consequence of termination. Upon termination of this LGIA, unless otherwise ordered or approved by FERC:

2.4.1 With respect to any portion of Transmission Provider's Interconnection Facilities that have not yet been constructed or installed, Transmission Provider shall to the extent possible and with Interconnection Customer's authorization cancel any pending orders of, or return, any materials or equipment for, or contracts for construction of, such facilities; provided that in the event Interconnection Customer elects not to authorize such cancellation, Interconnection Customer shall assume all payment obligations with respect to such materials, equipment, and contracts, and Transmission Provider shall deliver such material and equipment, and, if necessary, assign such contracts, to Interconnection Customer as soon as practicable, at Interconnection Customer's expense. To the extent that Interconnection Customer has already paid Transmission Provider for any or all such costs of materials or equipment not taken by Interconnection Customer, Transmission Provider shall promptly refund such amounts to Interconnection Customer, less any costs, including penalties incurred by Transmission Provider to cancel any pending orders of or return such materials, equipment, or contracts. If an Interconnection Customer terminates this LGIA, it shall be responsible for all costs incurred in association with that Interconnection Customer's interconnection, including any cancellation costs relating to orders or contracts for Interconnection Facilities and equipment, and other expenses including any Network Upgrades for which Transmission Provider has incurred expenses and has not been reimbursed by Interconnection Customer.

2.4.2 Transmission Provider may, at its option, retain any portion of such materials, equipment, or facilities that Interconnection Customer chooses not to accept delivery of, in which case Transmission Provider shall be responsible for all costs associated with procuring such materials, equipment, or facilities.

2.4.3 With respect to any portion of the Interconnection Facilities, and any other facilities already installed or constructed pursuant to the terms of this LGIA, Interconnection Customer shall be responsible for all costs associated with the removal, relocation or other disposition or retirement of such materials, equipment, or facilities.

2.5 **Disconnection.** Upon termination of this LGIA, the Parties will take all appropriate steps to disconnect the Large Generating Facility from the Transmission System. All costs required to effectuate such disconnection shall be borne by the terminating Party, unless such termination resulted from the non-terminating Party's Default of this LGIA or such non-terminating Party otherwise is responsible for these costs under this LGIA.

2.6 **Survival.** This LGIA shall continue in effect after termination to the extent necessary to provide for final billings and payments and for costs incurred hereunder, including billings and payments pursuant to this LGIA; to permit the determination and enforcement of liability and indemnification obligations arising from acts or events that occurred while this LGIA was in effect; and to permit each Party to have access to the lands of the other Party pursuant to this LGIA or other applicable agreements, to disconnect, remove or salvage its own facilities and equipment.

Article 3. Regulatory Filings

3.1 **Filing.** Transmission Provider shall file this LGIA (and any amendment hereto) with the appropriate Governmental Authority, if required. Interconnection Customer may request that any information so provided be subject to the confidentiality provisions of Article 22. If Interconnection Customer has executed this LGIA, or any amendment thereto, Interconnection Customer shall reasonably cooperate with Transmission Provider with respect to such filing and to provide any information reasonably requested by Transmission Provider needed to comply with applicable regulatory requirements.

Article 4. Scope of Service

4.1 **Interconnection Product Options.** Interconnection Customer has selected the following (checked) type of Interconnection Service:

4.1.1 Energy Resource Interconnection Service.

4.1.1.1 **The Product.** Energy Resource Interconnection Service allows Interconnection Customer to connect the Large Generating Facility to the Transmission System and be eligible to deliver the Large Generating Facility's output using the existing firm or non-firm capacity of the Transmission System on an "as available" basis. To the extent Interconnection Customer wants to receive Energy Resource Interconnection Service, Transmission Provider shall construct facilities identified in Attachment A.

4.1.1.2 Transmission Delivery Service Implications. Under Energy Resource Interconnection Service, Interconnection Customer will be eligible to inject power from the Large Generating Facility into and deliver power across the interconnecting Transmission Provider's Transmission System on an "as available" basis up to the amount of MWs identified in the applicable stability and steady state studies to the extent the upgrades initially required to qualify for Energy Resource Interconnection Service have been constructed. Where eligible to do so (e.g., PJM, ISO-NE, NYISO), Interconnection Customer may place a bid to sell into the market up to the maximum identified Large Generating Facility output, subject to any conditions specified in the interconnection service approval, and the Large Generating Facility will be dispatched to the extent Interconnection Customer's bid clears. In all other instances, no transmission delivery service from the Large Generating Facility is assured, but Interconnection Customer may obtain Point-to-Point Transmission Service, Network Integration Transmission Service, or be used for secondary network transmission service, pursuant to Transmission Provider's Tariff, up to the maximum output identified in the stability and steady state studies. In those instances, in order for Interconnection Customer to obtain the right to deliver or inject energy beyond the Large Generating Facility Point of Interconnection or to improve its ability to do so, transmission delivery service must be obtained pursuant to the provisions of Transmission Provider's Tariff. The Interconnection Customer's ability to inject its Large Generating Facility output beyond the Point of Interconnection, therefore, will depend on the existing capacity of Transmission Provider's Transmission System at such time as a transmission service request is made that would accommodate such delivery. The provision of firm Point-to-Point Transmission Service or Network Integration Transmission Service may require the construction of additional Network Upgrades.

4.1.2 Network Resource Interconnection Service.

4.1.2.1 The Product. Transmission Provider must conduct the necessary studies and construct the Network Upgrades needed to integrate the Large Generating Facility (1) in a manner comparable to that in which Transmission Provider integrates its generating facilities to serve native load customers; or (2) in an ISO or RTO with market based congestion management, in the same manner as all Network Resources. To the extent Interconnection Customer wants to receive Network Resource Interconnection Service, Transmission Provider shall construct the facilities identified in Attachment A to this LGIA.

4.1.2.2 Transmission Delivery Service Implications. Network Resource Interconnection Service allows Interconnection Customer's Large Generating Facility to be designated by any Network Customer

under the Tariff on Transmission Provider's Transmission System as a Network Resource, up to the Large Generating Facility's full output, on the same basis as existing Network Resources interconnected to Transmission Provider's Transmission System, and to be studied as a Network Resource on the assumption that such a designation will occur. Although Network Resource Interconnection Service does not convey a reservation of transmission service, any Network Customer under the Tariff can utilize its network service under the Tariff to obtain delivery of energy from the interconnected Interconnection Customer's Large Generating Facility in the same manner as it accesses Network Resources. A Large Generating Facility receiving Network Resource Interconnection Service may also be used to provide Ancillary Services after technical studies and/or periodic analyses are performed with respect to the Large Generating Facility's ability to provide any applicable Ancillary Services, provided that such studies and analyses have been or would be required in connection with the provision of such Ancillary Services by any existing Network Resource. However, if an Interconnection Customer's Large Generating Facility has not been designated as a Network Resource by any load, it cannot be required to provide Ancillary Services except to the extent such requirements extend to all generating facilities that are similarly situated. The provision of Network Integration Transmission Service or firm Point-to-Point Transmission Service may require additional studies and the construction of additional upgrades. Because such studies and upgrades would be associated with a request for delivery service under the Tariff, cost responsibility for the studies and upgrades would be in accordance with FERC's policy for pricing transmission delivery services.

Network Resource Interconnection Service does not necessarily provide Interconnection Customer with the capability to physically deliver the output of its Large Generating Facility to any particular load on Transmission Provider's Transmission System without incurring congestion costs. In the event of transmission constraints on Transmission Provider's Transmission System, Interconnection Customer's Large Generating Facility shall be subject to the applicable congestion management procedures in Transmission Provider's Transmission System in the same manner as Network Resources.

There is no requirement either at the time of study or interconnection, or at any point in the future, that Interconnection Customer's Large Generating Facility be designated as a Network Resource by a Network Service Customer under the Tariff or that

Interconnection Customer identify a specific buyer (or sink). To the extent a Network Customer does designate the Large Generating Facility as a Network Resource, it must do so pursuant to Transmission Provider's Tariff.

Once an Interconnection Customer satisfies the requirements for obtaining Network Resource Interconnection Service, any future transmission service request for delivery from the Large Generating Facility within Transmission Provider's Transmission System of any amount of capacity and/or energy, up to the amount initially studied, will not require that any additional studies be performed or that any further upgrades associated with such Large Generating Facility be undertaken, regardless of whether or not such Large Generating Facility is ever designated by a Network Customer as a Network Resource and regardless of changes in ownership of the Large Generating Facility. However, the reduction or elimination of congestion or redispatch costs may require additional studies and the construction of additional upgrades.

To the extent Interconnection Customer enters into an arrangement for long term transmission service for deliveries from the Large Generating Facility outside Transmission Provider's Transmission System, such request may require additional studies and upgrades in order for Transmission Provider to grant such request.

4.2 **Provision of Service.** Transmission Provider shall provide Interconnection Service for the Large Generating Facility at the Point of Interconnection.

4.3 **Performance Standards.** Each Party shall perform all of its obligations under this LGIA in accordance with Applicable Laws and Regulations, Applicable Reliability Standards, and Good Utility Practice, and to the extent a Party is required or prevented or limited in taking any action by such regulations and standards, such Party shall not be deemed to be in Breach of this LGIA for its compliance therewith. If such Party is a Transmission Provider or Transmission Owner, then that Party shall amend the LGIA and submit the amendment to FERC for approval.

4.4 **No Transmission Delivery Service.** The execution of this LGIA does not constitute a request for, nor the provision of, any transmission delivery service under Transmission Provider's Tariff, and does not convey any right to deliver electricity to any specific customer or Point of Delivery.

4.5 **Interconnection Customer Provided Services.** The services provided by Interconnection Customer under this LGIA are set forth in Article 9.6 and Article 13.5.1. Interconnection Customer shall be paid for such services in accordance with Article 11.6.

Article 5. Interconnection Facilities Engineering, Procurement, and Construction

5.1 Options. Unless otherwise mutually agreed to between the Parties, Interconnection Customer shall select the In-Service Date, Initial Synchronization Date, and Commercial Operation Date; and either Standard Option or Alternate Option set forth below for completion of Transmission Provider's Interconnection Facilities and Network Upgrades as set forth in Appendix A, Interconnection Facilities and Network Upgrades, and such dates and selected option shall be set forth in Appendix B, Milestones.

5.1.1 Standard Option. Transmission Provider shall design, procure, and construct Transmission Provider's Interconnection Facilities and Network Upgrades, using Reasonable Efforts to complete Transmission Provider's Interconnection Facilities and Network Upgrades by the dates set forth in Appendix B, Milestones. Transmission Provider shall not be required to undertake any action which is inconsistent with its standard safety practices, its material and equipment specifications, its design criteria and construction procedures, its labor agreements, and Applicable Laws and Regulations. In the event Transmission Provider reasonably expects that it will not be able to complete Transmission Provider's Interconnection Facilities and Network Upgrades by the specified dates, Transmission Provider shall promptly provide written notice to Interconnection Customer and shall undertake Reasonable Efforts to meet the earliest dates thereafter.

5.1.2 Alternate Option. If the dates designated by Interconnection Customer are acceptable to Transmission Provider, Transmission Provider shall so notify Interconnection Customer within thirty (30) Calendar Days, and shall assume responsibility for the design, procurement and construction of Transmission Provider's Interconnection Facilities by the designated dates.

If Transmission Provider subsequently fails to complete Transmission Provider's Interconnection Facilities by the In-Service Date, to the extent necessary to provide back feed power; or fails to complete Network Upgrades by the Initial Synchronization Date to the extent necessary to allow for Trial Operation at full power output, unless other arrangements are made by the Parties for such Trial Operation; or fails to complete the Network Upgrades by the Commercial Operation Date, as such dates are reflected in Appendix B, Milestones; Transmission Provider shall pay Interconnection Customer liquidated damages in accordance with Article 5.3, Liquidated Damages, provided, however, the dates designated by Interconnection Customer shall be extended day for day for each day that the applicable RTO or ISO refuses to grant clearances to install equipment.

5.1.3 Option to Build. If the dates designated by Interconnection Customer are not acceptable to Transmission Provider, Transmission Provider shall so notify Interconnection Customer within thirty (30) Calendar Days, and unless the Parties agree otherwise, Interconnection Customer shall have the option to assume responsibility for the design, procurement and construction of Transmission Provider's Interconnection Facilities and Stand Alone Network Upgrades on the

dates specified in Article 5.1.2. Transmission Provider and Interconnection Customer must agree as to what constitutes Stand Alone Network Upgrades and identify such Stand Alone Network Upgrades in Appendix A. Except for Stand Alone Network Upgrades, Interconnection Customer shall have no right to construct Network Upgrades under this option.

5.1.4 Negotiated Option. If Interconnection Customer elects not to exercise its option under Article 5.1.3, Option to Build, Interconnection Customer shall so notify Transmission Provider within thirty (30) Calendar Days, and the Parties shall in good faith attempt to negotiate terms and conditions (including revision of the specified dates and liquidated damages, the provision of incentives or the procurement and construction of a portion of Transmission Provider's Interconnection Facilities and Stand Alone Network Upgrades by Interconnection Customer) pursuant to which Transmission Provider is responsible for the design, procurement and construction of Transmission Provider's Interconnection Facilities and Network Upgrades. If the Parties are unable to reach agreement on such terms and conditions, Transmission Provider shall assume responsibility for the design, procurement and construction of Transmission Provider's Interconnection Facilities and Network Upgrades pursuant to 5.1.1, Standard Option.

5.2 General Conditions Applicable to Option to Build. If Interconnection Customer assumes responsibility for the design, procurement and construction of Transmission Provider's Interconnection Facilities and Stand Alone Network Upgrades,

(1) Interconnection Customer shall engineer, procure equipment, and construct Transmission Provider's Interconnection Facilities and Stand Alone Network Upgrades (or portions thereof) using Good Utility Practice and using standards and specifications provided in advance by Transmission Provider;

(2) Interconnection Customer's engineering, procurement and construction of Transmission Provider's Interconnection Facilities and Stand Alone Network Upgrades shall comply with all requirements of law and Applicable Reliability Standards to which Transmission Provider would be subject in the engineering, procurement or construction of Transmission Provider's Interconnection Facilities and Stand Alone Network Upgrades;

(3) Transmission Provider shall review and approve the engineering design, equipment acceptance tests, and the construction of

Transmission Provider's Interconnection Facilities and Stand Alone Network Upgrades;

(4) prior to commencement of construction, Interconnection Customer shall provide to Transmission Provider a schedule for construction of Transmission Provider's Interconnection Facilities and Stand Alone Network Upgrades, and shall

promptly respond to requests for information from Transmission Provider;

(5) at any time during construction, Transmission Provider shall have the right to gain unrestricted access to Transmission Provider's Interconnection Facilities and Stand Alone Network Upgrades and to conduct inspections of the same;

(6) at any time during construction, should any phase of the engineering, equipment procurement, or construction of Transmission Provider's Interconnection Facilities and Stand Alone Network Upgrades not meet the standards and specifications provided by Transmission Provider, Interconnection Customer shall be obligated to remedy deficiencies in that portion of Transmission Provider's Interconnection Facilities and Stand Alone Network Upgrades;

(7) Interconnection Customer shall indemnify Transmission Provider for claims arising from Interconnection Customer's construction of Transmission Provider's Interconnection Facilities and Stand Alone Network Upgrades under the terms and procedures applicable to Article 18.1 Indemnity;

(8) Interconnection Customer shall transfer control of Transmission Provider's Interconnection Facilities and Stand Alone Network Upgrades to Transmission Provider;

(9) Unless Parties otherwise agree, Interconnection Customer shall transfer ownership of Transmission Provider's Interconnection Facilities and Stand-Alone Network Upgrades to Transmission Provider;

(10) Transmission Provider shall approve and accept for operation and maintenance Transmission Provider's Interconnection Facilities and Stand Alone Network Upgrades to the extent engineered, procured, and constructed in accordance with this Article 5.2; and

(11) Interconnection Customer shall deliver to Transmission Provider "as-built" drawings, information, and any other documents that are reasonably required by Transmission Provider to assure that the Interconnection Facilities and Stand-Alone Network Upgrades are built to the standards and specifications required by Transmission Provider.

5.3 **Liquidated Damages.** The actual damages to Interconnection Customer, in the event Transmission Provider's Interconnection Facilities or Network Upgrades are not completed by the dates designated by Interconnection Customer and accepted by Transmission Provider pursuant to subparagraphs 5.1.2 or 5.1.4, above, may include Interconnection Customer's fixed operation and maintenance costs and lost opportunity costs. Such actual damages are uncertain and impossible to determine at this time. Because of such uncertainty, any liquidated damages paid by Transmission Provider to Interconnection Customer in the event that Transmission Provider does not complete any portion of Transmission Provider's Interconnection Facilities or Network Upgrades by the applicable

dates, shall be an amount equal to ½ of 1 percent per day of the actual cost of Transmission Provider's Interconnection Facilities and Network Upgrades, in the aggregate, for which Transmission Provider has assumed responsibility to design, procure and construct.

However, in no event shall the total liquidated damages exceed 20 percent of the actual cost of Transmission Provider's Interconnection Facilities and Network Upgrades for which Transmission Provider has assumed responsibility to design, procure, and construct. The foregoing payments will be made by Transmission Provider to Interconnection Customer as just compensation for the damages caused to Interconnection Customer, which actual damages are uncertain and impossible to determine at this time, and as reasonable liquidated damages, but not as a penalty or a method to secure performance of this LGIA. Liquidated damages, when the Parties agree to them, are the exclusive remedy for the Transmission Provider's failure to meet its schedule.

No liquidated damages shall be paid to Interconnection Customer if: (1) Interconnection Customer is not ready to commence use of Transmission Provider's Interconnection Facilities or Network Upgrades to take the delivery of power for the Large Generating Facility's Trial Operation or to export power from the Large Generating Facility on the specified dates, unless Interconnection Customer would have been able to commence use of Transmission Provider's Interconnection Facilities or Network Upgrades to take the delivery of power for Large Generating Facility's Trial Operation or to export power from the Large Generating Facility, but for Transmission Provider's delay; (2) Transmission Provider's failure to meet the specified dates is the result of the action or inaction of Interconnection Customer or any other Interconnection Customer who has entered into an LGIA with Transmission Provider or any cause beyond Transmission Provider's reasonable control or reasonable ability to cure; (3) the Interconnection Customer has assumed responsibility for the design, procurement and construction of Transmission Provider's Interconnection Facilities and Stand Alone Network Upgrades; or (4) the Parties have otherwise agreed.

5.4 **Power System Stabilizers.** The Interconnection Customer shall procure, install, maintain and operate Power System Stabilizers in accordance with the guidelines and procedures established by the Applicable Reliability Council. Transmission Provider reserves the right to reasonably establish minimum acceptable settings for any installed Power System Stabilizers, subject to the design and operating limitations of the Large Generating Facility. If the Large Generating Facility's Power System Stabilizers are removed from service or not capable of automatic operation, Interconnection Customer shall immediately notify Transmission Provider's system operator, or its designated representative. The requirements of this paragraph shall not apply to wind generators.

5.5 **Equipment Procurement.** If responsibility for construction of Transmission Provider's Interconnection Facilities or Network Upgrades is to be borne by Transmission Provider, then Transmission Provider shall commence design of Transmission Provider's Interconnection Facilities or Network Upgrades and procure necessary equipment as soon as practicable after all of the following conditions are satisfied, unless the Parties otherwise agree in writing:

5.5.1 Transmission Provider has completed the Facilities Study pursuant to the Facilities Study Agreement;

5.5.2 Transmission Provider has received written authorization to proceed with design and procurement from Interconnection Customer by the date specified in Appendix B, Milestones; and

5.5.3 Interconnection Customer has provided security to Transmission Provider in accordance with Article 11.5 by the dates specified in Appendix B, Milestones.

5.6 Construction Commencement. Transmission Provider shall commence construction of Transmission Provider's Interconnection Facilities and Network Upgrades for which it is responsible as soon as practicable after the following additional conditions are satisfied:

5.6.1 Approval of the appropriate Governmental Authority has been obtained for any facilities requiring regulatory approval;

5.6.2 Necessary real property rights and rights-of-way have been obtained, to the extent required for the construction of a discrete aspect of Transmission Provider's Interconnection Facilities and Network Upgrades;

5.6.3 Transmission Provider has received written authorization to proceed with construction from Interconnection Customer by the date specified in Appendix B, Milestones; and

5.6.4 Interconnection Customer has provided security to Transmission Provider in accordance with Article 11.5 by the dates specified in Appendix B, Milestones.

5.7 Work Progress. The Parties will keep each other advised periodically as to the progress of their respective design, procurement and construction efforts. Either Party may, at any time, request a progress report from the other Party. If, at any time, Interconnection Customer determines that the completion of Transmission Provider's Interconnection Facilities will not be required until after the specified In-Service Date, Interconnection Customer will provide written notice to Transmission Provider of such later date upon which the completion of Transmission Provider's Interconnection Facilities will be required.

5.8 Information Exchange. As soon as reasonably practicable after the Effective Date, the Parties shall exchange information regarding the design and compatibility of the Parties' Interconnection Facilities and compatibility of the Interconnection Facilities with Transmission Provider's Transmission System, and shall work diligently and in good faith to make any necessary design changes.

5.9 Limited Operation. If any of Transmission Provider's Interconnection Facilities or Network Upgrades are not reasonably expected to be completed prior to the Commercial

Operation Date of the Large Generating Facility, Transmission Provider shall, upon the request and at the expense of Interconnection Customer, perform operating studies on a timely basis to determine the extent to which the Large Generating Facility and Interconnection Customer's Interconnection Facilities may operate prior to the completion of Transmission Provider's Interconnection Facilities or Network Upgrades consistent with Applicable Laws and Regulations, Applicable Reliability Standards, Good Utility Practice, and this LGIA. Transmission Provider shall permit Interconnection Customer to operate the Large Generating Facility and Interconnection Customer's Interconnection Facilities in accordance with the results of such studies.

5.10 Interconnection Customer's Interconnection Facilities ("ICIF"). Interconnection Customer shall, at its expense, design, procure, construct, own and install the ICIF, as set forth in Appendix A, Interconnection Facilities, Network Upgrades and Distribution Upgrades.

5.10.1 Interconnection Customer's Interconnection Facility Specifications. Interconnection Customer shall submit initial specifications for the ICIF, including System Protection Facilities, to Transmission Provider at least one hundred eighty (180) Calendar Days prior to the Initial Synchronization Date; and final specifications for review and comment at least ninety (90) Calendar Days prior to the Initial Synchronization Date. Transmission Provider shall review such specifications to ensure that the ICIF are compatible with the technical specifications, operational control, and safety requirements of Transmission Provider and comment on such specifications within thirty (30) Calendar Days of Interconnection Customer's submission. All specifications provided hereunder shall be deemed confidential.

5.10.2 Transmission Provider's Review. Transmission Provider's review of Interconnection Customer's final specifications shall not be construed as confirming, endorsing, or providing a warranty as to the design, fitness, safety, durability or reliability of the Large Generating Facility, or the ICIF. Interconnection Customer shall make such changes to the ICIF as may reasonably be required by Transmission Provider, in accordance with Good Utility Practice, to ensure that the ICIF are compatible with the technical specifications, operational control, and safety requirements of Transmission Provider.

5.10.3 ICIF Construction. The ICIF shall be designed and constructed in accordance with Good Utility Practice. Within one hundred twenty (120) Calendar Days after the Commercial Operation Date, unless the Parties agree on another mutually acceptable deadline, Interconnection Customer shall deliver to Transmission Provider "as-built" drawings, information and documents for the ICIF, such as: a one-line diagram, a site plan showing the Large Generating Facility and the ICIF, plan and elevation drawings showing the layout of the ICIF, a relay functional diagram, relaying AC and DC schematic wiring diagrams and relay settings for all facilities associated

with Interconnection Customer's step-up transformers, the facilities connecting the Large Generating Facility to the step-up transformers and the ICIF, and the impedances (determined by factory tests) for the associated step-up transformers and the Large Generating Facility. The Interconnection Customer shall provide Transmission Provider specifications for the excitation system, automatic voltage regulator, Large Generating Facility control and protection settings, transformer tap settings, and communications, if applicable.

5.11 Transmission Provider's Interconnection Facilities Construction. Transmission Provider's Interconnection Facilities shall be designed and constructed in accordance with Good Utility Practice. Upon request, within one hundred twenty (120) Calendar Days after the Commercial Operation Date, unless the Parties agree on another mutually acceptable deadline, Transmission Provider shall deliver to Interconnection Customer the following "as-built" drawings, information and documents for Transmission Provider's Interconnection Facilities [include appropriate drawings and relay diagrams].

Transmission Provider will obtain control of Transmission Provider's Interconnection Facilities and Stand Alone Network Upgrades upon completion of such facilities.

5.12 Access Rights. Upon reasonable notice and supervision by a Party, and subject to any required or necessary regulatory approvals, a Party ("Granting Party") shall furnish at no cost to the other Party ("Access Party") any rights of use, licenses, rights of way and easements with respect to lands owned or controlled by the Granting Party, its agents (if allowed under the applicable agency agreement), or any Affiliate, that are necessary to enable the Access Party to obtain ingress and egress to construct, operate, maintain, repair, test (or witness testing), inspect, replace or remove facilities and equipment to: (i) interconnect the Large Generating Facility with the Transmission System; (ii) operate and maintain the Large Generating Facility, the Interconnection Facilities and the Transmission System; and (iii) disconnect or remove the Access Party's facilities and equipment upon termination of this LGIA. In exercising such licenses, rights of way and easements, the Access Party shall not unreasonably disrupt or interfere with normal operation of the Granting Party's business and shall adhere to the safety rules and procedures established in advance, as may be changed from time to time, by the Granting Party and provided to the Access Party.

5.13 Lands of Other Property Owners. If any part of Transmission Provider or Transmission Owner's Interconnection Facilities and/or Network Upgrades is to be installed on property owned by persons other than Interconnection Customer or Transmission Provider or Transmission Owner, Transmission Provider or Transmission Owner shall at Interconnection Customer's expense use efforts, similar in nature and extent to those that it typically undertakes on its own behalf or on behalf of its Affiliates, including use of its eminent domain authority, and to the extent consistent with state law, to procure from such persons any rights of use, licenses, rights of way and easements that are necessary to construct, operate, maintain, test, inspect, replace or remove Transmission Provider or Transmission Owner's Interconnection Facilities and/or Network Upgrades

upon such property.

5.14 Permits. Transmission Provider or Transmission Owner and Interconnection Customer shall cooperate with each other in good faith in obtaining all permits, licenses, and authorizations that are necessary to accomplish the interconnection in compliance with Applicable Laws and Regulations. With respect to this paragraph, Transmission Provider or Transmission Owner shall provide permitting assistance to Interconnection Customer comparable to that provided to Transmission Provider's own, or an Affiliate's generation.

5.15 Early Construction of Base Case Facilities. Interconnection Customer may request Transmission Provider to construct, and Transmission Provider shall construct, using Reasonable Efforts to accommodate Interconnection Customer's In-Service Date, all or any portion of any Network Upgrades required for Interconnection Customer to be interconnected to the Transmission System which are included in the Base Case of the Facilities Study for Interconnection Customer, and which also are required to be constructed for another Interconnection Customer, but where such construction is not scheduled to be completed in time to achieve Interconnection Customer's In-Service Date.

5.16 Suspension. Interconnection Customer reserves the right, upon written notice to Transmission Provider, to suspend at any time all work by Transmission Provider associated with the construction and installation of Transmission Provider's Interconnection Facilities and/or Network Upgrades required under this LGIA with the condition that Transmission System shall be left in a safe and reliable condition in accordance with Good Utility Practice and Transmission Provider's safety and reliability criteria. In such event, Interconnection Customer shall be responsible for all reasonable and necessary costs which Transmission Provider (i) has incurred pursuant to this LGIA prior to the suspension and (ii) incurs in suspending such work, including any costs incurred to perform such work as may be necessary to ensure the safety of persons and property and the integrity of the Transmission System during such suspension and, if applicable, any costs incurred in connection with the cancellation or suspension of material, equipment and labor contracts which Transmission Provider cannot reasonably avoid; provided, however, that prior to canceling or suspending any such material, equipment or labor contract, Transmission Provider shall obtain Interconnection Customer's authorization to do so.

Transmission Provider shall invoice Interconnection Customer for such costs pursuant to Article 12 and shall use due diligence to minimize its costs. In the event Interconnection Customer suspends work by Transmission Provider required under this LGIA pursuant to this Article 5.16, and has not requested Transmission Provider to recommence the work required under this LGIA on or before the expiration of three (3) years following commencement of such suspension, this LGIA shall be deemed terminated. The three-year period shall begin on the date the suspension is requested, or the date of the written notice to Transmission Provider, if no effective date is specified.

5.17 Taxes.

5.17.1 Interconnection Customer Payments Not Taxable. The Parties intend that all payments or property transfers made by Interconnection Customer to Transmission Provider for the installation of Transmission Provider's Interconnection Facilities and the Network Upgrades shall be non-taxable, either as contributions to capital, or as an advance, in accordance with the Internal Revenue Code and any applicable state income tax laws and shall not be taxable as contributions in aid of construction or otherwise under the Internal Revenue Code and any applicable state income tax laws.

5.17.2 Representations and Covenants. In accordance with IRS Notice 2001-82 and IRS Notice 88-129, Interconnection Customer represents and covenants that (i) ownership of the electricity generated at the Large Generating Facility will pass to another party prior to the transmission of the electricity on the Transmission System, (ii) for income tax purposes, the amount of any payments and the cost of any property transferred to Transmission Provider for Transmission Provider's Interconnection Facilities will be capitalized by Interconnection Customer as an intangible asset and recovered using the straight-line method over a useful life of twenty (20) years, and (iii) any portion of Transmission Provider's Interconnection Facilities that is a "dual-use intertie," within the meaning of IRS Notice 88-129, is reasonably expected to carry only a de minimis amount of electricity in the direction of the Large Generating Facility. For this purpose, "de minimis amount" means no more than 5 percent of the total power flows in both directions, calculated in accordance with the "5 percent test" set forth in IRS Notice 88-129. This is not intended to be an exclusive list of the relevant conditions that must be met to conform to IRS requirements for non-taxable treatment.

At Transmission Provider's request, Interconnection Customer shall provide Transmission Provider with a report from an independent engineer confirming its representation in clause (iii), above. Transmission Provider represents and covenants that the cost of Transmission Provider's Interconnection Facilities paid for by Interconnection Customer will have no net effect on the base upon which rates are determined.

5.17.3 Indemnification for the Cost Consequences of Current Tax Liability Imposed Upon the Transmission Provider.
Notwithstanding Article 5.17.1, Interconnection Customer shall protect, indemnify and hold harmless Transmission Provider from the cost consequences of any current tax liability imposed against Transmission Provider as the result of payments or property transfers made by Interconnection Customer to Transmission Provider under this LGIA for Interconnection Facilities, as well as any interest and penalties, other than interest and penalties attributable to any delay caused by Transmission Provider.

Transmission Provider shall not include a gross-up for the cost consequences of any current tax liability in the amounts it charges Interconnection Customer under this LGIA unless (i) Transmission Provider has determined, in good faith, that the payments or property transfers made by Interconnection Customer to Transmission Provider should be reported as income subject to taxation or (ii) any Governmental Authority directs Transmission Provider to report payments or property as income subject to taxation; provided, however, that Transmission Provider may require Interconnection Customer to provide security for Interconnection Facilities, in a form reasonably acceptable to Transmission Provider (such as a parental guarantee or a letter of credit), in an amount equal to the cost consequences of any current tax liability under this Article 5.17. Interconnection Customer shall reimburse Transmission Provider for such costs on a fully grossed-up basis, in accordance with Article 5.17.4, within thirty (30) Calendar Days of receiving written notification from Transmission Provider of the amount due, including detail about how the amount was calculated.

The indemnification obligation shall terminate at the earlier of (1) the expiration of the ten year testing period and the applicable statute of limitation, as it may be extended by Transmission Provider upon request of the IRS, to keep these years open for audit or adjustment, or (2) the occurrence of a subsequent taxable event and the payment of any related indemnification obligations as contemplated by this Article 5.17.

5.17.4 **Tax Gross-Up Amount.** Interconnection Customer's liability for the cost consequences of any current tax liability under this Article 5.17 shall be calculated on a fully grossed-up basis. Except as may otherwise be agreed to by the parties, this means that Interconnection Customer will pay Transmission Provider, in addition to the amount paid for the Interconnection Facilities and Network Upgrades, an amount equal to (1) the current taxes imposed on Transmission Provider ("Current Taxes") on the excess of (a) the gross income realized by Transmission Provider as a result of payments or property transfers made by Interconnection Customer to Transmission Provider under this LGIA (without regard to any payments under this Article 5.17) (the "Gross Income Amount") over (b) the present value of future tax deductions for depreciation that will be available as a result of such payments or property transfers (the "Present Value Depreciation Amount"), plus (2) an additional amount sufficient to permit Transmission Provider to receive and retain, after the payment of all Current Taxes, an amount equal to the net amount described in clause (1).

For this purpose, (i) Current Taxes shall be computed based on Transmission Provider's composite federal and state tax rates at the time the payments or property transfers are received and Transmission Provider will be treated as being subject to tax at the highest marginal rates in effect at

that time (the "Current Tax Rate"), and (ii) the Present Value Depreciation Amount shall be computed by discounting Transmission Provider's anticipated tax depreciation deductions as a result of such payments or property transfers by Transmission Provider's current weighted average cost of capital. Thus, the formula for calculating Interconnection Customer's liability to Transmission Owner pursuant to this Article 5.17.4 can be expressed as follows: (Current Tax Rate x (Gross Income Amount - Present Value of Tax Depreciation))/(1-Current Tax Rate). Interconnection Customer's estimated tax liability in the event taxes are imposed shall be stated in Appendix A, Interconnection Facilities, Network Upgrades and Distribution Upgrades.

5.17.5 Private Letter Ruling or Change or Clarification of Law. At Interconnection Customer's request and expense, Transmission Provider shall file with the IRS a request for a private letter ruling as to whether any property transferred or sums paid, or to be paid, by Interconnection Customer to Transmission Provider under this LGIA are subject to federal income taxation. Interconnection Customer will prepare the initial draft of the request for a private letter ruling, and will certify under penalties of perjury that all facts represented in such request are true and accurate to the best of Interconnection Customer's knowledge. Transmission Provider and Interconnection Customer shall cooperate in good faith with respect to the submission of such request.

Transmission Provider shall keep Interconnection Customer fully informed of the status of such request for a private letter ruling and shall execute either a privacy act waiver or a limited power of attorney, in a form acceptable to the IRS that authorizes Interconnection Customer to participate in all discussions with the IRS regarding such request for a private letter ruling. Transmission Provider shall allow Interconnection Customer to attend all meetings with IRS officials about the request and shall permit Interconnection Customer to prepare the initial drafts of any follow-up letters in connection with the request.

5.17.6 Subsequent Taxable Events. If, within 10 years from the date on which the relevant Transmission Provider's Interconnection Facilities are placed in service, (i) Interconnection Customer Breaches the covenants contained in Article 5.17.2, (ii) a "disqualification event" occurs within the meaning of IRS Notice 88-129, or (iii) this LGIA terminates and Transmission Provider retains ownership of the Interconnection Facilities and Network Upgrades, Interconnection Customer shall pay a tax gross-up for the cost consequences of any current tax liability imposed on Transmission Provider, calculated using the methodology described in Article 5.17.4 and in accordance with IRS Notice 90-60.

5.17.7 Contests. In the event any Governmental Authority determines that

Transmission Provider's receipt of payments or property constitutes income that is subject to taxation, Transmission Provider shall notify Interconnection Customer, in writing, within thirty (30) Calendar Days of receiving notification of such determination by a Governmental Authority. Upon the timely written request by Interconnection Customer and at Interconnection Customer's sole expense, Transmission Provider may appeal, protest, seek abatement of, or otherwise oppose such determination. Upon Interconnection Customer's written request and sole expense, Transmission Provider may file a claim for refund with respect to any taxes paid under this Article 5.17, whether or not it has received such a determination. Transmission Provider reserves the right to make all decisions with regard to the prosecution of such appeal, protest, abatement or other contest, including the selection of counsel and compromise or settlement of the claim, but Transmission Provider shall keep Interconnection Customer informed, shall consider in good faith suggestions from Interconnection Customer about the conduct of the contest, and shall reasonably permit Interconnection Customer or an Interconnection Customer representative to attend contest proceedings.

Interconnection Customer shall pay to Transmission Provider on a periodic basis, as invoiced by Transmission Provider, Transmission Provider's documented reasonable costs of prosecuting such appeal, protest, abatement or other contest. At any time during the contest, Transmission Provider may agree to a settlement either with Interconnection Customer's consent or after obtaining written advice from nationally-recognized tax counsel, selected by Transmission Provider, but reasonably acceptable to Interconnection Customer, that the proposed settlement represents a reasonable settlement given the hazards of litigation. Interconnection Customer's obligation shall be based on the amount of the settlement agreed to by Interconnection Customer, or if a higher amount, so much of the settlement that is supported by the written advice from nationally-recognized tax counsel selected under the terms of the preceding sentence. The settlement amount shall be calculated on a fully grossed-up basis to cover any related cost consequences of the current tax liability. Any settlement without Interconnection Customer's consent or such written advice will relieve Interconnection Customer from any obligation to indemnify Transmission Provider for the tax at issue in the contest.

5.17.8 **Refund.** In the event that (a) a private letter ruling is issued to Transmission Provider which holds that any amount paid or the value of any property transferred by Interconnection Customer to Transmission Provider under the terms of this LGIA is not subject to federal income taxation, (b) any legislative change or administrative announcement, notice, ruling or other determination makes it reasonably clear to Transmission Provider in good faith that any amount paid or the value of any property transferred by Interconnection Customer to Transmission Provider under

the terms of this LGIA is not taxable to Transmission Provider, (c) any abatement, appeal, protest, or other contest results in a determination that any payments or transfers made by Interconnection Customer to Transmission Provider are not subject to federal income tax, or (d) if Transmission Provider receives a refund from any taxing authority for any overpayment of tax attributable to any payment or property transfer made by Interconnection Customer to Transmission Provider pursuant to this LGIA, Transmission Provider shall promptly refund to Interconnection Customer the following:

(i) any payment made by Interconnection Customer under this Article 5.17 for taxes that is attributable to the amount determined to be non-taxable, together with interest thereon,

(ii) interest on any amounts paid by Interconnection Customer to Transmission Provider for such taxes which Transmission Provider did not submit to the taxing authority, calculated in accordance with the methodology set forth in FERC's regulations at 18 CFR §35.19a(a)(2)(iii) from the date payment was made by Interconnection Customer to the date Transmission Provider refunds such payment to Interconnection Customer, and

(iii) with respect to any such taxes paid by Transmission Provider, any refund or credit Transmission Provider receives or to which it may be entitled from any Governmental Authority, interest (or that portion thereof attributable to the payment described in clause (i), above) owed to Transmission Provider for such overpayment of taxes (including any reduction in interest otherwise payable by Transmission Provider to any Governmental Authority resulting from an offset or credit); provided, however, that Transmission Provider will remit such amount promptly to Interconnection Customer only after and to the extent that Transmission Provider has received a tax refund, credit or offset from any Governmental Authority for any applicable overpayment of income tax related to Transmission Provider's Interconnection Facilities.

The intent of this provision is to leave the Parties, to the extent practicable, in the event that no taxes are due with respect to any payment for Interconnection Facilities and Network Upgrades hereunder, in the same position they would have been in had no such tax payments been made.

5.17.9 Taxes Other Than Income Taxes. Upon the timely request by Interconnection Customer, and at Interconnection Customer's sole expense, Transmission Provider may appeal, protest, seek abatement of, or otherwise contest any tax (other than federal or state income tax) asserted or assessed against Transmission Provider for which Interconnection Customer may be

required to reimburse Transmission Provider under the terms of this LGIA.

Interconnection Customer shall pay to Transmission Provider on a periodic basis, as invoiced by Transmission Provider, Transmission Provider's documented reasonable costs of prosecuting such appeal, protest, abatement, or other contest. Interconnection Customer and Transmission Provider shall cooperate in good faith with respect to any such contest. Unless the payment of such taxes is a prerequisite to an appeal or abatement or cannot be deferred, no amount shall be payable by Interconnection Customer to Transmission Provider for such taxes until they are assessed by a final, non-appealable order by any court or agency of competent jurisdiction. In the event that a tax payment is withheld and ultimately due and payable after appeal, Interconnection Customer will be responsible for all taxes, interest and penalties, other than penalties attributable to any delay caused by Transmission Provider.

5.17.10 Transmission Owners Who Are Not Transmission Providers. If Transmission Provider is not the same entity as the Transmission Owner, then (i) all references in this Article 5.17 to Transmission Provider shall be deemed also to refer to and to include the Transmission Owner, as appropriate, and (ii) this LGIA shall not become effective until such Transmission Owner shall have agreed in writing to assume all of the duties and obligations of Transmission Provider under this Article 5.17 of this LGIA.

5.18 Tax Status. Each Party shall cooperate with the other to maintain the other Party's tax status. Nothing in this LGIA is intended to adversely affect any

Transmission Provider's tax-exempt status with respect to the issuance of bonds including, but not limited to, Local Furnishing Bonds.

5.19 Modification.

5.19.1 General. Either Party may undertake modifications to its facilities. If a Party plans to undertake a modification that reasonably may be expected to affect the other Party's facilities, that Party shall provide to the other Party sufficient information regarding such modification so that the other Party may evaluate the potential impact of such modification prior to commencement of the work. Such information shall be deemed to be confidential hereunder and shall include information concerning the timing of such modifications and whether such modifications are expected to interrupt the flow of electricity from the Large Generating Facility. The Party desiring to perform such work shall provide the relevant drawings, plans, and specifications to the other Party at least ninety (90) Calendar Days in advance of the commencement of the work or such shorter period upon which the Parties may agree, which agreement shall not unreasonably

be withheld, conditioned or delayed.

In the case of Large Generating Facility modifications that do not require Interconnection Customer to submit an Interconnection Request, Transmission Provider shall provide, within thirty (30) Calendar Days (or such other time as the Parties may agree), an estimate of any additional modifications to the Transmission System, Transmission Provider's Interconnection Facilities or Network Upgrades necessitated by such Interconnection Customer modification and a good faith estimate of the costs thereof.

5.19.2 **Standards.** Any additions, modifications, or replacements made to a Party's facilities shall be designed, constructed and operated in accordance with this LGIA, Applicable Reliability Standards and Good Utility Practice.

5.19.3 **Modification Costs.** Interconnection Customer shall not be directly assigned for the costs of any additions, modifications, or replacements that Transmission Provider makes to Transmission Provider's Interconnection Facilities or the Transmission System to facilitate the interconnection of a third party to Transmission Provider's Interconnection Facilities or the Transmission System, or to provide transmission service to a third party under Transmission Provider's Tariff. Interconnection Customer shall be responsible for the costs of any additions, modifications, or replacements to Interconnection Customer's Interconnection Facilities that may be necessary to maintain or upgrade such Interconnection Customer's Interconnection Facilities consistent with Applicable Laws and Regulations, Applicable Reliability Standards or Good Utility Practice.

Article 6. Testing and Inspection

6.1 **Pre-Commercial Operation Date Testing and Modifications.** Prior to the Commercial Operation Date, Transmission Provider shall test Transmission Provider's Interconnection Facilities and Network Upgrades and Interconnection Customer shall test the Large Generating Facility and Interconnection Customer's Interconnection Facilities to ensure their safe and reliable operation. Similar testing may be required after initial operation. Each Party shall make any modifications to its facilities that are found to be necessary as a result of such testing. Interconnection Customer shall bear the cost of all such testing and modifications. Interconnection Customer shall generate test energy at the Large Generating Facility only if it has arranged for the delivery of such test energy.

6.2 **Post-Commercial Operation Date Testing and Modifications.** Each Party shall at its own expense perform routine inspection and testing of its facilities and equipment in accordance with Good Utility Practice as may be necessary to ensure the continued interconnection of the Large Generating Facility with the Transmission System in a safe and reliable manner. Each Party shall have the right, upon advance written notice, to require reasonable additional testing of the other Party's facilities, at the requesting Party's

expense, as may be in accordance with Good Utility Practice.

6.3 Right to Observe Testing. Each Party shall notify the other Party in advance of its performance of tests of its Interconnection Facilities. The other Party has the right, at its own expense, to observe such testing.

6.4 Right to Inspect. Each Party shall have the right, but shall have no obligation to: (i) observe the other Party's tests and/or inspection of any of its System Protection Facilities and other protective equipment, including Power System Stabilizers; (ii) review the settings of the other Party's System Protection Facilities and other protective equipment; and (iii) review the other Party's maintenance records relative to the Interconnection Facilities, the System Protection Facilities and other protective equipment. A Party may exercise these rights from time to time as it deems necessary upon reasonable notice to the other Party. The exercise or non-exercise by a Party of any such rights shall not be construed as an endorsement or confirmation of any element or condition of the Interconnection Facilities or the System Protection Facilities or other protective equipment or the operation thereof, or as a warranty as to the fitness, safety, desirability, or reliability of same. Any information that a Party obtains through the exercise of any of its rights under this Article 6.4 shall be deemed to be Confidential Information and treated pursuant to Article 22 of this LGIA.

Article 7. Metering

7.1 General. Each Party shall comply with the Applicable Reliability Council requirements. Unless otherwise agreed by the Parties, Transmission Provider shall install Metering Equipment at the Point of Interconnection prior to any operation of the Large Generating Facility and shall own, operate, test and maintain such Metering Equipment. Power flows to and from the Large Generating Facility shall be measured at or, at Transmission Provider's option, compensated to, the Point of Interconnection. Transmission Provider shall provide metering quantities, in analog and/or digital form, to Interconnection Customer upon request. Interconnection Customer shall bear all reasonable documented costs associated with the purchase, installation, operation, testing and maintenance of the Metering Equipment.

7.2 Check Meters. Interconnection Customer, at its option and expense, may install and operate, on its premises and on its side of the Point of Interconnection, one or more check meters to check Transmission Provider's meters. Such check meters shall be for check purposes only and shall not be used for the measurement of power flows for purposes of this LGIA, except as provided in Article 7.4 below. The check meters shall be subject at all reasonable times to inspection and examination by Transmission Provider or its designee. The installation, operation and maintenance thereof shall be performed entirely by Interconnection Customer in accordance with Good Utility Practice.

7.3 Standards. Transmission Provider shall install, calibrate, and test revenue quality Metering Equipment in accordance with applicable ANSI standards.

7.4 Testing of Metering Equipment. Transmission Provider shall inspect and test all Transmission Provider-owned Metering Equipment upon installation and at least once every two (2) years thereafter. If requested to do so by Interconnection Customer, Transmission Provider shall, at Interconnection Customer's expense, inspect or test Metering Equipment more frequently than every two (2) years. Transmission Provider shall give reasonable notice of the time when any inspection or test shall take place, and Interconnection Customer may have representatives present at the test or inspection. If at any time Metering Equipment is found to be inaccurate or defective, it shall be adjusted, repaired or replaced at Interconnection Customer's expense, in order to provide accurate metering, unless the inaccuracy or defect is due to Transmission Provider's failure to maintain, then Transmission Provider shall pay. If Metering Equipment fails to register, or if the measurement made by Metering Equipment during a test varies by more than two percent from the measurement made by the standard meter used in the test, Transmission Provider shall adjust the measurements by correcting all measurements for the period during which Metering Equipment was in error by using Interconnection Customer's check meters, if installed. If no such check meters are installed or if the period cannot be reasonably ascertained, the adjustment shall be for the period immediately preceding the test of the Metering Equipment equal to one-half the time from the date of the last previous test of the Metering Equipment.

7.5 Metering Data. At Interconnection Customer's expense, the metered data shall be telemetered to one or more locations designated by Transmission Provider and one or more locations designated by Interconnection Customer. Such telemetered data shall be used, under normal operating conditions, as the official measurement of the amount of energy delivered from the Large Generating Facility to the Point of Interconnection.

Article 8. Communications

8.1 Interconnection Customer Obligations. Interconnection Customer shall maintain satisfactory operating communications with Transmission Provider's Transmission System dispatcher or representative designated by Transmission Provider. Interconnection Customer shall provide standard voice line, dedicated voice line and facsimile communications at its Large Generating Facility control room or central dispatch facility through use of either the public telephone system, or a voice communications system that does not rely on the public telephone system. Interconnection Customer shall also provide the dedicated data circuit(s) necessary to provide Interconnection Customer data to Transmission Provider as set forth in Appendix D, Security Arrangements Details. The data circuit(s) shall extend from the Large Generating Facility to the location(s) specified by Transmission Provider. Any required maintenance of such communications equipment shall be performed by Interconnection Customer. Operational communications shall be activated and maintained under, but not be limited to, the following events: system paralleling or separation, scheduled and unscheduled shutdowns, equipment clearances, and hourly and daily load data.

8.2 Remote Terminal Unit. Prior to the Initial Synchronization Date of the Large Generating Facility, a Remote Terminal Unit, or equivalent data collection and transfer

equipment acceptable to the Parties, shall be installed by Interconnection Customer, or by Transmission Provider at Interconnection Customer's expense, to gather accumulated and instantaneous data to be telemetered to the location(s) designated by Transmission Provider through use of a dedicated point-to-point data circuit(s) as indicated in Article 8.1. The communication protocol for the data circuit(s) shall be specified by Transmission Provider. Instantaneous bi-directional analog real power and reactive power flow information must be telemetered directly to the location(s) specified by Transmission Provider.

Each Party will promptly advise the other Party if it detects or otherwise learns of any metering, telemetry or communications equipment errors or malfunctions that require the attention and/or correction by the other Party. The Party owning such equipment shall correct such error or malfunction as soon as reasonably feasible.

8.3 **No Annexation.** Any and all equipment placed on the premises of a Party shall be and remain the property of the Party providing such equipment regardless of the mode and manner of annexation or attachment to real property, unless otherwise mutually agreed by the Parties.

8.4 **Provision of Data from a Variable Energy Resource.** The Interconnection Customer whose Generating Facility is a Variable Energy Resource shall provide meteorological and forced outage data to the Transmission Provider to the extent necessary for the Transmission Provider's development and deployment of power production forecasts for that class of Variable Energy Resources. The Interconnection Customer with a Variable Energy Resource having wind as the energy source, at a minimum, will be required to provide the Transmission Provider with site-specific meteorological data including: temperature, wind speed, wind direction, and atmospheric pressure. The Interconnection Customer with a Variable Energy Resource having solar as the energy source, at a minimum, will be required to provide the Transmission Provider with site-specific meteorological data including: temperature, atmospheric pressure, and irradiance. The Transmission Provider and Interconnection Customer whose Generating Facility is a Variable Energy Resource shall mutually agree to any additional meteorological data that are required for the development and deployment of a power production forecast. The Interconnection Customer whose Generating Facility is a Variable Energy Resource also shall submit data to the Transmission Provider regarding all forced outages to the extent necessary for the Transmission Provider's development and deployment of power production forecasts for that class of Variable Energy Resources. The exact specifications of the meteorological and forced outage data to be provided by the Interconnection Customer to the Transmission Provider, including the frequency and timing of data submittals, shall be made taking into account the size and configuration of the Variable Energy Resource, its characteristics, location, and its importance in maintaining generation resource adequacy and transmission system reliability in its area. All requirements for meteorological and forced outage data must be commensurate with the power production forecasting employed by the Transmission Provider. Such requirements for meteorological and forced outage data are set forth in Appendix C, Interconnection Details, of this LGIA, as they may change from time to time.

Article 9. Operations

9.1 General. Each Party shall comply with the Applicable Reliability Council requirements. Each Party shall provide to the other Party all information that may reasonably be required by the other Party to comply with Applicable Laws and Regulations and Applicable Reliability Standards.

9.2 Control Area Notification. At least three months before Initial Synchronization Date, Interconnection Customer shall notify Transmission Provider in writing of the Control Area in which the Large Generating Facility will be located. If Interconnection Customer elects to locate the Large Generating Facility in a Control Area other than the Control Area in which the Large Generating Facility is physically located, and if permitted to do so by the relevant transmission tariffs, all necessary arrangements, including but not limited to those set forth in Article 7 and Article 8 of this LGIA, and remote Control Area generator interchange agreements, if applicable, and the appropriate measures under such agreements, shall be executed and implemented prior to the placement of the Large Generating Facility in the other Control Area.

9.3 Transmission Provider Obligations. Transmission Provider shall cause the Transmission System and Transmission Provider's Interconnection Facilities to be operated, maintained and controlled in a safe and reliable manner and in accordance with this LGIA. Transmission Provider may provide operating instructions to Interconnection Customer consistent with this LGIA and Transmission Provider's operating protocols and procedures as they may change from time to time. Transmission Provider will consider changes to its operating protocols and procedures proposed by Interconnection Customer.

9.4 Interconnection Customer Obligations. Interconnection Customer shall at its own expense operate, maintain and control the Large Generating Facility and Interconnection Customer's Interconnection Facilities in a safe and reliable manner and in accordance with this LGIA. Interconnection Customer shall operate the Large Generating Facility and Interconnection Customer's Interconnection Facilities in accordance with all applicable requirements of the Control Area of which it is part, as such requirements are set forth in Appendix C, Interconnection Details, of this LGIA. Appendix C, Interconnection Details, will be modified to reflect changes to the requirements as they may change from time to time. Either Party may request that the other Party provide copies of the requirements set forth in Appendix C, Interconnection Details, of this LGIA.

9.5 Start-Up and Synchronization. Consistent with the Parties' mutually acceptable procedures, Interconnection Customer is responsible for the proper synchronization of the Large Generating Facility to Transmission Provider's Transmission System.

9.6 Reactive Power.

9.6.1 Power Factor Design Criteria. Interconnection Customer shall design the Large Generating Facility to maintain a composite power delivery at continuous rated

power output at the Point of Interconnection at a power factor within the range of 0.95 leading to 0.95 lagging, unless Transmission Provider has established different requirements that apply to all generators in the Control Area on a comparable basis. The requirements of this paragraph shall not apply to wind generators.

9.6.2 Voltage Schedules. Once Interconnection Customer has synchronized the Large Generating Facility with the Transmission System, Transmission Provider shall require Interconnection Customer to operate the Large Generating Facility to produce or absorb reactive power within the design limitations of the Large Generating Facility set forth in Article 9.6.1 (Power Factor Design Criteria). Transmission Provider's voltage schedules shall treat all sources of reactive power in the Control Area in an equitable and not unduly discriminatory manner. Transmission Provider shall exercise Reasonable Efforts to provide Interconnection Customer with such schedules at least one (1) day in advance, and may make changes to such schedules as necessary to maintain the reliability of the Transmission System. Interconnection Customer shall operate the Large Generating Facility to maintain the specified output voltage or power factor at the Point of Interconnection within the design limitations of the Large Generating Facility set forth in Article 9.6.1 (Power Factor Design Criteria). If Interconnection Customer is unable to maintain the specified voltage or power factor, it shall promptly notify the System Operator.

9.6.2.1 Governors and Regulators. Whenever the Large Generating Facility is operated in parallel with the Transmission System and the speed governors (if installed on the generating unit pursuant to Good Utility Practice) and voltage regulators are capable of operation, Interconnection Customer shall operate the Large Generating Facility with its speed governors and voltage regulators in automatic operation. If the Large Generating Facility's speed governors and voltage regulators are not capable of such automatic operation, Interconnection Customer shall immediately notify Transmission Provider's system operator, or its designated representative, and ensure that such Large Generating Facility's reactive power production or absorption (measured in MVARs) are within the design capability of the Large Generating Facility's generating unit(s) and steady state stability limits. Interconnection Customer shall not cause its Large Generating Facility to disconnect automatically or instantaneously from the Transmission System or trip any generating unit comprising the Large Generating Facility for an under or over frequency condition unless the abnormal frequency condition persists for a time period beyond the limits set forth in ANSI/IEEE Standard C37.106, or such other standard as applied to other generators in the Control Area on a comparable basis.

9.6.3 Payment for Reactive Power. Transmission Provider is required to pay Interconnection Customer for reactive power that Interconnection Customer provides or absorbs from the Large Generating Facility when Transmission Provider requests Interconnection Customer to operate its Large Generating Facility outside the range specified in Article 9.6.1, provided that if Transmission Provider pays its own or affiliated generators for reactive power service within the specified range, it must also pay Interconnection Customer. Payments shall be pursuant to Article 11.6 or such other agreement to which the Parties have otherwise agreed.

9.7 Outages and Interruptions.

9.7.1 Outages.

9.7.1.1 Outage Authority and Coordination. Each Party may in accordance with Good Utility Practice in coordination with the other Party remove from service any of its respective Interconnection Facilities or Network Upgrades that may impact the other Party's facilities as necessary to perform maintenance or testing or to install or replace equipment. Absent an Emergency Condition, the Party scheduling a removal of such facility(ies) from service will use Reasonable Efforts to schedule such removal on a date and time mutually acceptable to the Parties. In all circumstances, any Party planning to remove such facility(ies) from service shall use Reasonable Efforts to minimize the effect on the other Party of such removal.

9.7.1.2 Outage Schedules. Transmission Provider shall post scheduled outages of its transmission facilities on the OASIS. Interconnection Customer shall submit its planned maintenance schedules for the Large Generating Facility to Transmission Provider for a minimum of a rolling twenty-four month period. Interconnection Customer shall update its planned maintenance schedules as necessary. Transmission Provider may request Interconnection Customer to reschedule its maintenance as necessary to maintain the reliability of the Transmission System; provided, however, adequacy of generation supply shall not be a criterion in determining Transmission System reliability. Transmission Provider shall compensate Interconnection Customer for any additional direct costs that Interconnection Customer incurs as a result of having to reschedule maintenance, including any additional overtime, breaking of maintenance contracts or other costs above and beyond the cost Interconnection Customer would have incurred absent Transmission Provider's request to reschedule maintenance. Interconnection Customer will not be eligible to receive compensation, if during the twelve (12) months prior to the

date of the scheduled maintenance, Interconnection Customer had modified its schedule of maintenance activities.

9.7.1.3 **Outage Restoration.** If an outage on a Party's Interconnection Facilities or Network Upgrades adversely affects the other Party's operations or facilities, the Party that owns or controls the facility that is out of service shall use Reasonable Efforts to promptly restore such facility(ies) to a normal operating condition consistent with the nature of the outage. The Party that owns or controls the facility that is out of service shall provide the other Party, to the extent such information is known, information on the nature of the Emergency Condition, an estimated time of restoration, and any corrective actions required. Initial verbal notice shall be followed up as soon as practicable with written notice explaining the nature of the outage.

9.7.2 **Interruption of Service.** If required by Good Utility Practice to do so, Transmission Provider may require Interconnection Customer to interrupt or reduce deliveries of electricity if such delivery of electricity could adversely affect Transmission Provider's ability to perform such activities as are necessary to safely and reliably operate and maintain the Transmission System. The following provisions shall apply to any interruption or reduction permitted under this Article 9.7.2:

9.7.2.1 The interruption or reduction shall continue only for so long as reasonably necessary under Good Utility Practice;

9.7.2.2 Any such interruption or reduction shall be made on an equitable, non-discriminatory basis with respect to all generating facilities directly connected to the Transmission System;

9.7.2.3 When the interruption or reduction must be made under circumstances which do not allow for advance notice, Transmission Provider shall notify Interconnection Customer by telephone as soon as practicable of the reasons for the curtailment, interruption, or reduction, and, if known, its expected duration. Telephone notification shall be followed by written notification as soon as practicable;

9.7.2.4 Except during the existence of an Emergency Condition, when the interruption or reduction can be scheduled without advance notice, Transmission Provider shall notify Interconnection Customer in advance regarding the timing of such scheduling and further notify Interconnection Customer of the expected duration. Transmission Provider shall coordinate with Interconnection Customer using Good Utility Practice to schedule the interruption or reduction

during periods of least impact to Interconnection Customer and Transmission Provider;

9.7.2.5 The Parties shall cooperate and coordinate with each other to the extent necessary in order to restore the Large Generating Facility, Interconnection Facilities, and the Transmission System to their normal operating state, consistent with system conditions and Good Utility Practice.

9.7.3 Under-Frequency and Over Frequency Conditions. The Transmission System is designed to automatically activate a load-shed program as required by the Applicable Reliability Council in the event of an under-frequency system disturbance. Interconnection Customer shall implement under-frequency and over-frequency relay set points for the Large Generating Facility as required by the Applicable Reliability Council to ensure "ride through" capability of the Transmission System. Large Generating Facility response to frequency deviations of pre-determined magnitudes, both under-frequency and over-frequency deviations, shall be studied and coordinated with Transmission Provider in accordance with Good Utility Practice. The term "ride through" as used herein shall mean the ability of a Generating Facility to stay connected to and synchronized with the Transmission System during system disturbances within a range of under-frequency and over-frequency conditions, in accordance with Good Utility Practice.

9.7.4 System Protection and Other Control Requirements.

9.7.4.1 System Protection Facilities. Interconnection Customer shall, at its expense, install, operate and maintain System Protection Facilities as a part of the Large Generating Facility or Interconnection Customer's Interconnection Facilities. Transmission Provider shall install at Interconnection Customer's expense any System Protection Facilities that may be required on Transmission Provider's Interconnection Facilities or the Transmission System as a result of the interconnection of the Large Generating Facility and Interconnection Customer's Interconnection Facilities.

9.7.4.2 Each Party's protection facilities shall be designed and coordinated with other systems in accordance with Good Utility Practice.

9.7.4.3 Each Party shall be responsible for protection of its facilities consistent with Good Utility Practice.

9.7.4.4 Each Party's protective relay design shall incorporate the necessary test switches to perform the tests required in Article 6. The required test switches will be placed such that they allow operation

of lockout relays while preventing breaker failure schemes from operating and causing unnecessary breaker operations and/or the tripping of Interconnection Customer's units.

9.7.4.5 Each Party will test, operate and maintain System Protection Facilities in accordance with Good Utility Practice.

9.7.4.6 Prior to the In-Service Date, and again prior to the Commercial Operation Date, each Party or its agent shall perform a complete calibration test and functional trip test of the System Protection Facilities. At intervals suggested by Good Utility Practice and following any apparent malfunction of the System Protection Facilities, each Party shall perform both calibration and functional trip tests of its System Protection Facilities. These tests do not require the tripping of any in-service generation unit. These tests do, however, require that all protective relays and lockout contacts be activated.

9.7.5 Requirements for Protection. In compliance with Good Utility Practice, Interconnection Customer shall provide, install, own, and maintain relays, circuit breakers and all other devices necessary to remove any fault contribution of the Large Generating Facility to any short circuit occurring on the Transmission System not otherwise isolated by Transmission Provider's equipment, such that the removal of the fault contribution shall be coordinated with the protective requirements of the Transmission System. Such protective equipment shall include, without limitation, a disconnecting device or switch with load-interrupting capability located between the Large Generating Facility and the Transmission System at a site selected upon mutual agreement (not to be unreasonably withheld, conditioned or delayed) of the Parties. Interconnection Customer shall be responsible for protection of the Large Generating Facility and Interconnection Customer's other equipment from such conditions as negative sequence currents, over- or under-frequency, sudden load rejection, over- or under-voltage, and generator loss-of-field. Interconnection Customer shall be solely responsible to disconnect the Large Generating Facility and Interconnection Customer's other equipment if conditions on the Transmission System could adversely affect the Large Generating Facility.

9.7.6 Power Quality. Neither Party's facilities shall cause excessive voltage flicker nor introduce excessive distortion to the sinusoidal voltage or current waves as defined by ANSI Standard C84.1-1989, in accordance with IEEE Standard 519, or any applicable superseding electric industry standard. In the event of a conflict between ANSI Standard C84.1-1989, or any applicable superseding

electric industry standard, ANSI Standard C84.1-1989, or the applicable superseding electric industry standard, shall control.

9.8 Switching and Tagging Rules. Each Party shall provide the other Party a copy of its switching and tagging rules that are applicable to the other Party's activities. Such switching and tagging rules shall be developed on a non-discriminatory basis. The Parties shall comply with applicable switching and tagging rules, as amended from time to time, in obtaining clearances for work or for switching operations on equipment.

9.9 Use of Interconnection Facilities by Third Parties.

9.9.1 Purpose of Interconnection Facilities. Except as may be required by Applicable Laws and Regulations, or as otherwise agreed to among the Parties, the Interconnection Facilities shall be constructed for the sole purpose of interconnecting the Large Generating Facility to the Transmission System and shall be used for no other purpose.

9.9.2 Third Party Users. If required by Applicable Laws and Regulations or if the Parties mutually agree, such agreement not to be unreasonably withheld, to allow one or more third parties to use Transmission Provider's Interconnection Facilities, or any part thereof, Interconnection Customer will be entitled to compensation for the capital expenses it incurred in connection with the Interconnection Facilities based upon the pro rata use of the Interconnection Facilities by Transmission Provider, all third party users, and Interconnection Customer, in accordance with Applicable Laws and Regulations or upon some other mutually-agreed upon methodology. In addition, cost responsibility for ongoing costs, including operation and maintenance costs associated with the Interconnection Facilities, will be allocated between Interconnection Customer and any third party users based upon the pro rata use of the Interconnection Facilities by Transmission Provider, all third party users, and Interconnection Customer, in accordance with Applicable Laws and Regulations or upon some other mutually agreed upon methodology. If the issue of such compensation or allocation cannot be resolved through such negotiations, it shall be submitted to FERC for resolution.

9.10 Disturbance Analysis Data Exchange. The Parties will cooperate with one another in the analysis of disturbances to either the Large Generating Facility or Transmission Provider's Transmission System by gathering and providing access to any information relating to any disturbance, including information from oscillography, protective relay targets, breaker operations and sequence of events records, and any disturbance information required by Good Utility Practice.

Article 10. Maintenance

10.1 Transmission Provider Obligations. Transmission Provider shall maintain the Transmission System and Transmission Provider's Interconnection Facilities in a safe and reliable manner and in accordance with this LGIA.

10.2 Interconnection Customer Obligations. Interconnection Customer shall maintain the Large Generating Facility and Interconnection Customer's Interconnection Facilities in a

safe and reliable manner and in accordance with this LGIA.

10.3 Coordination. The Parties shall confer regularly to coordinate the planning, scheduling and performance of preventive and corrective maintenance on the Large Generating Facility and the Interconnection Facilities.

10.4 Secondary Systems. Each Party shall cooperate with the other in the inspection, maintenance, and testing of control or power circuits that operate below 600 volts, AC or DC, including, but not limited to, any hardware, control or protective devices, cables, conductors, electric raceways, secondary equipment panels, transducers, batteries, chargers, and voltage and current transformers that directly affect the operation of a Party's facilities and equipment which may reasonably be expected to impact the other Party. Each Party shall provide advance notice to the other Party before undertaking any work on such circuits, especially on electrical circuits involving circuit breaker trip and close contacts, current transformers, or potential transformers.

10.5 Operating and Maintenance Expenses. Subject to the provisions herein addressing the use of facilities by others, and except for operations and maintenance expenses associated with modifications made for providing interconnection or transmission service to a third party and such third party pays for such expenses, Interconnection Customer shall be responsible for all reasonable expenses including overheads, associated with: (1) owning, operating, maintaining, repairing, and replacing Interconnection Customer's Interconnection Facilities; and (2) operation, maintenance, repair and replacement of Transmission Provider's Interconnection Facilities.

Article 11. Performance Obligation

11.1 Interconnection Customer Interconnection Facilities. Interconnection Customer shall design, procure, construct, install, own and/or control Interconnection Customer Interconnection Facilities described in Appendix A, Interconnection Facilities, Network Upgrades and Distribution Upgrades, at its sole expense.

11.2 Transmission Provider's Interconnection Facilities. Transmission Provider or Transmission Owner shall design, procure, construct, install, own and/or control the Transmission Provider's Interconnection Facilities described in Appendix A, Interconnection Facilities, Network Upgrades and Distribution Upgrades, at the sole expense of the Interconnection Customer.

11.3 Network Upgrades and Distribution Upgrades. Transmission Provider or Transmission Owner shall design, procure, construct, install, and own the Network Upgrades and Distribution Upgrades described in Appendix A, Interconnection Facilities, Network Upgrades and Distribution Upgrades. The Interconnection Customer shall be responsible for all costs related to Distribution Upgrades. Unless Transmission Provider or Transmission Owner elects to fund the capital for the Network Upgrades, they shall be solely funded by Interconnection Customer.

11.4 Transmission Credits.

11.4.1 Repayment of Amounts Advanced for Network Upgrades. Interconnection Customer shall be entitled to a cash repayment, equal to the total amount paid to Transmission Provider and Affected System Operator, if any, for the Network Upgrades, including any tax gross-up or other tax-related payments associated with Network Upgrades, and not refunded to Interconnection Customer pursuant to Article 5.17.8 or otherwise, to be paid to Interconnection Customer on a dollar-for-dollar basis for the non-usage sensitive portion of transmission charges, as payments are made under Transmission Provider's Tariff and Affected System's Tariff for transmission services with respect to the Large Generating Facility. Any repayment shall include interest calculated in accordance with the methodology set forth in FERC's regulations at 18 C.F.R. §35.19a(a)(2)(iii) from the date of any payment for Network Upgrades through the date on which the Interconnection Customer receives a repayment of such payment pursuant to this subparagraph. Interconnection Customer may assign such repayment rights to any person.

Notwithstanding the foregoing, Interconnection Customer, Transmission Provider, and Affected System Operator may adopt any alternative payment schedule that is mutually agreeable so long as Transmission Provider and Affected System Operator take one of the following actions no later than five years from the Commercial Operation Date: (1) return to Interconnection Customer any amounts advanced for Network Upgrades not previously repaid, or (2) declare in writing that Transmission Provider or Affected System Operator will continue to provide payments to Interconnection Customer on a dollar-for-dollar basis for the non-usage sensitive portion of transmission charges, or develop an alternative schedule that is mutually agreeable and provides for the return of all amounts advanced for Network Upgrades not previously repaid; however, full reimbursement shall not extend beyond twenty (20) years from the Commercial Operation Date.

If the Large Generating Facility fails to achieve commercial operation, but it or another Generating Facility is later constructed and makes use of the Network Upgrades, Transmission Provider and Affected System Operator shall at that time reimburse Interconnection Customer for the amounts advanced for the Network Upgrades. Before any such reimbursement can occur, the Interconnection Customer, or the entity that ultimately constructs the Generating Facility, if different, is responsible for identifying the entity to which reimbursement must be made.

11.4.2 Special Provisions for Affected Systems. Unless Transmission Provider provides, under the LGIA, for the repayment of amounts advanced to Affected System Operator for Network Upgrades, Interconnection

Customer and Affected System Operator shall enter into an agreement that provides for such repayment. The agreement shall specify the terms governing payments to be made by Interconnection Customer to the Affected System Operator as well as the repayment by the Affected System Operator.

11.4.3 Notwithstanding any other provision of this LGIA, nothing herein shall be construed as relinquishing or foreclosing any rights, including but not limited to firm transmission rights, capacity rights, transmission congestion rights, or transmission credits, that Interconnection Customer, shall be entitled to, now or in the future under any other agreement or tariff as a result of, or otherwise associated with, the transmission capacity, if any, created by the Network Upgrades, including the right to obtain cash reimbursements or transmission credits for transmission service that is not associated with the Large Generating Facility.

11.5 Provision of Security. At least thirty (30) Calendar Days prior to the commencement of the procurement, installation, or construction of a discrete portion of a Transmission Provider's Interconnection Facilities, Network Upgrades, or Distribution Upgrades, Interconnection Customer shall provide Transmission Provider, at Interconnection Customer's option, a guarantee, a surety bond, letter of credit or other form of security that is reasonably acceptable to Transmission Provider and is consistent with the Uniform Commercial Code of the jurisdiction identified in Article 14.2.1. Such security for payment shall be in an amount sufficient to cover the costs for constructing, procuring and installing the applicable portion of Transmission Provider's Interconnection Facilities, Network Upgrades, or Distribution Upgrades and shall be reduced on a dollar-for-dollar basis for payments made to Transmission Provider for these purposes.

In addition:

11.5.1 The guarantee must be made by an entity that meets the creditworthiness requirements of Transmission Provider, and contain terms and conditions that guarantee payment of any amount that may be due from Interconnection Customer, up to an agreed-to maximum amount.

11.5.2 The letter of credit must be issued by a financial institution reasonably acceptable to Transmission Provider and must specify a reasonable expiration date.

11.5.3 The surety bond must be issued by an insurer reasonably acceptable to Transmission Provider and must specify a reasonable expiration date.

11.6 Interconnection Customer Compensation. If Transmission Provider requests or directs Interconnection Customer to provide a service pursuant to Articles 9.6.3 (Payment for Reactive Power), or 13.5.1 of this LGIA, Transmission Provider shall compensate Interconnection Customer in accordance with Interconnection Customer's applicable rate

schedule then in effect unless the provision of such service(s) is subject to an RTO or ISO FERC-approved rate schedule. Interconnection Customer shall serve Transmission Provider or RTO or ISO with any filing of a proposed rate schedule at the time of such filing with FERC. To the extent that no rate schedule is in effect at the time the Interconnection Customer is required to provide or absorb any Reactive Power under this LGIA, Transmission Provider agrees to compensate Interconnection Customer in such amount as would have been due Interconnection Customer had the rate schedule been in effect at the time service commenced; provided, however, that such rate schedule must be filed at FERC or other appropriate Governmental Authority within sixty (60) Calendar Days of the commencement of service.

11.6.1 **Interconnection Customer Compensation for Actions During Emergency Condition**. Transmission Provider or RTO or ISO shall compensate Interconnection Customer for its provision of real and reactive power and other Emergency Condition services that Interconnection Customer provides to support the Transmission System during an Emergency Condition in accordance with Article 11.6.

Article 12. Invoice

12.1 **General.** Each Party shall submit to the other Party, on a monthly basis, invoices of amounts due for the preceding month. Each invoice shall state the month to which the invoice applies and fully describe the services and equipment provided. The Parties may discharge mutual debts and payment obligations due and owing to each other on the same date through netting, in which case all amounts a Party owes to the other Party under this LGIA, including interest payments or credits, shall be netted so that only the net amount remaining due shall be paid by the owing Party.

12.2 **Final Invoice.** Within six months after completion of the construction of Transmission Provider's Interconnection Facilities and the Network Upgrades, Transmission Provider shall provide an invoice of the final cost of the construction of Transmission Provider's Interconnection Facilities and the Network Upgrades and shall set forth such costs in sufficient detail to enable Interconnection Customer to compare the actual costs with the estimates and to ascertain deviations, if any, from the cost estimates. Transmission Provider shall refund to Interconnection Customer any amount by which the actual payment by Interconnection Customer for estimated costs exceeds the actual costs of construction within thirty (30) Calendar Days of the issuance of such final construction invoice.

12.3 **Payment.** Invoices shall be rendered to the paying Party at the address specified in Appendix F. The Party receiving the invoice shall pay the invoice within thirty (30) Calendar Days of receipt. All payments shall be made in immediately available funds payable to the other Party, or by wire transfer to a bank named and account designated by the invoicing Party. Payment of invoices by either Party will not constitute a waiver of any rights or claims either Party may have under this LGIA.

12.4 Disputes. In the event of a billing dispute between Transmission Provider and Interconnection Customer, Transmission Provider shall continue to provide Interconnection Service under this LGIA as long as Interconnection Customer: (i) continues to make all payments not in dispute; and (ii) pays to Transmission Provider or into an independent escrow account the portion of the invoice in dispute, pending resolution of such dispute. If Interconnection Customer fails to meet these two requirements for continuation of service, then Transmission Provider may provide notice to Interconnection Customer of a Default pursuant to Article 17. Within thirty (30) Calendar Days after the resolution of the dispute, the Party that owes money to the other Party shall pay the amount due with interest calculated in accord with the methodology set forth in FERC's regulations at 18 CFR § 35.19a(a)(2)(iii).

Article 13. Emergencies

13.1 Definition. "Emergency Condition" shall mean a condition or situation: (i) that in the judgment of the Party making the claim is imminently likely to endanger life or property; or (ii) that, in the case of Transmission Provider, is imminently likely (as determined in a non-discriminatory manner) to cause a material adverse effect on the security of, or damage to the Transmission System, Transmission Provider's Interconnection Facilities or the Transmission Systems of others to which the Transmission System is directly connected; or (iii) that, in the case of Interconnection Customer, is imminently likely (as determined in a non-discriminatory manner) to cause a material adverse effect on the security of, or damage to, the Large Generating Facility or Interconnection Customer's Interconnection Facilities' System restoration and black start shall be considered Emergency Conditions; provided, that Interconnection Customer is not obligated by this LGIA to possess black start capability.

13.2 Obligations. Each Party shall comply with the Emergency Condition procedures of the applicable ISO/RTO, NERC, the Applicable Reliability Council, Applicable Laws and Regulations, and any emergency procedures agreed to by the Joint Operating Committee.

13.3 Notice. Transmission Provider shall notify Interconnection Customer promptly when it becomes aware of an Emergency Condition that affects Transmission Provider's Interconnection Facilities or the Transmission System that may reasonably be expected to affect Interconnection Customer's operation of the Large Generating Facility or Interconnection Customer's Interconnection Facilities. Interconnection Customer shall notify Transmission Provider promptly when it becomes aware of an Emergency Condition that affects the Large Generating Facility or Interconnection Customer's Interconnection Facilities that may reasonably be expected to affect the Transmission System or Transmission Provider's Interconnection Facilities. To the extent information is known, the notification shall describe the Emergency Condition, the extent of the damage or deficiency, the expected effect on the operation of Interconnection Customer's or Transmission Provider's facilities and operations, its anticipated duration and the corrective action taken and/or to be taken. The initial notice shall be followed as soon as practicable with written notice.

13.4 Immediate Action. Unless, in Interconnection Customer's reasonable judgment, immediate action is required, Interconnection Customer shall obtain the consent of Transmission Provider, such consent to not be unreasonably withheld, prior to performing any manual switching operations at the Large Generating Facility or Interconnection Customer's Interconnection Facilities in response to an Emergency Condition either declared by Transmission Provider or otherwise regarding the Transmission System.

13.5 Transmission Provider Authority.

13.5.1 General. Transmission Provider may take whatever actions or inactions with regard to the Transmission System or Transmission Provider's Interconnection Facilities it deems necessary during an Emergency Condition in order to (i) preserve public health and safety, (ii) preserve the reliability of the Transmission System or Transmission Provider's Interconnection Facilities, (iii) limit or prevent damage, and (iv) expedite restoration of service.

Transmission Provider shall use Reasonable Efforts to minimize the effect of such actions or inactions on the Large Generating Facility or Interconnection Customer's Interconnection Facilities. Transmission Provider may, on the basis of technical considerations, require the Large Generating Facility to mitigate an Emergency Condition by taking actions necessary and limited in scope to remedy the Emergency Condition, including, but not limited to, directing Interconnection Customer to shut-down, start-up, increase or decrease the real or reactive power output of the Large Generating Facility; implementing a reduction or disconnection pursuant to Article 13.5.2; directing Interconnection Customer to assist with blackstart (if available) or restoration efforts; or altering the outage schedules of the Large Generating Facility and Interconnection Customer's Interconnection Facilities. Interconnection Customer shall comply with all of Transmission Provider's operating instructions concerning Large Generating Facility real power and reactive power output within the manufacturer's design limitations of the Large Generating Facility's equipment that is in service and physically available for operation at the time, in compliance with Applicable Laws and Regulations.

13.5.2 Reduction and Disconnection. Transmission Provider may reduce Interconnection Service or disconnect the Large Generating Facility or Interconnection Customer's Interconnection Facilities, when such, reduction or disconnection is necessary under Good Utility Practice due to Emergency Conditions. These rights are separate and distinct from any right of curtailment of Transmission Provider pursuant to Transmission Provider's Tariff. When Transmission Provider can schedule the reduction or disconnection in advance, Transmission Provider shall notify Interconnection Customer of the reasons, timing and expected duration of

the reduction or disconnection. Transmission Provider shall coordinate with Interconnection Customer using Good Utility Practice to schedule the reduction or disconnection during periods of least impact to Interconnection Customer and Transmission Provider. Any reduction or disconnection shall continue only for so long as reasonably necessary under Good Utility Practice. The Parties shall cooperate with each other to restore the Large Generating Facility, the Interconnection Facilities, and the Transmission System to their normal operating state as soon as practicable consistent with Good Utility Practice.

13.6 Interconnection Customer Authority. Consistent with Good Utility Practice and the LGIA and the LGIP, Interconnection Customer may take actions or inactions with regard to the Large Generating Facility or Interconnection Customer's Interconnection Facilities during an Emergency Condition in order to (i) preserve public health and safety, (ii) preserve the reliability of the Large Generating Facility or Interconnection Customer's Interconnection Facilities, (iii) limit or prevent damage, and (iv) expedite restoration of service. Interconnection Customer shall use Reasonable Efforts to minimize the effect of such actions or inactions on the Transmission System and Transmission Provider's Interconnection Facilities. Transmission Provider shall use Reasonable Efforts to assist Interconnection Customer in such actions.

13.7 Limited Liability. Except as otherwise provided in Article 11.6.1 of this LGIA, neither Party shall be liable to the other for any action it takes in responding to an Emergency Condition so long as such action is made in good faith and is consistent with Good Utility Practice.

Article 14. Regulatory Requirements and Governing Law

14.1 Regulatory Requirements. Each Party's obligations under this LGIA shall be subject to its receipt of any required approval or certificate from one or more Governmental Authorities in the form and substance satisfactory to the applying Party, or the Party making any required filings with, or providing notice to, such Governmental Authorities, and the expiration of any time period associated therewith. Each Party shall in good faith seek and use its Reasonable Efforts to obtain such other approvals. Nothing in this LGIA shall require Interconnection Customer to take any action that could result in its inability to obtain, or its loss of, status or exemption under the Federal Power Act, the Public Utility Holding Company Act of 1935, as amended, or the Public Utility Regulatory Policies Act of 1978.

14.2 Governing Law.

14.2.1 The validity, interpretation and performance of this LGIA and each of its provisions shall be governed by the laws of the state where the Point of Interconnection is located, without regard to its conflicts of law principles.

14.2.2 This LGIA is subject to all Applicable Laws and Regulations.

14.2.3 Each Party expressly reserves the right to seek changes in, appeal, or otherwise contest any laws, orders, rules, or regulations of a Governmental Authority.

Article 15. Notices

15.1 General. Unless otherwise provided in this LGIA, any notice, demand or request required or permitted to be given by either Party to the other and any instrument required or permitted to be tendered or delivered by either Party in writing to the other shall be effective when delivered and may be so given, tendered or delivered, by recognized national courier, or by depositing the same with the United States Postal Service with postage prepaid, for delivery by certified or registered mail, addressed to the Party, or personally delivered to the Party, at the address set out in Appendix F, Addresses for Delivery of Notices and Billings.

Either Party may change the notice information in this LGIA by giving five (5) Business Days written notice prior to the effective date of the change.

15.2 Billings and Payments. Billings and payments shall be sent to the addresses set out in Appendix F.

15.3 Alternative Forms of Notice. Any notice or request required or permitted to be given by a Party to the other and not required by this Agreement to be given in writing may be so given by telephone, facsimile or email to the telephone numbers and email addresses set out in Appendix F.

15.4 Operations and Maintenance Notice. Each Party shall notify the other Party in writing of the identity of the person(s) that it designates as the point(s) of contact with respect to the implementation of Articles 9 and 10.

Article 16. Force Majeure

16.1 Force Majeure.

16.1.1 Economic hardship is not considered a Force Majeure event.

16.1.2 Neither Party shall be considered to be in Default with respect to any obligation hereunder, (including obligations under Article 4), other than the obligation to pay money when due, if prevented from fulfilling such obligation by Force Majeure. A Party unable to fulfill any obligation hereunder (other than an obligation to pay money when due) by reason of Force Majeure shall give notice and the full particulars of such Force Majeure to the other Party in writing or by telephone as soon as reasonably possible after the occurrence of the cause relied upon. Telephone notices given pursuant to this article shall be confirmed in writing as soon as reasonably possible and shall specifically state full particulars of the Force Majeure, the time and date when the Force Majeure occurred and when the

Force Majeure is reasonably expected to cease. The Party affected shall exercise due diligence to remove such disability with reasonable dispatch, but shall not be required to accede or agree to any provision not satisfactory to it in order to settle and terminate a strike or other labor disturbance.

Article 17. Default

17.1 Default.

17.1.1 General. No Default shall exist where such failure to discharge an obligation (other than the payment of money) is the result of Force Majeure as defined in this LGIA or the result of an act of omission of the other Party. Upon a Breach, the non-breaching Party shall give written notice of such Breach to the breaching Party. Except as provided in Article 17.1.2, the breaching Party shall have thirty (30) Calendar Days from receipt of the Default notice within which to cure such Breach; provided however, if such Breach is not capable of cure within thirty (30) Calendar Days, the breaching Party shall commence such cure within thirty (30) Calendar Days after notice and continuously and diligently complete such cure within ninety (90) Calendar Days from receipt of the Default notice; and, if cured within such time, the Breach specified in such notice shall cease to exist.

17.1.2 Right to Terminate. If a Breach is not cured as provided in this article, or if a Breach is not capable of being cured within the period provided for herein, the non-breaching Party shall have the right to declare a Default and terminate this LGIA by written notice at any time until cure occurs, and be relieved of any further obligation hereunder and, whether or not that Party terminates this LGIA, to recover from the breaching Party all amounts due hereunder, plus all other damages and remedies to which it is entitled at law or in equity. The provisions of this article will survive termination of this LGIA.

Article 18. Indemnity, Consequential Damages and Insurance

18.1 Indemnity. The Parties shall at all times indemnify, defend, and hold the other Party 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, demand, suits, recoveries, costs and expenses, court costs, attorney fees, and all other obligations by or to third parties, arising out of or resulting from the other Party's action or inactions of its obligations under this LGIA on behalf of the Indemnifying Party, except in cases of gross negligence or intentional wrongdoing by the Indemnified Party.

18.1.1 Indemnified Person. If an Indemnified Person is entitled to indemnification under this Article 18 as a result of a claim by a third party, and the Indemnifying Party fails, after notice and reasonable opportunity to proceed under Article 18.1, to assume the defense of such claim, such Indemnified Person may at the expense of the Indemnifying Party contest,

settle or consent to the entry of any judgment with respect to, or pay in full, such claim.

18.1.2 Indemnifying Party. If an Indemnifying Party is obligated to indemnify and hold any Indemnified Person harmless under this Article 18, the amount owing to the Indemnified Person shall be the amount of such Indemnified Person's actual Loss, net of any insurance or other recovery.

18.1.3 Indemnity Procedures. Promptly after receipt by an Indemnified Person of any claim or notice of the commencement of any action or administrative or legal proceeding or investigation as to which the indemnity provided for in Article 18.1 may apply, the Indemnified Person shall notify the Indemnifying Party of such fact. Any failure of or delay in such notification shall not affect a Party's indemnification obligation unless such failure or delay is materially prejudicial to the indemnifying Party.

The Indemnifying Party shall have the right to assume the defense thereof with counsel designated by such Indemnifying Party and reasonably satisfactory to the Indemnified Person. If the defendants in any such action include one or more Indemnified Persons and the Indemnifying Party and if the Indemnified Person reasonably concludes that there may be legal defenses available to it and/or other Indemnified Persons which are different from or additional to those available to the Indemnifying Party, the Indemnified Person shall have the right to select separate counsel to assert such legal defenses and to otherwise participate in the defense of such action on its own behalf. In such instances, the Indemnifying Party shall only be required to pay the fees and expenses of one additional attorney to represent an Indemnified Person or Indemnified Persons having such differing or additional legal defenses.

The Indemnified Person shall be entitled, at its expense, to participate in any such action, suit or proceeding, the defense of which has been assumed by the Indemnifying Party. Notwithstanding the foregoing, the Indemnifying Party (i) shall not be entitled to assume and control the defense of any such action, suit or proceedings if and to the extent that, in the opinion of the Indemnified Person and its counsel, such action, suit or proceeding involves the potential imposition of criminal liability on the Indemnified Person, or there exists a conflict or adversity of interest between the Indemnified Person and the Indemnifying Party, in such event the Indemnifying Party shall pay the reasonable expenses of the Indemnified Person, and (ii) shall not settle or consent to the entry of any judgment in any action, suit or proceeding without the consent of the Indemnified Person, which shall not be reasonably withheld, conditioned or delayed.

18.1.4 Indemnity Limitations. To the extent, if at all, Section 56-7-1 NMSA 1978, *et seq.* (2005), as amended, is applicable to any indemnity provision

in this Agreement, any agreement to indemnify, hold harmless, insure (including a requirement to name the indemnified party as an additional insured) or defend another party, including the other party's employees or agents, contained in this Agreement will not extend to liability, claims, damages losses or expenses, including attorney's fees, arising out of bodily injury to persons or damage to property resulting from, in whole or in part, the negligence, act or omission of any indemnitee, its officers, employees or agents.

18.2 Consequential Damages. Other than the Liquidated Damages heretofore described, in no event shall either Party be liable under any provision of this LGIA for any losses, damages, costs or expenses for any special, indirect, incidental, consequential, or punitive damages, including but not limited to loss of profit or revenue, loss of the use of equipment, cost of capital, cost of temporary equipment or services, whether based in whole or in part in contract, in tort, including negligence, strict liability, or any other theory of liability; provided, however, that damages for which a Party may be liable to the other Party under another agreement will not be considered to be special, indirect, incidental, or consequential damages hereunder.

18.3 Insurance. Each Party shall, at its own expense, maintain in force throughout the period of this LGIA, and until released by the other Party, the following minimum insurance coverages, with insurers authorized to do business in the state where the Point of Interconnection is located:

18.3.1 Employers' Liability and Workers' Compensation Insurance providing statutory benefits in accordance with the laws and regulations of the state in which the Point of Interconnection is located.

18.3.2 Commercial General Liability Insurance including premises and operations, personal injury, broad form property damage, broad form blanket contractual liability coverage (including coverage for the contractual indemnification) products and completed operations coverage, coverage for explosion, collapse and underground hazards, independent contractors coverage, coverage for pollution to the extent normally available and punitive damages to the extent normally available and a cross liability endorsement, with minimum limits of One Million Dollars ($1,000,000) per occurrence/One Million Dollars ($1,000,000) aggregate combined single limit for personal injury, bodily injury, including death and property damage.

18.3.3 Comprehensive Automobile Liability Insurance for coverage of owned and non-owned and hired vehicles, trailers or semi-trailers designed for travel on public roads, with a minimum, combined single limit of One Million Dollars ($1,000,000) per occurrence for bodily injury, including death, and property damage.

18.3.4 Excess Public Liability Insurance over and above the Employers' Liability Commercial General Liability and Comprehensive Automobile Liability Insurance coverage, with a minimum combined single limit of Twenty Million Dollars ($20,000,000) per occurrence/Twenty Million Dollars ($20,000,000) aggregate.

18.3.5 The Commercial General Liability Insurance, Comprehensive Automobile Insurance and Excess Public Liability Insurance policies shall name the other Party, its parent, associated and Affiliate companies and their respective directors, officers, agents, servants and employees ("Other Party Group") as additional insured. All policies shall contain provisions whereby the insurers waive all rights of subrogation in accordance with the provisions of this LGIA against the Other Party Group and provide thirty (30) Calendar Days advance written notice to the Other Party Group prior to anniversary date of cancellation or any material change in coverage or condition.

18.3.6 The Commercial General Liability Insurance, Comprehensive Automobile Liability Insurance and Excess Public Liability Insurance policies shall contain provisions that specify that the policies are primary and shall apply to such extent without consideration for other policies separately carried and shall state that each insured is provided coverage as though a separate policy had been issued to each, except the insurer's liability shall not be increased beyond the amount for which the insurer would have been liable had only one insured been covered. Each Party shall be responsible for its respective deductibles or retentions.

18.3.7 The Commercial General Liability Insurance, Comprehensive Automobile Liability Insurance and Excess Public Liability Insurance policies, if written on a Claims First Made Basis, shall be maintained in full force and effect for two (2) years after termination of this LGIA, which coverage may be in the form of tail coverage or extended reporting period coverage if agreed by the Parties.

18.3.8 The requirements contained herein as to the types and limits of all insurance to be maintained by the Parties are not intended to and shall not in any manner, limit or qualify the liabilities and obligations assumed by the Parties under this LGIA.

18.3.9 Within ten (10) days following execution of this LGIA, and as soon as practicable after the end of each fiscal year or at the renewal of the insurance policy and in any event within ninety (90) days thereafter, each Party shall provide certification of all insurance required in this LGIA, executed by each insurer or by an authorized representative of each insurer.

18.3.10 In addition to the foregoing, each Party may self-insure to meet the

minimum insurance requirements of Articles 18.3.2 through 18.3.8 to the extent it maintains a self-insurance program; provided that, such Party's self-insurance program meets the minimum insurance requirements of Articles 18.3.2 through 18.3.8. In the event that a Party is permitted to self-insure pursuant to this article, it shall certify to the other Party with a letter of self insurance that it meets the requirements to self-insure and that its self-insurance program meets the minimum insurance requirements in a manner consistent with that specified in Article 18.3.9.

18.3.11 The Parties agree to report to each other in writing as soon as practical all accidents or occurrences resulting in injuries to any person, including death, and any property damage arising out of this LGIA.

Article 19. Assignment

19.1 **Assignment**. This LGIA may be assigned by either Party only with the written consent of the other; provided that either Party may assign this LGIA without the consent of the other Party to any Affiliate of the assigning Party with an equal or greater credit rating and with the legal authority and operational ability to satisfy the obligations of the assigning Party under this LGIA; and provided further that Interconnection Customer shall have the right to assign this LGIA, without the consent of Transmission Provider, for collateral security purposes to aid in providing financing for the Large Generating Facility, provided that Interconnection Customer will promptly notify Transmission Provider of any such assignment. Any financing arrangement entered into by Interconnection Customer pursuant to this article will provide that prior to or upon the exercise of the secured party's, trustee's or mortgagee's assignment rights pursuant to said arrangement, the secured creditor, the trustee or mortgagee will notify Transmission Provider of the date and particulars of any such exercise of assignment right(s), including providing the Transmission Provider with proof that it meets the requirements of Articles 11.5 and 18.3. Any attempted assignment that violates this article is void and ineffective. Any assignment under this LGIA shall not relieve a Party of its obligations, nor shall a Party's obligations be enlarged, in whole or in part, by reason thereof. Where required, consent to assignment will not be unreasonably withheld, conditioned or delayed.

Article 20. Severability

20.1 **Severability**. If any provision in this LGIA is finally determined to be invalid, void or unenforceable by any court or other Governmental Authority having jurisdiction, such determination shall not invalidate, void or make unenforceable any other provision, agreement or covenant of this LGIA; provided that if Interconnection Customer (or any third party, but only if such third party is not acting at the direction of Transmission Provider) seeks and obtains such a final determination with respect to any provision of the Alternate Option (Article 5.1.2), or the Negotiated Option (Article 5.1.4), then none of these provisions shall thereafter have any force or effect and the Parties' rights and obligations shall be governed solely by the Standard Option (Article 5.1.1).

Article 21. Comparability

21.1 Comparability. The Parties will comply with all applicable comparability and code of conduct laws, rules and regulations, as amended from time to time.

Article 22. Confidentiality

22.1 Confidentiality. Confidential Information shall include, without limitation, all information relating to a Party's technology, research and development, business affairs, and pricing, and any information supplied by either of the Parties to the other prior to the execution of this LGIA.

Information is Confidential Information only if it is clearly designated or marked in writing as confidential on the face of the document, or, if the information is conveyed orally or by inspection, if the Party providing the information orally informs the Party receiving the information that the information is confidential.

If requested by either Party, the other Party shall provide in writing, the basis for asserting that the information referred to in this Article 22 warrants confidential treatment, and the requesting Party may disclose such writing to the appropriate Governmental Authority. Each Party shall be responsible for the costs associated with affording confidential treatment to its information.

22.1.1 Term. During the term of this LGIA, and for a period of three (3) years after the expiration or termination of this LGIA, except as otherwise provided in this Article 22, each Party shall hold in confidence and shall not disclose to any person Confidential Information.

22.1.2 Scope. Confidential Information shall not include information that the receiving Party can demonstrate: (1) is generally available to the public other than as a result of a disclosure by the receiving Party; (2) was in the lawful possession of the receiving Party on a non-confidential basis before receiving it from the disclosing Party; (3) was supplied to the receiving Party without restriction by a third party, who, to the knowledge of the receiving Party after due inquiry, was under no obligation to the disclosing Party to keep such information confidential; (4) was independently developed by the receiving Party without reference to Confidential Information of the disclosing Party; (5) is, or becomes, publicly known, through no wrongful act or omission of the receiving Party or Breach of this LGIA; or (6) is required, in accordance with Article 22.1.7 of the LGIA, Order of Disclosure, to be disclosed by any Governmental Authority or is otherwise required to be disclosed by law or subpoena, or is necessary in any legal proceeding establishing rights and obligations under this LGIA. Information designated as Confidential Information will no longer be deemed confidential if the Party that designated the information as confidential notifies the other Party that it no longer is confidential.

22.1.3 **Release of Confidential Information.** Neither Party shall release or disclose Confidential Information to any other person, except to its Affiliates (limited by the Standards of Conduct requirements), subcontractors, employees, consultants, or to parties who may be or considering providing financing to or equity participation with Interconnection Customer, or to potential purchasers or assignees of Interconnection Customer, on a need-to-know basis in connection with this LGIA, unless such person has first been advised of the confidentiality provisions of this Article 22 and has agreed to comply with such provisions. Notwithstanding the foregoing, a Party providing Confidential Information to any person shall remain primarily responsible for any release of Confidential Information in contravention of this Article 22.

22.1.4 **Rights.** Each Party retains all rights, title, and interest in the Confidential Information that each Party discloses to the other Party. The disclosure by each Party to the other Party of Confidential Information shall not be deemed a waiver by either Party or any other person or entity of the right to protect the Confidential Information from public disclosure.

22.1.5 **No Warranties.** By providing Confidential Information, neither Party makes any warranties or representations as to its accuracy or completeness. In addition, by supplying Confidential Information, neither Party obligates itself to provide any particular information or Confidential Information to the other Party nor to enter into any further agreements or proceed with any other relationship or joint venture.

22.1.6 **Standard of Care.** Each Party shall use at least the same standard of care to protect Confidential Information it receives as it uses to protect its own Confidential Information from unauthorized disclosure, publication or dissemination. Each Party may use Confidential Information solely to fulfill its obligations to the other Party under this LGIA or its regulatory requirements.

22.1.7 **Order of Disclosure.** If a court or a Government Authority or entity with the right, power, and apparent authority to do so requests or requires either Party, by subpoena, oral deposition, interrogatories, requests for production of documents, administrative order, or otherwise, to disclose Confidential Information, that Party shall provide the other Party with prompt notice of such request(s) or requirement(s) so that the other Party may seek an appropriate protective order or waive compliance with the terms of this LGIA. Notwithstanding the absence of a protective order or waiver, the Party may disclose such Confidential Information which, in the opinion of its counsel, the Party is legally compelled to disclose. Each Party will use Reasonable Efforts to obtain reliable assurance that confidential treatment will be accorded any Confidential Information so furnished.

22.1.8 **Termination of Agreement.** Upon termination of this LGIA for any reason, each Party shall, within ten (10) Calendar Days of receipt of a written request from the other Party, use Reasonable Efforts to destroy, erase, or delete (with such destruction, erasure, and deletion certified in writing to the other Party) or return to the other Party, without retaining copies thereof, any and all written or electronic Confidential Information received from the other Party.

22.1.9 **Remedies.** The Parties agree that monetary damages would be inadequate to compensate a Party for the other Party's Breach of its obligations under this Article 22. Each Party accordingly agrees that the other Party shall be entitled to equitable relief, by way of injunction or otherwise, if the first Party Breaches or threatens to Breach its obligations under this Article 22, which equitable relief shall be granted without bond or proof of damages, and the receiving Party shall not plead in defense that there would be an adequate remedy at law. Such remedy shall not be deemed an exclusive remedy for the Breach of this Article 22, but shall be in addition to all other remedies available at law or in equity. The Parties further acknowledge and agree that the covenants contained herein are necessary for the protection of legitimate business interests and are reasonable in scope. No Party, however, shall be liable for indirect, incidental, or consequential or punitive damages of any nature or kind resulting from or arising in connection with this Article 22.

22.1.10 **Disclosure to FERC, its Staff, or a State.** Notwithstanding anything in this Article 22 to the contrary, and pursuant to 18 CFR Section 1b.20, if FERC or its staff, during the course of an investigation or otherwise, requests information from one of the Parties that is otherwise required to be maintained in confidence pursuant to this LGIA, the Party shall provide the requested information to FERC or its staff, within the time provided for in the request for information. In providing the information to FERC or its staff, the Party must, consistent with 18 CFR section 388.112, request that the information be treated as confidential and non-public by FERC and its staff and that the information be withheld from public disclosure. Parties are prohibited from notifying the other Party to this LGIA prior to the release of the Confidential Information to FERC or its staff. The Party shall notify the other Party to the LGIA when it is notified by FERC or its staff that a request to release Confidential Information has been received by FERC, at which time either of the Parties may respond before such information would be made public, pursuant to 18 CFR section 388.112. Requests from a state regulatory body conducting a confidential investigation shall be treated in a similar manner, if consistent with the applicable state rules and regulations.

22.1.11 Subject to the exception in Article 22.1.10, any information that a Party

claims is competitively sensitive, commercial or financial information under this LGIA ("Confidential Information") shall not be disclosed by the other Party to any person not employed or retained by the other Party, except to the extent disclosure is (i) required by law; (ii) reasonably deemed by the disclosing Party to be required to be disclosed in connection with a dispute between or among the Parties, or the defense of litigation or dispute; (iii) otherwise permitted by consent of the other Party, such consent not to be unreasonably withheld; or (iv) necessary to fulfill its obligations under this LGIA or as a transmission service provider or a Control Area operator including disclosing the Confidential Information to an RTO or ISO or to a regional or national reliability organization. The Party asserting confidentiality shall notify the other Party in writing of the information it claims is confidential. Prior to any disclosures of the other Party's Confidential Information under this subparagraph, or if any third party or Governmental Authority makes any request or demand for any of the information described in this subparagraph, the disclosing Party agrees to promptly notify the other Party in writing and agrees to assert confidentiality and cooperate with the other Party in seeking to protect the Confidential Information from public disclosure by confidentiality agreement, protective order or other reasonable measures.

Article 23. Environmental Releases

23.1 Each Party shall notify the other Party, first orally and then in writing, of the release of any Hazardous Substances, any asbestos or lead abatement activities, or any type of remediation activities related to the Large Generating Facility or the Interconnection Facilities, each of which may reasonably be expected to affect the other Party. The notifying Party shall: (i) provide the notice as soon as practicable, provided such Party makes a good faith effort to provide the notice no later than twenty-four hours after such Party becomes aware of the occurrence; and (ii) promptly furnish to the other Party copies of any publicly available reports filed with any Governmental Authorities addressing such events.

Article 24. Information Requirements

24.1 **Information Acquisition.** Transmission Provider and Interconnection Customer shall submit specific information regarding the electrical characteristics of their respective facilities to each other as described below and in accordance with Applicable Reliability Standards.

24.2 **Information Submission by Transmission Provider.** The initial information submission by Transmission Provider shall occur no later than one hundred eighty (180) Calendar Days prior to Trial Operation and shall include Transmission System information necessary to allow Interconnection Customer to select equipment and meet any system protection and stability requirements, unless otherwise agreed to by the Parties. On a monthly basis Transmission Provider shall provide Interconnection Customer a status

report on the construction and installation of Transmission Provider's Interconnection Facilities and Network Upgrades, including, but not limited to, the following information: (1) progress to date; (2) a description of the activities since the last report (3) a description of the action items for the next period; and (4) the delivery status of equipment ordered.

24.3 Updated Information Submission by Interconnection Customer. The updated information submission by Interconnection Customer, including manufacturer information, shall occur no later than one hundred eighty (180) Calendar Days prior to the Trial Operation. Interconnection Customer shall submit a completed copy of the Large Generating Facility data requirements contained in Appendix 1 to the LGIP. It shall also include any additional information provided to Transmission Provider for the Feasibility and Facilities Study. Information in this submission shall be the most current Large Generating Facility design or expected performance data. Information submitted for stability models shall be compatible with Transmission Provider standard models. If there is no compatible model, Interconnection Customer will work with a consultant mutually agreed to by the Parties to develop and supply a standard model and associated information.

If Interconnection Customer's data is materially different from what was originally provided to Transmission Provider pursuant to the Interconnection Study Agreement between Transmission Provider and Interconnection Customer, then Transmission Provider will conduct appropriate studies to determine the impact on Transmission Provider Transmission System based on the actual data submitted pursuant to this Article 24.3. The Interconnection Customer shall not begin Trial Operation until such studies are completed.

24.4 Information Supplementation. Prior to the Operation Date, the Parties shall supplement their information submissions described above in this Article 24 with any and all "as-built" Large Generating Facility information or "as-tested" performance information that differs from the initial submissions or, alternatively, written confirmation that no such differences exist. The Interconnection Customer shall conduct tests on the Large Generating Facility as required by Good Utility Practice such as an open circuit "step voltage" test on the Large Generating Facility to verify proper operation of the Large Generating Facility's automatic voltage regulator.

Unless otherwise agreed, the test conditions shall include: (1) Large Generating Facility at synchronous speed; (2) automatic voltage regulator on and in voltage control mode; and (3) a five percent change in Large Generating Facility terminal voltage initiated by a change in the voltage regulators reference voltage. Interconnection Customer shall provide validated test recordings showing the responses of Large Generating Facility terminal and field voltages. In the event that direct recordings of these voltages is impractical, recordings of other voltages or currents that mirror the response of the Large Generating Facility's terminal or field voltage are acceptable if information necessary to translate these alternate quantities to actual Large Generating Facility terminal or field voltages is provided. Large Generating Facility testing shall be conducted and results provided to Transmission Provider for each individual generating unit in a station.

Subsequent to the Operation Date, Interconnection Customer shall provide Transmission Provider any information changes due to equipment replacement, repair, or adjustment. Transmission Provider shall provide Interconnection Customer any information changes due to equipment replacement, repair or adjustment in the directly connected substation or any adjacent Transmission Provider-owned substation that may affect Interconnection Customer's Interconnection Facilities equipment ratings, protection or operating requirements. The Parties shall provide such information no later than thirty (30) Calendar Days after the date of the equipment replacement, repair or adjustment.

Article 25. Information Access and Audit Rights

25.1 Information Access. Each Party (the "disclosing Party") shall make available to the other Party information that is in the possession of the disclosing Party and is necessary in order for the other Party to: (i) verify the costs incurred by the disclosing Party for which the other Party is responsible under this LGIA; and (ii) carry out its obligations and responsibilities under this LGIA. The Parties shall not use such information for purposes other than those set forth in this Article 25.1 and to enforce their rights under this LGIA.

25.2 Reporting of Non-Force Majeure Events. Each Party (the "notifying Party") shall notify the other Party when the notifying Party becomes aware of its inability to comply with the provisions of this LGIA for a reason other than a Force Majeure event. The Parties agree to cooperate with each other and provide necessary information regarding such inability to comply, including the date, duration, reason for the inability to comply, and corrective actions taken or planned to be taken with respect to such inability to comply. Notwithstanding the foregoing, notification, cooperation or information provided under this article shall not entitle the Party receiving such notification to allege a cause for anticipatory breach of this LGIA.

25.3 Audit Rights. Subject to the requirements of confidentiality under Article 22 of this LGIA, each Party shall have the right, during normal business hours, and upon prior reasonable notice to the other Party, to audit at its own expense the other Party's accounts and records pertaining to either Party's performance or either Party's satisfaction of obligations under this LGIA. Such audit rights shall include audits of the other Party's costs, calculation of invoiced amounts, Transmission Provider's efforts to allocate responsibility for the provision of reactive support to the Transmission System, Transmission Provider's efforts to allocate responsibility for interruption or reduction of generation on the Transmission System, and each Party's actions in an Emergency Condition. Any audit authorized by this article shall be performed at the offices where such accounts and records are maintained and shall be limited to those portions of such accounts and records that relate to each Party's performance and satisfaction of obligations under this LGIA. Each Party shall keep such accounts and records for a period equivalent to the audit rights periods described in Article 25.4.

25.4 Audit Rights Periods.

25.4.1 **Audit Rights Period for Construction-Related Accounts and Records.** Accounts and records related to the design, engineering, procurement, and construction of Transmission Provider's Interconnection Facilities and Network Upgrades shall be subject to audit for a period of twenty-four months following Transmission Provider's issuance of a final invoice in accordance with Article 12.2.

25.4.2 **Audit Rights Period for All Other Accounts and Records.** Accounts and records related to either Party's performance or satisfaction of all obligations under this LGIA other than those described in Article 25.4.1 shall be subject to audit as follows: (i) for an audit relating to cost obligations, the applicable audit rights period shall be twenty-four months after the auditing Party's receipt of an invoice giving rise to such cost obligations; and (ii) for an audit relating to all other obligations, the applicable audit rights period shall be twenty-four months after the event for which the audit is sought.

25.5 **Audit Results.** If an audit by a Party determines that an overpayment or an underpayment has occurred, a notice of such overpayment or underpayment shall be given to the other Party together with those records from the audit which support such determination.

Article 26. Subcontractors

26.1 **General.** Nothing in this LGIA shall prevent a Party from utilizing the services of any subcontractor as it deems appropriate to perform its obligations under this LGIA; provided, however, that each Party shall require its subcontractors to comply with all applicable terms and conditions of this LGIA in providing such services and each Party shall remain primarily liable to the other Party for the performance of such subcontractor.

26.2 **Responsibility of Principal.** The creation of any subcontract relationship shall not relieve the hiring Party of any of its obligations under this LGIA. The hiring Party shall be fully responsible to the other Party for the acts or omissions of any subcontractor the hiring Party hires as if no subcontract had been made; provided, however, that in no event shall Transmission Provider be liable for the actions or inactions of Interconnection Customer or its subcontractors with respect to obligations of Interconnection Customer under Article 5 of this LGIA. Any applicable obligation imposed

by this LGIA upon the hiring Party shall be equally binding upon, and shall be construed as having application to, any subcontractor of such Party.

26.3 **No Limitation by Insurance.** The obligations under this Article 26 will not be limited in any way by any limitation of subcontractor's insurance.

Article 27. Disputes

27.1 **Submission.** In the event either Party has a dispute, or asserts a claim, that arises out of or

in connection with this LGIA or its performance, such Party (the "disputing Party") shall provide the other Party with written notice of the dispute or claim ("Notice of Dispute"). Such dispute or claim shall be referred to a designated senior representative of each Party for resolution on an informal basis as promptly as practicable after receipt of the Notice of Dispute by the other Party. In the event the designated representatives are unable to resolve the claim or dispute through unassisted or assisted negotiations within thirty (30) Calendar Days of the other Party's receipt of the Notice of Dispute, such claim or dispute may, upon mutual agreement of the Parties, be submitted to arbitration and resolved in accordance with the arbitration procedures set forth below. In the event the Parties do not agree to submit such claim or dispute to arbitration, each Party may exercise whatever rights and remedies it may have in equity or at law consistent with the terms of this LGIA.

27.2 **External Arbitration Procedures.** Any arbitration initiated under this LGIA shall be conducted before a single neutral arbitrator appointed by the Parties. If the Parties fail to agree upon a single arbitrator within ten (10) Calendar Days of the submission of the dispute to arbitration, each Party shall choose one arbitrator who shall sit on a three-member arbitration panel. The two arbitrators so chosen shall within twenty (20) Calendar Days select a third arbitrator to chair the arbitration panel. In either case, the arbitrators shall be knowledgeable in electric utility matters, including electric transmission and bulk power issues, and shall not have any current or past substantial business or financial relationships with any party to the arbitration (except prior arbitration). The arbitrator(s) shall provide each of the Parties an opportunity to be heard and, except as otherwise provided herein, shall conduct the arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association ("Arbitration Rules") and any applicable FERC regulations or RTO rules; provided, however, in the event of a conflict between the Arbitration Rules and the terms of this Article 27, the terms of this Article 27 shall prevail.

27.3 **Arbitration Decisions.** Unless otherwise agreed by the Parties, the arbitrator(s) shall render a decision within ninety (90) Calendar Days of appointment and shall notify the Parties in writing of such decision and the reasons therefore. The arbitrator(s) shall be authorized only to interpret and apply the provisions of this LGIA and shall have no power to modify or change any provision of this Agreement in any manner. The decision of the arbitrator(s) shall be final and binding upon the Parties, and judgment on the award may be entered in any court having jurisdiction. The decision of the arbitrator(s) may be appealed solely on the grounds that the conduct of the arbitrator(s), or the decision itself, violated the standards set forth in the Federal Arbitration Act or the Administrative Dispute Resolution Act. The final decision of the arbitrator must also be filed with FERC if it affects jurisdictional rates, terms and conditions of service, Interconnection Facilities, or Network Upgrades.

27.4 **Costs.** Each Party shall be responsible for its own costs incurred during the arbitration process and for the following costs, if applicable: (1) the cost of the arbitrator chosen by the Party to sit on the three member panel and one half of the cost of the third arbitrator chosen; or (2) one half the cost of the single arbitrator jointly chosen by the Parties.

Article 28. Representations, Warranties, and Covenants

28.1 General. Each Party makes the following representations, warranties and covenants:

28.1.1 Good Standing. Such Party is duly organized, validly existing and in good standing under the laws of the state in which it is organized, formed, or incorporated, as applicable; that it is qualified to do business in the state or states in which the Large Generating Facility, Interconnection Facilities and Network Upgrades owned by such Party, as applicable, are located; and that it has the corporate power and authority to own its properties, to carry on its business as now being conducted and to enter into this LGIA and carry out the transactions contemplated hereby and perform and carry out all covenants and obligations on its part to be performed under and pursuant to this LGIA.

28.1.2 Authority. Such Party has the right, power and authority to enter into this LGIA, to become a Party hereto and to perform its obligations hereunder. This LGIA is a legal, valid and binding obligation of such Party, enforceable against such Party in accordance with its terms, except as the enforceability thereof may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws affecting creditors' rights generally and by general equitable principles (regardless of whether enforceability is sought in a proceeding in equity or at law).

28.1.3 No Conflict. The execution, delivery and performance of this LGIA does not violate or conflict with the organizational or formation documents, or bylaws or operating agreement, of such Party, or any judgment, license, permit, order, material agreement or instrument applicable to or binding upon such Party or any of its assets.

28.1.4 Consent and Approval. Such Party has sought or obtained, or, in accordance with this LGIA will seek or obtain, each consent, approval, authorization, order, or acceptance by any Governmental Authority in connection with the execution, delivery and performance of this LGIA, and it will provide to any Governmental Authority notice of any actions under this LGIA that are required by Applicable Laws and Regulations.

Article 29. Joint Operating Committee

29.1 Joint Operating Committee. Except in the case of ISOs and RTOs, Transmission Provider shall constitute a Joint Operating Committee to coordinate operating and technical considerations of Interconnection Service. At least six (6) months prior to the expected Initial Synchronization Date, Interconnection Customer and Transmission Provider shall each appoint one representative and one alternate to the Joint Operating Committee. Each Interconnection Customer shall notify Transmission Provider of its appointment in writing. Such appointments may be changed at any time by similar notice.

The Joint Operating Committee shall meet as necessary, but not less than once each calendar year, to carry out the duties set forth herein. The Joint Operating Committee shall hold a meeting at the request of either Party, at a time and place agreed upon by the representatives. The Joint Operating Committee shall perform all of its duties consistent with the provisions of this LGIA. Each Party shall cooperate in providing to the Joint Operating Committee all information required in the performance of the Joint Operating Committee's duties. All decisions and agreements, if any, made by the Joint Operating Committee, shall be evidenced in writing. The duties of the Joint Operating Committee shall include the following:

29.1.1 Establish data requirements and operating record requirements.

29.1.2 Review the requirements, standards, and procedures for data acquisition equipment, protective equipment, and any other equipment or software.

29.1.3 Annually review the one (1) year forecast of maintenance and planned outage schedules of Transmission Provider's and Interconnection Customer's facilities at the Point of Interconnection.

29.1.4 Coordinate the scheduling of maintenance and planned outages on the Interconnection Facilities, the Large Generating Facility and other facilities that impact the normal operation of the interconnection of the Large Generating Facility to the Transmission System.

29.1.5 Ensure that information is being provided by each Party regarding equipment availability.

29.1.6 Perform such other duties as may be conferred upon it by mutual agreement of the Parties.

Article 30. Miscellaneous

30.1 Binding Effect. This LGIA and the rights and obligations hereof, shall be binding upon and shall inure to the benefit of the successors and assigns of the Parties hereto.

30.2 Conflicts. In the event of a conflict between the body of this LGIA and any attachment, appendices or exhibits hereto, the terms and provisions of the body of this LGIA shall prevail and be deemed the final intent of the Parties.

30.3 Rules of Interpretation. This LGIA, unless a clear contrary intention appears, shall be construed and interpreted as follows: (1) the singular number includes the plural number and vice versa; (2) reference to any person includes such person's successors and assigns but, in the case of a Party, only if such successors and assigns are permitted by this LGIA, and reference to a person in a particular capacity excludes such person in any other capacity or individually; (3) reference to any agreement (including this LGIA), document, instrument or tariff means such agreement, document, instrument, or tariff as amended or

modified and in effect from time to time in accordance with the terms thereof and, if applicable, the terms hereof; (4) reference to any Applicable Laws and Regulations means such Applicable Laws and Regulations as amended, modified, codified, or reenacted, in whole or in part, and in effect from time to time, including, if applicable, rules and regulations promulgated thereunder; (5) unless expressly stated otherwise, reference to any Article, Section or Appendix means such Article of this LGIA or such Appendix to this LGIA, or such Section to the LGIP or such Appendix to the LGIP, as the case may be; (6) "hereunder", "hereof", "herein", "hereto" and words of similar import shall be deemed references to this LGIA as a whole and not to any particular Article or other provision hereof or thereof; (7) "including" (and with correlative meaning "include") means including without limiting the generality of any description preceding such term; and (8) relative to the determination of any period of time, "from" means "from and including", "to" means "to but excluding" and "through" means "through and including".

30.4 **Entire Agreement.** This LGIA, including all Appendices and Schedules attached hereto, constitutes the entire agreement between the Parties with reference to the subject matter hereof, and supersedes all prior and contemporaneous understandings or agreements, oral or written, between the Parties with respect to the subject matter of this LGIA. There are no other agreements, representations, warranties, or covenants, which constitute any part of the consideration for, or any condition to, either Party's compliance with its obligations under this LGIA.

30.5 **No Third Party Beneficiaries.** This LGIA is not intended to and does not create rights, remedies, or benefits of any character whatsoever in favor of any persons, corporations, associations, or entities other than the Parties, and the obligations herein assumed are solely for the use and benefit of the Parties, their successors in interest and, where permitted, their assigns.

30.6 **Waiver.** The failure of a Party to this LGIA to insist, on any occasion, upon strict performance of any provision of this LGIA will not be considered a waiver of any obligation, right, or duty of, or imposed upon, such Party.

Any waiver at any time by either Party of its rights with respect to this LGIA shall not be deemed a continuing waiver or a waiver with respect to any other failure to comply with any other obligation, right, duty of this LGIA. Termination or Default of this LGIA for any reason by Interconnection Customer shall not constitute a waiver of Interconnection Customer's legal rights to obtain an interconnection from Transmission Provider. Any waiver of this LGIA shall, if requested, be provided in writing.

30.7 **Headings.** The descriptive headings of the various Articles of this LGIA have been inserted for convenience of reference only and are of no significance in the interpretation or construction of this LGIA.

30.8 **Multiple Counterparts.** This LGIA may be executed in two or more counterparts, each of which is deemed an original but all constitute one and the same instrument.

30.9 Amendment. The Parties may by mutual agreement amend this LGIA by a written instrument duly executed by the Parties.

30.10 Modification by the Parties. The Parties may by mutual agreement amend the Appendices to this LGIA by a written instrument duly executed by the Parties. Such amendment shall become effective and a part of this LGIA upon satisfaction of all Applicable Laws and Regulations.

30.11 Reservation of Rights. Transmission Provider shall have the right to make a unilateral filing with FERC to modify this LGIA with respect to any rates, terms and conditions, charges, classifications of service, rule or regulation under section 205 or any other applicable provision of the Federal Power Act and FERC's rules and regulations thereunder, and Interconnection Customer shall have the right to make a unilateral filing with FERC to modify this LGIA pursuant to section 206 or any other applicable provision of the Federal Power Act and FERC's rules and regulations thereunder; provided that each Party shall have the right to protest any such filing by the other Party and to participate fully in any proceeding before FERC in which such modifications may be considered. Nothing in this LGIA shall limit the rights of the Parties or of FERC under sections 205 or 206 of the Federal Power Act and FERC's rules and regulations thereunder, except to the extent that the Parties otherwise mutually agree as provided herein.

30.12 No Partnership. This LGIA shall not be interpreted or construed to create an association, joint venture, agency relationship, or partnership between the Parties or to impose any partnership obligation or partnership liability upon either Party. Neither Party shall have any right, power or authority to enter into any agreement or undertaking for, or act on behalf of, or to act as or be an agent or representative of, or to otherwise bind, the other Party.

IN WITNESS WHEREOF, the Parties have executed this LGIA in duplicate originals, each of which shall constitute and be an original effective Agreement between the Parties.

PUBLIC SERVICE COMPANY OF NEW MEXICO

By: _____

Title: _____

Date: _____

[Insert name of Interconnection Customer]

By: _____

Title: _____

Date: _____

Appendix A to LGIA
Interconnection Facilities, Network Upgrades and Distribution Upgrades

1. Interconnection Facilities:

(a) [insert Interconnection Customer's Interconnection Facilities]:

(b) [insert Transmission Provider's Interconnection Facilities]:

2. Network Upgrades:

(a) [insert Stand Alone Network Upgrades]:

(b) [insert Other Network Upgrades]:

3. Distribution Upgrades:

Appendix B to LGIA

Milestones

Appendix C to LGIA

Interconnection Details

Appendix D to LGIA

Security Arrangements Details

Infrastructure security of Transmission System equipment and operations and control hardware and software is essential to ensure day-to-day Transmission System reliability and operational security. FERC will expect all Transmission Providers, market participants, and Interconnection Customers interconnected to the Transmission System to comply with the recommendations offered by the President's Critical Infrastructure Protection Board and, eventually, best practice recommendations from the electric reliability authority. All public utilities will be expected to meet basic standards for system infrastructure and operational security, including physical, operational, and cyber-security practices.

Appendix E to LGIA

Commercial Operation Date

This Appendix E is a part of the LGIA between Transmission Provider and Interconnection Customer.

[Date]

[Transmission Provider Address]

Re: _____ Large Generating Facility

Dear _____:

On **[Date] [Interconnection Customer]** has completed Trial Operation of Unit No. ___. This letter confirms that [Interconnection Customer] commenced Commercial Operation of Unit

No. ___ at the Large Generating Facility, effective as of **[Date plus one day]**.

Thank you.

[Signature]

[Interconnection Customer Representative]

Appendix F to LGIA

Addresses for Delivery of Notices and Billings

Notices:

Transmission Provider:

[To be supplied.]

Interconnection Customer:

[To be supplied.]

Billings and Payments:

Transmission Provider:

[To be supplied.]

Interconnection Customer:

[To be supplied.]

Alternative Forms of Delivery of Notices (telephone, facsimile or email):

Transmission Provider:

[To be supplied.]

Interconnection Customer:

[To be supplied.]

APPENDIX G To the LGIA

INTERCONNECTION REQUIREMENTS FOR A WIND GENERATING PLANT

Appendix G sets forth requirements and provisions specific to a wind generating plant. All other requirements of this LGIA continue to apply to wind generating plant interconnections.

A. Technical Standards Applicable to a Wind Generating Plant

i. Low Voltage Ride-Through ("LVRT") Capability

A wind generating plant shall be able to remain online during voltage disturbances up to the time periods and associated voltage levels set forth in the standard below. The LVRT standard provides for a transition period standard and a post-transition period standard.

Transition Period LVRT Standard

The transition period standard applies to wind generating plants subject to FERC Order 661 that have either: (i) interconnection agreements signed and filed with the Commission, filed with the Commission in unexecuted form, or filed with the Commission as non-conforming agreements between January 1, 2006 and December 31, 2006, with a scheduled in-service date no later than December 31, 2007, or (ii) wind generating turbines subject to a wind turbine procurement contract executed prior to December 31, 2005, for delivery through 2007.

1. Wind generating plants are required to remain in-service during three-phase faults with normal clearing (which is a time period of approximately 4 - 9 cycles) and single line to ground faults with delayed clearing, and subsequent post-fault voltage recovery to prefault voltage unless clearing the fault effectively disconnects the generator from the system. The clearing time requirement for a three-phase fault will be specific to the wind generating plant substation location, as determined by and documented by the

transmission provider. The maximum clearing time the wind generating plant shall be required to withstand for a three-phase fault shall be 9 cycles at a voltage as low as 0.15 p.u., as measured at the high side of the wind generating plant step-up transformer (i.e. the transformer that steps the voltage up to the transmission interconnection voltage or "GSU"), after which, if the fault remains following the location-specific normal clearing time for three-phase faults, the wind generating plant may disconnect from the transmission system.

2. This requirement does not apply to faults that would occur between the wind generator terminals and the high side of the GSU or to faults that would result in a voltage lower than 0.15 per unit on the high side of the GSU serving the facility.

3. Wind generating plants may be tripped after the fault period if this action is intended as part of a special protection system.

4. Wind generating plants may meet the LVRT requirements of this standard by the performance of the generators or by installing additional equipment (e.g. Static VAR Compensator, etc.) within the wind generating plant or by a combination of generator performance and additional equipment.

5. Existing individual generator units that are, or have been, interconnected to the network at the same location at the effective date of the Appendix G LVRT Standard are exempt from meeting the Appendix G LVRT Standard for the remaining life of the existing generation equipment. Existing individual generator units that are replaced are required to meet the Appendix G LVRT Standard.

Post-transition Period LVRT Standard

All wind generating plants subject to FERC Order No. 661 and not covered by the transition period

described above must meet the following requirements:

1. Wind generating plants are required to remain in-service during three-phase faults with normal clearing (which is a time period of approximately 4 - 9 cycles) and single line to ground faults with delayed clearing, and subsequent post-fault voltage recovery to prefault voltage unless clearing the fault effectively disconnects the generator from the system. The clearing time requirement for a three-phase fault will be specific to the wind generating plant substation location, as determined by and documented by the transmission provider. The maximum clearing time the wind generating plant shall be required to withstand for a three-phase fault shall be 9 cycles after which, if the fault remains following the location-specific normal clearing time for three-phase faults, the wind generating plant may disconnect from the transmission system. A wind generating plant shall remain interconnected during such a fault on the transmission system for a voltage level as low as zero volts, as measured at the high voltage side of the wind GSU.
2. This requirement does not apply to faults that would occur between the wind generator terminals and the high side of the GSU.
3. Wind generating plants may be tripped after the fault period if this action is intended as part of a special protection system.
4. Wind generating plants may meet the LVRT requirements of this standard by the performance of the generators or by installing additional equipment (e.g.. Static VAR Compensator, etc.) within the wind generating plant or by a combination of generator performance and additional equipment.
5. Existing individual generator units that are, or have been, interconnected to the network at the same location at the effective date of the Appendix G LVRT Standard are exempt from

meeting the Appendix G LVRT Standard for the remaining life of the existing generation equipment. Existing individual generator units that are replaced are required to meet the Appendix G LVRT Standard.

ii. Power Factor Design Criteria (Reactive Power)

A wind generating plant shall maintain a power factor within the range of 0.95 leading to 0.95 lagging, measured at the Point of Interconnection as defined in this LGIA, if the Transmission Provider's System Impact Study shows that such a requirement is necessary to ensure safety or reliability. The power factor range standard can be met by using, for example, power electronics designed to supply this level of reactive capability (taking into account any limitations due to voltage level, real power output, etc.) or fixed and switched capacitors if agreed to by the Transmission Provider, or a combination of the two. The Interconnection Customer shall not disable power factor equipment while the wind plant is in operation. Wind plants shall also be able to provide sufficient dynamic voltage support in lieu of the power system stabilizer and automatic voltage regulation at the generator excitation system if the System Impact Study shows this to be required for system safety or reliability.

iii. Supervisory Control and Data Acquisition ("SCADA") Capability

The wind plant shall provide SCADA capability to transmit data and receive instructions from the Transmission Provider to protect system reliability. The Transmission Provider and the wind plant Interconnection Customer shall determine what SCADA information is essential for the proposed wind plant, taking into account the size of the plant and its characteristics, location, and importance in maintaining generation resource adequacy and transmission system reliability in its area.

ATTACHMENT O - Index of Generation Interconnection Customers

PNM's Index of Generation Interconnection Customers is Posted Publicly in PNM's Electric Quarterly Report.

ATTACHMENT P - Standards For Business Practices and Communications Protocol

Transmission Provider adopts the following Standards for Business Practices and Communications Protocols promulgated by the Wholesale Electric Quadrant of the North American Energy Standards Board ("NAESB"). Copies of the standards are available from NAESB for a nominal fee at the NAESB Internet site at http://www.naesb.org/pdf/ordrform.pdf.

- WEQ-000, Abbreviations, Acronyms, and Definition of Terms, WEQ Version 003, July 31, 2012, as modified by NAESB final actions ratified on Oct. 4, 2012, Nov. 28, 2012 and Dec. 28, 2012 (with minor corrections applied Nov. 26, 2013) except that Transmission Provider offers only those transmission service products specifically identified in Attachment Q – Point-to-Point Transmission Service Products Offered by PNM;

- WEQ-001, Open Access Same-Time Information System (OASIS), OASIS Version 2.0, WEQ Version 003, July 31, 2012, as modified by NAESB final actions ratified on Dec. 28, 2012 (with minor corrections applied on Nov. 26, 2013) excluding Standards 001-9.5, 001-10.5, 001-14.1.3, 001-15.1.2 and 001-106.2.5;

- WEQ-002, Open Access Same-Time Information Systems (OASIS) Business Practice Standards & Communication Protocols (S&CP), OASIS Version 2.0, WEQ Version 003, July 31, 2012, as modified by NAESB final actions ratified on Nov. 28, 2012 and Dec. 28, 2012 (with minor corrections applied Nov. 26, 2013);

- WEQ-003, Open Access Same-Time Information System (OASIS) Data Dictionary Business Practice Standards, OASIS Version 2.0, WEQ Version 003, July 31, 2012, as modified by NAESB final actions ratified on Dec. 28, 2012 (with minor corrections applied on November 26, 2013);

- WEQ-004, Coordinate Interchange, WEQ Version 003, July 31, 2012 (with Final Action ratified on December 28, 2012);

- WEQ-005, Area Control Error (ACE) Equation Special Cases, WEQ Version 003, July 31, 2012;

- WEQ-006, Manual Time Error Correction, WEQ Version 003, July 31, 2012;

- WEQ-007, Inadvertent Interchange Payback, WEQ Version 003, July 31, 2012;

- WEQ-008, Transmission Loading Relief (TLR) – Eastern Interconnection, WEQ Version 003, July 31, 2012 (with minor corrections applied on November 28, 2012);

- WEQ-011, Gas / Electric Coordination, WEQ Version 003, July 31, 2012;

- WEQ-012, Public Key Infrastructure (PKI), WEQ Version 003, July 31, 2012, as modified by NAESB final actions ratified on Oct. 4, 2012);

- WEQ-013, Open Access Same-Time Information System (OASIS) Implementation Guide, OASIS Version 2.0, WEQ Version 003, July 31, 2012, as modified by NAESB final actions ratified on Dec. 28, 2012 (with minor corrections applied on Nov. 26, 2013);

- WEQ-15, Measurement and Verification of Wholesale Electricity Demand Response, WEQ Version 003, July 31, 2012; and

- WEQ-021, Measurement and Verification of Energy Efficiency Products, WEQ Version 003, July 31, 2012.

ATTACHMENT Q - Point-to-Point Transmission Service Products Offered by PNM

Pursuant to the North American Electric Standards Board ("NAESB") Wholesale Electric Quadrant ("WEQ") OASIS Business Practice Standards ("WEQ-001"), PNM will process the following "Fixed" and "Sliding" transmission services pursuant to the provisions of Part II of PNM's Open Access Transmission Tariff. PNM transmission service products are offered and processed in Mountain Standard Time (MST) only. The complete NAESB Standard WEQ-001 is available for download at www.naesb.com <http://www.naesb.com>.

001-2.1.1 Fixed Hourly
The service starts at the beginning of a clock hour and stops at the end of a clock hour.

001-2.1.2 Fixed Daily
The service starts at 00:00 and stops at 24:00 of the same calendar date (same as 00:00 of the next consecutive calendar date).

001-2.1.3 Fixed Weekly
The service starts at 00:00 on Monday and stops at 24:00 of the following Sunday (same as 00:00 of the following Monday).

001-2.1.4 Fixed Monthly
The service starts at 00:00 on the first date of a calendar month and stops at 24:00 on the last date of the same calendar month (same as 00:00 of the first date of the next consecutive month).

001-2.1.5 Fixed Yearly
The service starts at 00:00 on the first date of a calendar year and ends at 24:00 on the last date of the same calendar year (same as 00:00 of the first date of the next consecutive year).

001-2.1.9 Sliding Yearly
PNM accepts Sliding Yearly service subject to the following provisions: The service starts at 00:00 on the first day of any calendar month in the starting year and stops at 00:00 on the first day of the same calendar month in the year of termination (one or more years thereafter).

001-2.14 Next Increment Hourly
The service starts at the beginning of the next clock hour and stops at the end of that clock hour.

PNM **does not offer** any "Extended" transmission services nor Sliding Daily, Weekly or Monthly transmission services. The specific transmission services PNM does not offer pursuant to the provisions of Part II of PNM's Open Access Transmission Tariff, as defined in Standard WEQ-001 of the NAESB OASIS Business Practice Standards, are shown below. Any OASIS request for Extended transmission service or Sliding Daily, Weekly, or Monthly transmission services will be invalidated and the Transmission Customer may resubmit the request in the form of any of the transmission services previously described in this Attachment Q as being offered by PNM.

001-2.1.6 Sliding Daily (Not Offered by PNM)
The service starts at the beginning of any hour of the day and stops exactly 24 hours later at the same time on the next day.

001-2.1.7 Sliding Weekly (Not Offered by PNM)
The service starts at 00:00 of any date and stops exactly 168 hours later at 00:00 on the same day of the next week.

001-2.1.8 Sliding Monthly (Not Offered by PNM)
The service starts at 00:00 of any date and stops at 00:00 on the same date of the next month (28-31 days later). If there is no corresponding date in the following month, the service stops at 24:00 on the last day of the next month. For example: SLIDING MONTHLY starting at 00:00 on January 30 would stop at 24:00 on February 28 (same as 00:00 March 1).

001-2.10 Extended Daily (Not Offered by PNM)
The service starts at any hour of a day and stops more than 24 hours later and less than 168 hours later.

001-2.11 Extended Weekly (Not Offered by PNM)
The service starts at 00:00 of any date and stops at 00:00 more than one week later, but less than four weeks later.

001-2.12 Extended Monthly (Not Offered by PNM)
The service starts at 00:00 of any date and stops at 00:00 more than one month later, but less than twelve months later.

001-2.13 Extended Yearly (Not Offered by PNM)
The service starts at 00:00 of any date and stops at 00:00 more than one year later.
The Transmission Provider may limit the service to be in increments of full years or full calendar months. The Transmission Provider may limit the start of service to the beginning of a calendar month.

ATTACHMENT R – RELIABILITY REDISPATCH COSTS AND METHODOLOGY

I. Overview

This Attachment R ("Attachment R") establishes operational protocols, in accordance with Section 33 of the Tariff, regarding the redispatch of certain Transmission Provider and Network Customer designated Network Resources by the Transmission Provider, to ensure reliability of the Transmission System ("Redispatch" or "Reliability Redispatch Service"). Nothing in this Attachment R shall in any way change the contractual obligations and responsibilities of the Transmission Provider or any Network Customer under any Network Integration Transmission Service Agreement or Network Operating Agreement. The Transmission Provider and Network Customers may hereinafter be referred to individually as a "Party" or together as the "Parties."

II. Background

In accordance with Section 33 of the Tariff, and pursuant to the provisions of the Transmission Provider's annually updated Ten Year Transmission Plan (as defined in Attachment K of the Tariff and posted on the OASIS), Transmission Service over the Western Electricity Coordinating Council ("WECC") Path 48 ("Path 48") between the remote generation resources located in the northwestern corner of New Mexico and the load centers in central and the north-central New Mexico will, during high load periods, require Redispatch of certain designated Network Resources by the Transmission Provider to avoid curtailment of deliveries due to transmission congestion or other system conditions that limit import capabilities over Path 48. Appendix A to this Attachment R shows the Path 48 cutset which defines the major lines carrying power into central and north-central New Mexico. Reliability Redispatch Service shall be provided by Transmission Provider using Network Resources referred to as "Load-Side Resources." Such Load-Side Resources shall be those Network Resources that relieve the congestion or other system conditions that would otherwise result in curtailment. Load-Side Resources shall be designated by the Transmission Provider based on location of the

Load-Side Resource in relation to the loads for which transmission would be subject to curtailment in the absence of redispatch utilizing such Load-Side Resources.

III. Reliability Redispatch Service

Transmission Provider will use the following process to forecast the need for Reliability Redispatch Service and to determine the specific Load-Side Resources used to provide such Reliability Redispatch Service.

Computation of Transmission System Transfer Capability Available to Serve Transmission Provider Firm Transmission Requirements

Day Ahead

Transmission Provider shall determine, for the following day(s), the expected transmission use of the Transmission Provider's transmission system (the "Transmission Provider Firm Transmission Requirements"), based on hourly estimates of the combination of the Transmission Provider's native load and the Network Customer's load requirements.

Transmission Provider will then evaluate the availability of the various components of the transmission system and determine the maximum transfer capability of the transmission system (the "Transmission Provider Transmission System Transfer Capability") without Load-Side Resources. Such evaluation shall take into consideration congestion caused by firm point-to-point service, and any Reliability Redispatch Service under this schedule shall be planned so that any reductions in use of congested facilities shall be accomplished, *pro rata*, through curtailment of Point-To-Point Transmission Service and redispatch of Network Resources.

The difference between the Transmission Provider Transmission System Transfer Capability and the Transmission Provider Firm Transmission Requirements is the

amount of excess or deficient transfer capability on the Transmission Provider Transmission System.

In the event that this analysis forecasts a deficiency of transfer capability ("Forecast Transfer Deficiency"), such that the Transmission Provider Firm Transmission Requirements could not be met and curtailment is forecast to be required absent redisptach, the Transmission Provider will initiate Reliability Redispatch Service, as follows:

1. The Transmission Provider shall identify and notify the Load-Side Resource(s) as described below;
2. The Transmission Provider shall commit, day-ahead, sufficient Load-Side Resources, on a least-cost basis, to provide the Reliability Redispatch Service expected to be needed to eliminate any forecasted curtailment or, if curtailment cannot be avoided entirely, to minimize the curtailment to the maximum extent practicable; and
3. Load-Side Resource(s) committed day-ahead are required to be on-line and available to provide the forecasted service in real time.

Load-Side Generation Identification & Notification Process

Once the Transmission Provider has determined Day Ahead that a Forecast Transfer Deficiency exists, the Transmission Provider shall identify the Load-Side Resources to be utilized to provide Reliability Redispatch Service. The identified Load-Side Resources shall be the Network Resources of the Transmission Provider or of Network Customers that are identified by the Transmission Provider's models as contributing to least-cost relief of the Forecast Transfer Deficiency.

Transmission Provider shall notify the designated operator of identified Load-Side Resource(s), and receive affirmation of the availability of the unit(s). If the

designated operator of a Load-Side Resource fails to affirm the availability of the resources in a timely manner, Transmission Provider shall notify an alternative Load-Side Resource(s) to replace the unavailable resource.

Once availability of the sufficient Load-Side Resource(s) is confirmed, Transmission Provider shall schedule the identified Load-Side Resource(s). This schedule shall include minimum loadings and minimum run times (by unit) of the Load-Side Resource, and/or the specific hourly amount of any purchased designated Network Resource to be used.

In order to provide Reliability Redispatch Service, it may be necessary to reduce the output of Network Resource(s) that are serving Network Load from the other side of a constrained point on the Transmission Provider's System ("Constraint- Side Resource"). Under normal operating conditions, Transmission Provider shall reduce the output of Constraint-Side Resources as needed to effectuate Reliability Redispatch Service. These Constraint-Side Resources shall be reduced, on a non-discriminatory basis, based on each Constraint-Side Resource's decremental cost, by reducing the Constraint-Side Resource with the highest decremental cost first, and to the extent that any such Constraint-Side Resource is shared by more than one Network Customer, by reducing each Network Customer's interest in that Constraint-Side Resource proportionately. When output of a Constraint-Side Resource is reduced for this purpose, the Transmission Provider shall calculate the decremental cost of that Constraint-Side Resource as the avoided cost of fuel ("Constraint-Side Avoided Costs"), provided however that with respect to any Constraint-Side Resource for which a Network Customer fails to provide the data required to be provided pursuant to Section
29.2 of the Tariff, the decremental cost for that Constraint-Side Resource shall be deemed to be zero.

Curtailment of Transmission Service

Additionally, during certain system contingencies and when operating conditions warrant, curtailment of the use of the Transmission Provider's Transmission System will be required to ensure the transmission system integrity. During such system contingencies, the Transmission Provider will follow the Curtailment Practice (posted on the Transmission Provider OASIS), which establishes the sequence of curtailments for all Transmission Customers using the Transmission Provider Transmission System.

IV. Fuel Procurement & Cost Identification

Each month Transmission Provider shall determine all costs of providing Reliability Redispatch Service, which can include the following cost categories for Load-Side Resources used in that regard:

- incremental cost of fuel,
- variable operations and maintenance expense,
- generating unit start-up costs,
- additional operating reserves,
- minimum run times,
- other related identifiable and quantifiable costs associated with the redispatch of Load-Side Resources

All costs shall be tracked and accounted for on an hourly basis in order to enable the Transmission Provider to allocate and assign such costs to itself and the Network Customers. The Transmission Provider shall allocate all costs that have been tracked hourly to its retail native load, wholesale native load, and all Network Customers based on Load Ratio Share for the month in which Reliability Redispatch Service is provided.

In determining each Party's share of the costs of the Reliability Redispatch Service, the Constraint-Side Avoided Costs shall be taken into consideration. To that end, the Constraint-Side Avoided Costs shall be applied to reduce the costs incurred by the provision of Reliability Redispatch Service from Constraint-Side Resources by initially

allocating to each Network Customer in connection with this Reliability Redispatch Service the amount of that Network Customer's Constraint-Side Avoided Costs. The total costs incurred by all Parties to provide the Reliability Redispatch Service remaining after the application of the Constraint-Side Avoided Costs to those Network Customers whose Constraint-Side Resources are reduced shall be allocated among the Parties on a load ratio share basis.

Transmission Provider Load-Side Resources

Transmission Provider shall be responsible for procurement of fuel and tracking of cost data for its Load-Side Resources.

Network Customer Load-Side Resources

In the event a Network Customer's Network Resource is utilized to provide Reliability Redispatch Service, the Network Customer will be required to provide the Transmission Provider all associated cost data on an hourly basis. Additionally, at the beginning of each month, Network Customers will be required to provide Transmission Provider estimates of costs, for any Network Customer owned Load-Side Resource.

V. Billing for Reliability Redispatch Service

On a monthly basis Transmission Provider will invoice each Network Customer, as appropriate, based on the MWh and costs of Reliability Redispatch Service as determined above. Such invoices shall include the total cost of Reliability Redispatch Service and total number of MWHs of Reliability Redispatch Service as allocated to Transmission Provider and the respective Network Customer on the basis of the monthly Load Ratio Share for the month in which Reliability Redispatch Service is provided.

Transmission Provider anticipates that determination of the final actual costs of Reliability Redispatch Service will not be completed by Transmission Provider in time to

provide a final invoice the month immediately following the month in which the Reliability Redispatch Service was provided. Transmission Provider will therefore maintain a "corrections" (true-up) process to final such monthly invoices on an ongoing basis and include any necessary corrections through the subsequent monthly invoices rendered for Reliability Redispatch Service.

In the event Network Customer Network Resources are used to provide Reliability Redispatch Service, Transmission Provider will render a single payment to the Network Customer providing such Load-Side Resources.

Tariff Submitter: Public Service Company of New Mexico

FERC Tariff Program Name: FERC FPA Electric Tariff

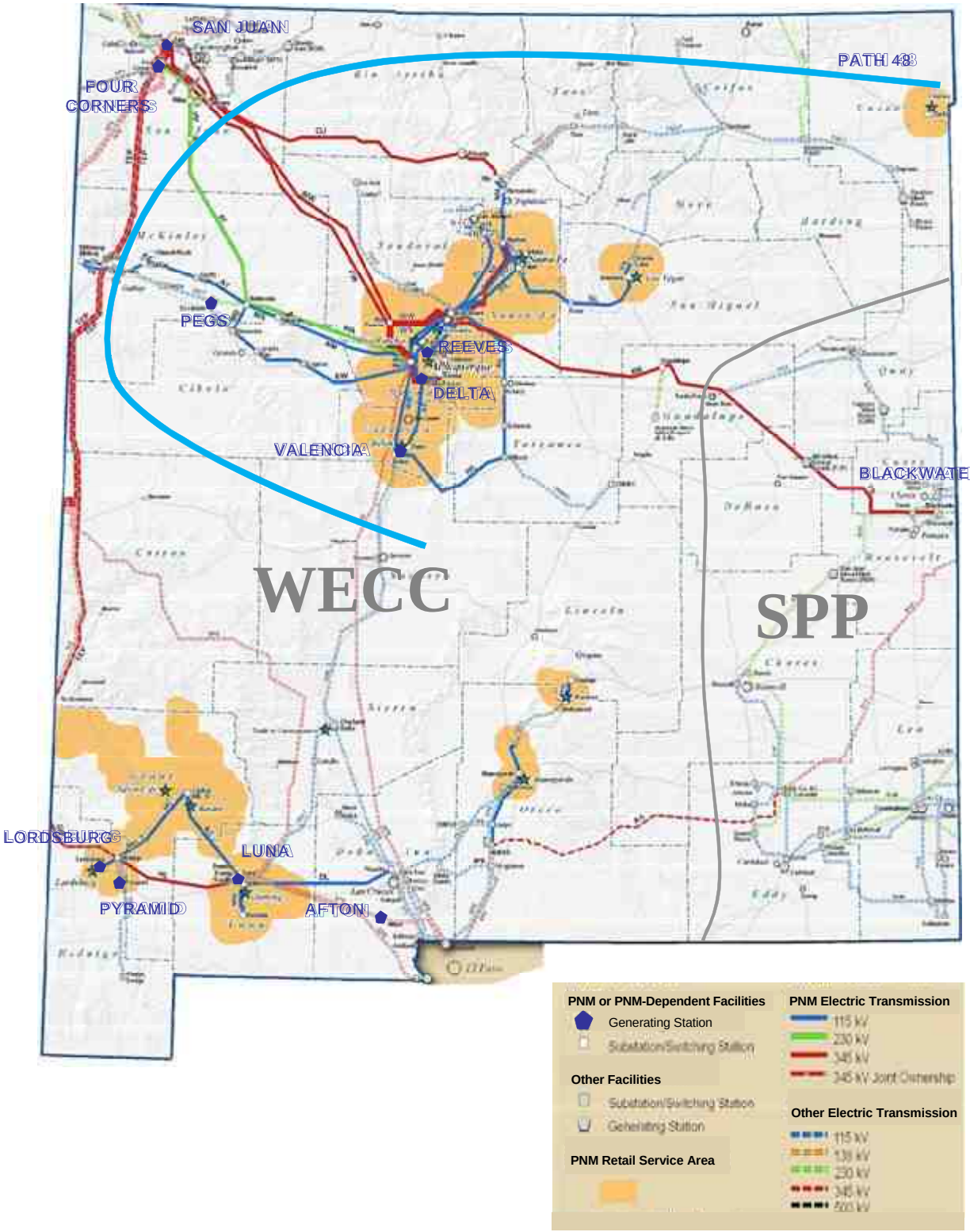
Tariff Title: Open Access Transmission Tariff

Tariff Record Proposed Effective Date: October 28, 2013

Tariff Record Title: Attachment R, Appendix A

Option Code: A

Appendix A


SAN JUAN
FOUR CORNERS
PATH 48
PEGS
REEVES
DELTA
VALENCIA
BLACKWATER
WECC
SPP
LORDSBURG
LUNA
PYRAMID
AFTON
PNM or PNM-Dependent Facilities
Generating Station
Substation/Switching Station
Other Facilities
Substation/Switching Station
Generating Station
PNM Retail Service Area
PNM Electric Transmission
115 kV
230 kV
345 kV
345 kV Joint Ownership
Other Electric Transmission
115 kV
230 kV
345 kV