

**SaskPower
Generator Interconnection
And Transmission Service
Customer Charge Policy**

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1 INTRODUCTION

1.1 Purpose

This Customer Charge Policy (CCP) has been created to provide entities requesting generator interconnection or long term transmission service with a better understanding of the assignment of cost responsibilities for transmission additions or upgrades necessary to interconnect generation projects to or use SaskPower's transmission grid (the "Transmission System") to facilitate requests through SaskPower's OATT for long-term transmission service on SaskPower's Transmission System.

Any responsibilities and liabilities set out in any actual agreements between SaskPower and a customer that may conflict with this policy take precedence over this policy.

1.2 Objectives

The objectives of the CCP are as follows:

1. to allocate equitably the costs and benefits of requesting long term transmission service through SaskPower's OATT or siting generation;
2. to enhance predictability respecting the allocation of the costs of system upgrades associated with the request; and
3. to endeavor to be consistent, where possible, with the sound regulatory principles.

1.3 Scope

CCP is applicable to:

1.3.1 *Generator Interconnection Customers*

Applicants may be:

- customers whose existing generating facilities are connected to SaskPower's transmission system at 72kV or greater and wish to increase the capacity of their generating facility which causes new or additional transmission facilities to be built;
- customers who are seeking to connect to their generating facilities synchronously to SaskPower's transmission system at 72 kV or greater and may or may not have any intention of requesting transmission service under SaskPower's OATT.

Interconnection is a separate but parallel process to the transmission service request process detailed in SaskPower's OATT.

Direct interconnection to the Transmission System does not constitute a request for transmission service nor guarantee transmission capacity on SaskPower's Transmission System. Transmission service requests must be made following SaskPower's OATT.

1.3.2 *Transmission Customers*

This CCP is applicable to all Transmission Customers who are seeking to use SaskPower's Transmission System at 72 kV or above and have applied for long-term transmission service under SaskPower's OATT . Long-term firm (LTF) transmission service is any firm transmission service that has been requested for a minimum period of one year.

There are two types of LTF transmission service that are offered under SaskPower's OATT:

1.3.2.1 *Point-to-Point Transmission Service*

In accordance with Section II of the OATT, SaskPower offers point-to-point transmission service that is used for the receipt of capacity and energy at a designated Point of Receipt and the transmission of such capacity and energy to a designated Point of Delivery for a term of one year or more.

1.3.2.2 *Network Transmission Service*

In accordance with Section III of the OATT, SaskPower offers network transmission service whereby Transmission Customers may reserve capacity to serve network loads either from designated generating resources for a term of one year or more.

1.4 Definitions

When used in the CCP, the terms specified below shall have the following meanings:

1.4.1 *Customer*

means that which will affect either or both an Interconnection Customer and Transmission Customer.

1.4.2 *Direct Assignment Facilities*

means facilities or portions of facilities that are constructed by SaskPower for the sole use/benefit of a particular Customer.

These facilities are owned and operated by SaskPower and are attached to the existing Transmission System to facilitate the Customer's request.

1.4.3 *Generating Facility*

means the Interconnection Customer's device for the production of electricity identified in the Interconnection Request, but shall not include the Interconnection Customer's Interconnection Facilities.

1.4.4 *Interconnection Customer*

means any entity, including SaskPower, or any of the Affiliates or subsidiaries of the said entity, that proposes to interconnect its Generating Facility with SaskPower's Transmission System.

1.4.5 *Interconnection Customer's Interconnection Facilities*

means all facilities and equipment, 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 SaskPower's Transmission System. Interconnection Customer's Interconnection Facilities are facilities that may be constructed by the Interconnection Customer for the sole benefit and use of the Interconnection Customer. These facilities are owned and operated by the Interconnection Customer.

1.4.6 *Interconnection Facilities*

means 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 SaskPower's Transmission System including any Direct Assignment Facilities installed by SaskPower. Interconnection Facilities are sole use facilities and shall not include Network Upgrades.

1.4.7 *Interconnection Request*

means the formal request from an Interconnection Customer to connect a specified Generating Facility to SaskPower's Transmission System.

1.4.8 *Interest Rate*

means the rate of interest expressed as a rate per annum. The Interest Rate is calculated using the weighted average of the interest rate used by the Royal Bank of Canada or its successor as a reference rate for the purposes of determining rates of interest charged by it on Canadian dollar commercial demand loans made by it in Canada and which is quoted by such bank as its "prime rate" in the previous calendar year, less 2% (two percent).

1.4.9 Network Upgrades

means modifications, additions or upgrades to SaskPower's existing Transmission System that are required as a result of either an Interconnection Request or a Transmission Request. Network Upgrades are owned and operated by SaskPower.

1.4.10 OASIS

means Open Access Same-Time Information System. SaskPower uses this on-line system for the purpose of managing Transmission Requests through SaskPower's OATT.

1.4.11 Open Access Transmission Tariff (OATT)

means SaskPower's Tariff which offers open access transmission service, and as amended or supplemented from time to time.

1.4.12 Point of Change of Ownership

means the point where the Interconnection Customer's Interconnection Facilities connect to SaskPower's Direct Assignment Facilities. Except where specified otherwise, this will be the customer supplied deadend insulators on the deadend structure located within the customer owned substation and the interconnection voltage will be at the operating voltage of SaskPower's Transmission System.

1.4.13 Point of Interconnection

means the point where the Interconnection Facilities connect to SaskPower's Transmission System

1.4.14 Point of Delivery

means the point(s) on SaskPower's Transmission System where capacity and energy are transmitted by SaskPower and will be made available to a receiving party under SaskPower's OATT.

1.4.15 Point of Receipt

means the point(s) on SaskPower's Transmission System where capacity and energy will be made available to SaskPower by a delivering party under SaskPower's OATT.

1.4.16 Transmission Customer

means any Eligible Customer (or its Designated Agent) that

- (i) Executes a transmission service agreement, or
- (ii) Receives transmission service under a transmission umbrella agreement

under SaskPower's OATT.

1.4.17 Transmission Request

means a request from a Transmission Customer that is queued on SaskPower's OASIS requesting transmission service under SaskPower's OATT.

1.4.18 Transmission System

means the facilities owned, controlled or operated by SaskPower that are used to provide transmission service through the OATT or to facilitate SaskPower's domestic load at 72kV or greater.

2 TYPES OF FACILITIES

There are three types of facilities that may be required to be built in order to complete a customer request. It is the Customer's responsibility for all such costs incurred to study, plan, design and construct the same.

- Interconnection Customer's Interconnection Facilities
- Direct Assignment Facilities
- Network Upgrade Facilities

3 PAYMENT FOR FACILITIES

3.1 Interconnection Customer's Interconnection Facilities

The Interconnection Customer will be responsible for 100% of the cost of any Interconnection Customer's Interconnection Facilities.

3.2 Direct Assignment Facilities

The Customer will be required to make a payment to SaskPower equal to 100% of the cost of any Direct Assignment facilities. SaskPower, may at its sole discretion, request a guarantee, a surety bond, letter of credit or other form of security from the Customer that is acceptable to SaskPower prior to procurement, construction and installation of said Direct Assignment Facilities.

SaskPower will invoice the customer for the actual cost of the Direct Assignment facilities once they have been placed into service and are capable of transferring power.

Direct Assignment facilities remain the property of SaskPower and SaskPower may, at its sole discretion, make use of all or a portion of the Direct Assignment Facilities for other purposes.

3.3 Network Upgrade Facilities

The Customer will be required to make a payment to SaskPower equal to 100% of the allocated cost of any Network Upgrades. SaskPower, may at its sole discretion, request a guarantee, a surety bond, letter of credit or other form of security from the Customer that is acceptable to SaskPower prior to procurement, construction and installation of said facilities. The cost of Network Upgrade facilities shall be allocated between the Customer and SaskPower based upon the results of a baseline assessment of the need for SaskPower system upgrade facilities.

3.3.1 *Transmission Baseline Assessment*

The purpose of the baseline assessment will be to identify the Network Upgrade facilities that will be needed as a result of domestic load growth and changes in load patterns. The baseline assessment of facility requirements will include the transmission facility additions identified in SaskPower's current five-year business plan as approved by SaskPower's Board of Directors. As well, the baseline assessment will include facilities required to accommodate Interconnection Requests or Transmission Requests associated with engineering studies, which are queued ahead of the Customer's request.

3.3.2 *Allocated Charge For Network Upgrade Facilities*

The Allocated Charge is the cost or portion of the cost of Network Upgrades that would not be incurred "but for" the existence of the Customer. Customers are allocated 100% of the actual cost of Network Upgrade facilities needed as a result of their project or transmission request if that facility is not identified within SaskPower's Baseline Assessment.

- SaskPower will reduce the Allocated Charge for the Network Upgrade facilities needed as a result of the Customer's Transmission Request or Interconnection Request if the Network Upgrade facilities needed as a result of the Customer's Transmission Request or Interconnection Request defers or eliminates a project which is already identified in the baseline assessment. The determination of any project deferrals will be made as part of the engineering study executed by SaskPower.
- SaskPower will increase the Allocated Charge if the Network Upgrade facilities as a result of the Customer's Transmission Request or Interconnection Request advances a project that is included in the baseline assessment at a date subsequent to the Customer's requirement for that Network Upgrade. The

Customer will be responsible for the cost of advancing the in-service date of that Network Upgrade.

- The Allocated Charge will be based upon the following formula:

Allocated Charge = Actual Cost of Network Upgrades (allocated to Customer) – Deferral Benefit + Advancement Cost

The Deferral Benefit is the present value sum of the monthly deferral benefits over the period of deferral. The monthly deferral benefit is calculated using the monthly charge formula set out in Section 3.3.3. The values of DGCC and CC will be based upon the estimated cost of the deferred facilities as set out in the baseline assessment.

The Advancement Cost is the present value sum of the monthly advancement costs over the period of advancement. The monthly advancement cost is calculated using the monthly charge formula set out in Section 3.3.3. The values of DGCC and CC will be based upon the estimated cost of the advanced facilities as set out in the baseline assessment.

For the purpose of calculating the advancement charge, the period over which the monthly charge for advancement is calculated will commence on the later of the in-service date in the Facilities Agreement or the date on which the Network and Direct Assignment Facilities are declared to be in-service by SaskPower. The period over which the advancement charge is calculated will terminate on the in-service date that is identified in the baseline assessment.

For the purpose of calculating the deferral benefit, the period over which the monthly benefit for deferral is calculated will end on the earlier of the in-service date in the Facilities Agreement or the date on which the Network and Direct Assignment Facilities are declared to be in-service by SaskPower. The period over which the deferral benefit is calculated will start on the in-service date that is identified in the baseline assessment.

Unless explicitly stated otherwise by SaskPower, the in-service date in the baseline assessment is deemed to be December 31 of the year in which the project is identified in SaskPower's Business Plan.

- If the Network Upgrade is already identified in the baseline assessment and is planned to be in service prior or coincident with the Customer's requirement for that Network Upgrade, the Customer will not be responsible for the cost of that Network Upgrade. However, the Customer is responsible for the full incremental costs associated with increasing the capacity or rating of a facility which is identified in the baseline assessment to accommodate the Customer's request.

If a higher queued Transmission Request or Interconnection Request is withdrawn, a new baseline will be created and the Customer will assume the responsibility for any Network Upgrade costs which were assumed by the previously queued request.

3.3.3 Monthly Charge For Construction Advancement or Deferral

The monthly charge is calculated using the following formula:

$$\text{Monthly charge} = (\text{DGCC} \times \text{WCC}) + (\text{CC} \times \text{MDR})$$

$$\text{Lump Sum Charge} = \text{Present Value Sum of Monthly Charges}$$

DGCC = Depreciated capital cost of the facilities associated with the Network Upgrade as of the last day of the previous month

WCC = SaskPower's monthly weighted cost of capital

CC = The capital cost of the facilities associated with the Network Upgrade

MDR = SaskPower's monthly depreciation rate applicable to the class of Network Upgrade

4 TRANSMISSION SERVICE CREDITS FOR NETWORK UPGRADES

The entity that has funded the Network Upgrades will be entitled to a credit, to be applied against future transmission rates as per the terms of the service agreement under SaskPower's OATT, up to the total amount paid to SaskPower for the allocated cost of the Network Upgrades, plus interest. Interest on the credit will commence from the date transmission service commences under SaskPower's OATT and will be simple interest computed on the basis of 365 days per year on the outstanding principal amount of the credit at the Interest Rate. Such interest will not be compounded but will accrue over the period the credit remains outstanding.

4.1 Credit For Network Upgrades Associated With Interconnections

- Transmission credits will only apply against transmission service that has been requested from the Generating Facility as a Point of Receipt through SaskPower's OATT, if ATC (available transfer capability) is available. If ATC is not available, additional upgrades may be required.
- In order to receive the transmission credits, short term or long term transmission service must be requested through SaskPower's OATT and commence prior to the fifth anniversary of the Generating Facility's in-service date.
- Prior to the fifth anniversary of the Generating Facility's in-service date, the Customer must execute a long-term transmission service agreement through SaskPower's OATT or forfeit any remaining transmission credit balance. Transmission credits will only continue to apply if subsequent roll over rights are exercised by the Customer under the terms of SaskPower's OATT.
- The Transmission Customer, which may be a separate entity from the Interconnection Customer, may elect to pay for the Network Upgrades for the interconnection. The Customer that has funded the Network Upgrades will be entitled to the credit for transmission service that has been requested from the Generating Facility through SaskPower's OATT.
- The Customer that has funded the Network Upgrades may give written notice to SaskPower, assigning the transmission credits to a third party, who is a Transmission Customer under SaskPower's OATT.

For example:

- An Interconnection Customer has paid for Network Upgrades in order to accommodate interconnection to their Generating Facility. The Interconnection Customer has also requested transmission service through SaskPower's OATT in order to sell the capacity. SaskPower will apply the credit against charges that are incurred for transmission service taken from the Generating Facility. The credit will not apply against transmission service charges that are incurred by the Customer where the Generating Facility is not the source.
- A Transmission Customer has requested transmission service through the OATT from the Generating Facility to a load. The Transmission Customer has funded the Network Upgrades. SaskPower will apply the credit against charges incurred by the Transmission Customer for transmission service taken from the Generating Facility.
- The Interconnection Customer has funded the Network Upgrades. Another entity becomes the Transmission Customer under the OATT. The Transmission Customer requests transmission service through SaskPower's OATT from the Generating Facility. The Interconnection Customer gives SaskPower written notice that the Transmission Customer

will be entitled to the transmission credits that are available. SaskPower will apply the transmission credits against any charges incurred by the Transmission Customer for transmission service requested through the OATT from the Generating Facility.

4.2 Credit For Network Upgrades Associated With Transmission Service

- Facilities will only be constructed for Transmission Customers which have executed a long-term transmission agreement under the OATT.
- Transmission credits will only apply against transmission service that has been booked through the OATT for the transmission path associated with long-term transmission agreement.
- Transmission credits will only continue to apply if subsequent roll over rights are exercised by the Transmission Customer under the terms of SaskPower's OATT.
- Transmission credits will not apply against charges incurred by the Transmission Customer for service on another path that has been redirected to the new path through the OATT.

For example:

- A Transmission Customer has queued a long-term transmission request under OASIS Request #44444. In order to facilitate this request, Network Upgrades are required. SaskPower will apply transmission credits against charges incurred by the Transmission Customer for TSR #44444. SaskPower will not apply the transmission credits against any costs that are incurred by the Transmission Customer due to other OASIS requests that they have queued and are not associated with the same path.
- A Transmission Customer has queued a long-term transmission request under OASIS Request #55555. In order to facilitate this request, Network Upgrades are required. Under the terms of the OATT, the Transmission Customer (the "reseller") may assign, sell or transfer a portion of its rights under the same service agreement. Because the reseller will remain liable for transmission charges incurred from the original transmission request, SaskPower will continue to apply transmission credits against charges incurred by the original Transmission Customer for the same OASIS request.

4.3 Assignment of Transmission Credits

The Customer that has funded the Network Upgrades may assign its remaining transmission credit balance to a third party if said party is a Transmission Customer under SaskPower's OATT. The Transmission Customer may only use the transmission credits as prescribed under Sections 4.1 and 4.2.

5 OPERATING AND MAINTENANCE COSTS (O&M)

The Customer will be responsible for O&M costs assessed on Direct Assignment Facilities and will be invoiced for the same on an annual basis.

6 TAXES

The Customer will be responsible for any and all taxes that are incurred by SaskPower with respect to the Direct Assignment Facilities and will be invoiced for the same on an annual basis.