

Notice to TEPC Customers Regarding Order No. 890 Implementation

On February 16, 2007, the Federal Energy Regulatory Commission (“FERC”) issued Order No. 890, “Preventing Undue Discrimination and Preference in Transmission Service”. Implementation of this new order, on July 13th, will require several changes for Customers. TEP has identified the following which are anticipated to be implemented on July 13, 2007:

- 1) Network Customers will be responsible for ensuring that their new Designated Network Resources (DNRs) meet FERC and OATT requirements to qualify as a DNR. Network Customers will be required to provide specified information and an attestation regarding those qualifications when making a request to designate a new Network Resource. Additionally, different resource information should be provided when making a request to designate an off-system resource (for example, a purchased power contract) including information regarding transmission purchased by the Network Customer for off-system DNRs (TSRs).
- 2) Order 890 requires that a current list of DNRs for each Network Customer be posted on OASIS. Prior to July 13, 2007, all Network Customers must submit to TEP a list of their current DNRs. For each DNR, the list must include: the name of the resource, its geographic and electrical location, its total installed capacity and the amount of capacity to be designated as a Network Resource. On July 13, 2007, TEP will post on OASIS a list of each Network Customer’s current DNRs.
- 3) Network Customers should terminate (“undesignate”) DNRs when they will be used for sale to non-designated third party load. Network Customers may make undesignations on either a temporary or permanent basis; however, temporary undesignations should be accompanied by a request to re-designate the Network Resource. Daily undesignations must be submitted via fax by 11:00 am MST.
- 4) As of July, 13, 2007, TEP will offer Secondary Network Service which can be used, when available and at a zero cost, to deliver electricity to Network Loads from resources that have not been designated as Network Resources. Secondary Network Transmission Service cannot be used to deliver electricity to any load location or POD not associated with Designated Network Load.
- 5) TEP will be posting on OASIS Interim Business Practices, with suggested forms and more specific information, on the above practices. The processes outlined in this document constitute the core of the requirements that will be applicable to Network Customers as of July 13, 2007. TEP reserves the right to adopt additional requirements or procedures as necessary to ensure its compliance with Order No. 890. Consistent with the requirements of the OATT and FERC regulations, TEP will use its discretion in working with Network Customers to ensure an orderly transition to the new requirements under Order No. 890.

- 6) Starting July 13, 2007, only transmission service requests with a minimum 5 year term will qualify for roll over rights. Such rights will have a one year notice provision.
- 7) Starting July 13, 2007, preconfirmed transmission service requests may not be withdrawn once submitted to TEP's OASIS.

TEP intends to implement a new OASIS-based process for reserving and using Network Service. This method will not be implemented until after July 13, 2007. Prior to implementation of that new process, TEP will post, on OASIS, draft Business Practices.