

APPENDIX VII

Interconnection Procedures in Effect Prior to July 1, 2005

(“Amendment 39 Procedures”)

1 Applicability. These Amendment 39 Procedures are applicable to Small Generating Facilities interconnecting to the ISO Controlled Grid and to Large Generating Facilities in accordance with Section 5.1 of the ISO Tariff Large Generator Interconnection Procedures. The owner of a planned New Facility, or its designee, is referred to for purposes of this Appendix as a New Facility Operator.

1.1 Interconnection to Transmission System. Interconnection must be consistent with Good Utility Practice, in conformance with all Applicable Reliability Criteria, all applicable statutes, regulations, and ISO reliability criteria for the ISO Controlled Grid. The Participating TO will not accommodate the Interconnection if doing so would impair system reliability, or would otherwise adversely affect the ability of the Participating TO to honor its Encumbrances existing as of the time a New Facility Operator submits its Interconnection Application. The Participating TO shall identify any such adverse effect on its Encumbrances in the System Impact Study performed pursuant to Section 2.6 of this Appendix. To the extent the Participating TO determines that the Interconnection will have an adverse effect on Encumbrances, the New Facility Operator requesting Interconnection shall mitigate such adverse effect.

1.2 Costs Associated with Interconnection. The New Facility Operator requesting Interconnection shall pay the costs of planning, installing, owning, operating, and maintaining any Direct Assignment Facilities and, if applicable, any Reliability Upgrades required to provide the requested Interconnection. In addition, the New Facility Operator shall implement all existing operating procedures necessary to safely and reliably interconnect such party's generation to the facilities of the Participating TO and to ensure the ISO Controlled Grid's conformance with the ISO Grid Planning Criteria, and shall bear all costs of implementing such operating procedures. The New Facility Operator shall be responsible for the costs of Reliability Upgrades only if the necessary facilities are not included in the ISO Controlled Grid Transmission Expansion Plan approved as of the New Facility Operator's Completed Application Date, or the date for the installation of a facility is advanced by the interconnection of the New Facility, in which case the New Facility Operator shall be responsible only for the incremental costs associated with the earlier installation of the facility. Each New Facility Operator may, at its own discretion, sponsor, pursuant to Section 24 of the ISO Tariff and Section 9 of the TO Tariff, any Delivery Upgrades. Any additional costs associated with accommodating the Interconnection shall be allocated in accordance with the cost responsibility methodology set forth in the ISO Tariff for transmission expansions or upgrades.

1.3 Interconnection Agreement. Pursuant to Section 2.3, 2.6.1, or 2.8.1 of this Appendix, the New Facility Operator requesting Interconnection of a Small Generating Facility shall request in writing that the Participating TO tender to such party an Interconnection Agreement that will be filed with FERC, or the Local Regulatory Authority, in the case of a Local Publicly Owned Electric Utility. The Interconnection

Agreement will include, without limitation, cost responsibilities and payment provisions for any engineering, equipment, construction, ownership, operation and maintenance costs for any Direct Assignment Facilities, any Reliability Upgrades, any Delivery Upgrades, if applicable, and for any other mitigation measures. For an Interconnection request to remain a Completed Interconnection Application, the New Facility Operator requesting the Interconnection shall execute the Interconnection Agreement and return it to the Participating TO within thirty (30) Business Days of receipt. Alternatively, if the New Facility Operator requesting the Interconnection of a Small Generating Facility requests the Participating TO to file an unexecuted Interconnection Agreement and commits to abide by the terms, conditions, and cost assignments determined to be just and reasonable under the ISO ADR Procedures, including any determination by FERC or on appeal of a FERC determination in accordance with that process, the Participating TO shall promptly file an unexecuted Interconnection Agreement. Provided, however, that if the ISO ADR Procedures concerns whether the New Facility Operator is an Eligible Customer, the Participating TO shall not be obligated to file an unexecuted Interconnection Agreement or commence construction of the Interconnection facilities or incur other costs under the Interconnection Agreement until a final order determining the just and reasonable rates, terms, and conditions for such Interconnection Agreement has been issued by the applicable court or regulatory authority. The Interconnection Agreement will set forth a payment schedule that enables the Participating TO to recover its costs. If the New Facility Operator elects not to execute the Interconnection Agreement and does not request the Participating TO to file an unexecuted Interconnection Agreement, its Completed Interconnection Application shall be deemed

withdrawn, and the New Facility Operator shall reimburse to the Participating TO all costs reasonably incurred in processing the application not covered by any System Impact Study Agreement or Facilities Study Agreement. To maintain its queue position, the New Facility Operator proposing to interconnect either a Large Generating Facility or a Small Generating Facility must timely comply with the interconnection requirements of Appendix W to the ISO Tariff and Sections 1 and 2 of this Appendix. If the New Facility Operator fails to timely comply with such interconnection requirements, such New Facility Operator shall pay the reasonable costs of revising the System Impact Studies for other wholesale generators that have established a new queue position due to the New Facility Operator either withdrawing its Interconnection Application or because its queue position has been modified pursuant to the queuing provisions in Section 4.4 of Appendix W to the ISO Tariff.

1.4 Due Diligence to Construct. The Participating TO shall use due diligence to construct, within a reasonable time, any Direct Assignment Facilities and any Reliability Upgrades that it is obligated to construct pursuant to the TO Tariff, this Appendix to the TO Tariff, and Appendix W to the ISO Tariff. The Participating TO's obligation to build will be subject to: 1) its ability, after making a good faith effort, to obtain any necessary approvals and property rights under applicable federal, state, and local laws; 2) the presence of a cost recovery mechanism with cost responsibility assigned in accordance with the ISO Tariff or applicable FERC precedent; and 3) a signed Interconnection Agreement or a signed Expedited Interconnection Agreement or, by mutual agreement of the parties, FERC acceptance for filing of an unexecuted Interconnection.

1.5 Energization. The Participating TO shall not be obligated to energize, nor shall the New Facility Operator be entitled to have its interconnection to the ISO Controlled Grid energized, unless and until an Interconnection Agreement has been executed, or filed at FERC pursuant to Section 1.3 of this Appendix, and becomes effective and such New Facility Operator has demonstrated to the ISO's reasonable satisfaction that it has complied with all of the requirements of Appendix W to the ISO Tariff and the requirements of this Appendix VII to the TO Tariff.

1.6 Coordination with ISO on Interconnection Requests. The Participating TO shall coordinate with the ISO, pursuant to the provisions of the TCA, in developing Interconnection standards and guidelines for processing Interconnection requests under this Appendix to the TO Tariff.

2. Interconnection Process.

2.1 Applications. Unless the New Facility Operator has submitted a Completed Interconnection Application to the ISO prior to July 1, 2005, a New Facility Operator shall submit a written Interconnection Application to the ISO pursuant to Section 3 of Appendix W to the ISO Tariff that shall include the information required in Section 2.2 of this Appendix.

2.2 Interconnection Application. An Interconnection Application shall provide all of the information listed 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 Interconnection;
- (ii) The Interconnection point(s) to the ISO Controlled Grid contemplated by the New Facility Operator;

- (iii) The resultant (or new) maximum amount of Interconnection capacity;
- (iv) The proposed date for energizing the Interconnection and the term of the Interconnection service;
- (v) Completed generator data sheets pursuant to the requirements of the Participating TO;
- (vi) Such other information as the Participating TO reasonably requires to process the application.

In addition to the information specified above, the following information may also be provided in order to properly evaluate system conditions:

- (vii) The electrical location of the ultimate load (if known). If the location of the load is not known, a system sale will be assumed.

In addition, if a New Facility Operator proposes to perform or cause a third party to perform any required System Impact Study or any required Facilities Study, it shall so indicate in its Interconnection Application. The results of any study or studies performed by a New Facility Operator must be approved by both the ISO and the Participating TO. Within ten (10) Business Days after receipt of an Interconnection Application, the Participating TO and the ISO shall determine whether the application is complete ("Completed Interconnection Application"). Wherever possible, the Participating TO will attempt to remedy deficiencies in the Interconnection Application through informal communications with the New Facility Operator. If such efforts are unsuccessful, the Participating TO shall return the Interconnection Application to the ISO. The Participating TO will treat the information provided in the Interconnection Application, including the New Facility Operator's identity, as confidential at the request of the New

Facility Operator except to the extent that disclosure of this information is required by this TO Tariff, by regulatory or judicial order, for reliability purposes pursuant to Good Utility Practice, or pursuant to RTG or ISO transmission information sharing agreements. The Participating TO shall treat this information consistent with the standards of conduct contained in Part 37 of FERC's regulations.

2.2.1 Amendment to Completed Interconnection Application. A New Facility Operator shall only be limited to amending its Completed Interconnection Application once. Such amendment shall occur on or before ten (10) Business Days following the date the Participating TO tenders any Facilities Study Agreement. Specifically, as an alternative to executing and returning a Facilities Study Agreement, a New Facility Operator may submit an amendment to its Completed Interconnection Application to reflect a revised configuration for its New Facility. The amended Completed Interconnection Application shall be treated in accordance with Section 4.2.1 of Appendix W to the ISO Tariff and Section 2.4 of this Appendix; the New Facility Operator's Completed Interconnection Application shall not be deemed withdrawn; and the New Facility Operator shall maintain its existing queue position, if (a) the amended Completed Interconnection Application is received by the Participating TO within ten (10) Business Days of the Participating TO's tender of a Facilities Study Agreement; and (b) the New Facility Operator has not submitted a previous amendment to the Completed Interconnection Application. In the event a New Facility Operator amends its Completed Interconnection Application, it will be responsible for any additional study costs that result from that amendment, including costs associated with revisions to studies for other applicants holding later queue positions.

2.3 Review of Completed Interconnection Application. After receiving a Completed Interconnection Application, the Participating TO and the ISO will determine on a non-discriminatory basis whether a System Impact Study is required. Whenever the Participating TO and the ISO determine that a System Impact Study is not required and that neither Reliability Upgrades nor changes in existing operating procedures are required, the Participating TO shall notify the New Facility Operator within fifteen (15) Business Days of the Completed Application Date. If the Interconnection of a Large Generating Facility can be accommodated without any Direct Assignment Facilities, then the New Facility Operator shall continue the interconnection process in accordance with Section 11.2 of the ISO Tariff LGIP. If the Interconnection of a Small Generating Facility can be accommodated without any Direct Assignment Facilities, then within thirty (30) Business Days of such notice from the Participating TO, the New Facility Operator shall request the Participating TO to tender to the New Facility Operator an Interconnection Agreement within thirty (30) Business Days of such request. The Participating TO shall tender to such New Facility Operator an Interconnection Agreement as provided in Section 1.3 of this Appendix. If the Participating TO determines, upon the review of the Completed Interconnection Application, that Direct Assignment Facilities are required, the Participating TO shall tender to the New Facility Operator a Facilities Study Agreement within twenty (20) Business Days of the Completed Application Date and continue the interconnection process pursuant to Section 2.7 of this Appendix.

2.4 Notice of Need for System Impact Study. If the Participating TO and the ISO determine that a System Impact Study is necessary to accommodate the requested

Interconnection, the Participating TO shall so inform the New Facility Operator, as soon as practicable. In such cases, the Participating TO shall within twenty (20) Business Days of receipt of a Completed Interconnection Application, tender a System Impact Study Agreement that defines the scope, content, assumptions and terms of reference for such study to be completed by the Participating TO; the estimated time required to complete it; and such other provisions as the parties may reasonably require, and pursuant to which the New Facility Operator shall agree to reimburse the Participating TO for the reasonable actual costs of performing the required System Impact Study. A description of the Participating TO's transmission assessment practices for completing a System Impact Study is provided in the Participating TO's FERC Form 715.

Alternatively, if the New Facility Operator will perform the System Impact Study, the Participating TO shall within twenty (20) Business Days of receipt of a Completed Interconnection Application, tender a System Impact Study Agreement that defines the scope, content, assumptions and terms of reference for such study to be reviewed by the Participating TO; the estimated time required to complete it; and such other provisions as the parties may reasonably require, and pursuant to which the New Facility Operator shall agree to reimburse the Participating TO for the reasonable actual costs of reviewing the required System Impact Study. For an Interconnection request to remain a Completed Interconnection Application, the New Facility Operator shall execute the System Impact Study Agreement and return it to the Participating TO within ten (10) Business Days together with payment for the reasonable estimated cost of performing the System Impact Study or reviewing the New Facility Operator's System Impact Study. Alternatively, if the New Facility Operator requests the Participating TO

to proceed with the System Impact Study or review thereof and commits to abide by the terms, conditions, and cost assignments ultimately determined under the ISO ADR Procedures, including any determination by FERC or appeal of a FERC determination in accordance with that process, the Participating TO shall promptly proceed with the System Impact Study provided that such request is accompanied by payment for the reasonable estimated cost of the System Impact Study, and the parties shall submit the disputed terms for resolution under the ISO's ADR Procedures. If the New Facility Operator elects not to execute a System Impact Study Agreement, and does not request that the Participating TO proceed with the System Impact Study or review thereof, its application shall be deemed withdrawn, and the New Facility Operator shall reimburse to the Participating TO all costs reasonably incurred in processing the application.

2.5 System Impact Study Cost Reimbursement and Agreement.

2.5.1 Cost Reimbursement. The System Impact Study Agreement shall clearly specify the charge, based on the Participating TO's estimate of the cost and time for completion of the System Impact Study. The charge shall not exceed the reasonable actual cost of the study. In performing the System Impact Study, the Participating TO shall rely, to the extent reasonably practicable, on existing transmission planning studies. The New Facility Operator will not be assessed a charge for such existing studies; however, the New Facility Operator will be responsible for the reasonable charges associated with any modifications to existing planning studies that are reasonably necessary to evaluate the impact of the New Facility Operator's request.

2.5.2 Multiple Parties. If multiple New Facility Operators request Interconnection at the same location, the Participating TO may conduct a single System Impact Study.

The costs of that study shall be pro-rated among the parties requesting Interconnection.

2.6 System Impact Study Procedures. Upon receipt of an executed System Impact Study Agreement or initiation of the ISO ADR Procedures and receipt of payment for estimated study costs, the Participating TO will use due diligence to either (a) complete the required System Impact Study within a sixty (60) calendar day period or (b) complete its review of a New Facility Operator's System Impact Study within thirty (30) calendar days of its receipt of the completed study. The System Impact Study will identify whether any Direct Assignment Facilities or Reliability Upgrades are necessary, as well as whether any Delivery Upgrades are necessary to deliver a New Facility's full output over the ISO Controlled Grid. The System Impact Study will also identify any adverse impact on Encumbrances existing as of the New Facility Operator's Completed Application Date. In the event that the Participating TO is unable to complete the required System Impact Study within such time period, it shall so notify the New Facility Operator, in writing, 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 New Facility Operator and the ISO. The Participating TO will use the same due diligence in completing the System Impact Study for others as it uses when completing studies for its affiliated UDC. The Participating TO shall notify the New Facility Operator and the ISO immediately upon completion of the System Impact Study.

2.6.1 Procedures Upon Completion of System Impact Study. Within fifteen (15) Business Days of completion of the System Impact Study or review and approval of a New Facility Operator's System Impact Study, the Participating TO shall notify the New Facility Operator whether the transmission system will be adequate to accommodate all of a request for Interconnection. If no costs are likely to be incurred for any Direct Assignment Facilities, any Reliability Upgrades, or implementing any operating procedures in order to interconnect a Large Generating Facility, then a New Facility Operator proposing to interconnect a Large Generating Facility shall continue the interconnection process in accordance with Section 11.2 of the ISO Tariff LGIP. If no costs are likely to be incurred for any Direct Assignment Facilities, any Reliability Upgrades, or implementing any operating procedures in order to interconnect a Small Generating Facility, then within thirty (30) Business Days of receipt of the completed System Impact Study performed by the Participating TO or receipt of written approval of the New Facility Operator's System Impact Study from the Participating TO and the ISO, the New Facility Operator proposing to interconnect a Small Generating Facility shall request the Participating TO to tender an Interconnection Agreement within thirty (30) Business Days of such request. The Participating TO shall tender to such New Facility Operator an Interconnection Agreement as provided in Section 1.3 of this Appendix. If costs are likely to be incurred to accommodate a request for Interconnection, the Participating TO shall tender to the New Facility Operator a Facilities Study Agreement pursuant to Section 2.7 of this Appendix.

2.7 Notice of Need for Facilities Study. If a System Impact Study indicates that additions or upgrades to the ISO Controlled Grid are needed to satisfy a New Facility

Operator's request for Interconnection, the Participating TO shall, within fifteen (15) Business Days of the completion date of the System Impact Study or the completion of review and approval of the New Facility Operator's System Impact Study by the Participating TO and the ISO, tender to the New Facility Operator a Facilities Study Agreement that defines the scope, content, assumptions and terms of reference for such study to be completed by the Participating TO; the estimated time required to complete the required study; and such other provisions as the parties may reasonably require, and pursuant to which the New Facility Operator agrees to reimburse the Participating TO for the reasonable actual costs of performing the required Facilities Study. Alternatively, if the New Facility Operator will perform the Facilities Study, the Participating TO shall within fifteen (15) Business Days of the completion date of the System Impact Study or the completion of review and approval of the New Facility Operator's System Impact Study, tender a Facilities Study Agreement that defines the scope, content, assumptions and terms of reference for such study to be reviewed by the Participating TO; the estimated time required to complete the required review; and such other provisions as the parties may reasonably require, and pursuant to which the New Facility Operator agrees to reimburse the Participating TO for the reasonable actual costs of reviewing the required Facilities Study. For an Interconnection request to remain a Completed Interconnection Application, the New Facility Operator shall execute the Facilities Study Agreement and return it to the Participating TO within ten (10) Business Days together with payment for the reasonable estimated cost of performing the Facilities Study or reviewing the New Facility Operator's Facilities Study. Alternatively, if the New Facility Operator requests the Participating TO to proceed with

the Facilities Study or review thereof and commits to abide by the terms, conditions, and cost assignments ultimately determined under the ISO ADR Procedures, including any determination by FERC or appeal of a FERC determination in accordance with that process, the Participating TO shall promptly proceed with the Facilities Study provided that such request is accompanied by payment for the reasonable estimated cost of the Facilities Study, and the parties shall submit the disputed terms for resolution under the ISO ADR Procedures. If the New Facility Operator elects not to execute a Facilities Study Agreement and does not request that the Participating TO proceed with the Facilities Study or review thereof, its application shall be deemed withdrawn and the New Facility Operator shall reimburse to the Participating TO all costs reasonably incurred in processing the application not covered by the System Impact Study Agreement.

2.8 Facilities Study Procedures. Upon receipt of an executed Facilities Study Agreement or initiation of the ISO ADR Procedures and receipt of payment for the estimated study costs, the Participating TO will use due diligence to either (a) complete the required Facilities Study within a sixty (60) calendar day period or (b) complete its review of a New Facility Operator's Facilities Study within thirty (30) calendar days of its receipt of the completed study. In the event that the Participating TO is unable to complete the required Facilities Study within such time period, it shall so notify the New Facility Operator, in writing, 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 Facilities Study shall be made available to the New Facility Operator.

2.8.1 Execution of Interconnection Agreement. Following completion of the Facilities Study, a New Facility Operator proposing to interconnect a Large Generating Facility shall continue the interconnection process in accordance with Section 11.2 of the ISO Tariff LGIP. Within thirty (30) Business Days of receipt of the completed Facilities Study performed by the Participating TO or receipt of written approval of the New Facility Operator's Facilities Study from the Participating TO, the New Facility Operator proposing to interconnect a Small Generating Facility shall request the Participating TO to tender an Interconnection Agreement within thirty (30) Business Days of such request. The Participating TO shall tender to such New Facility Operator an Interconnection Agreement as provided in Section 1.3 of this Appendix.

2.9 Partial Interim Service. If the Participating TO determines that there will not be adequate transmission capability to satisfy the full amount requested in a Completed Interconnection Application, the Participating TO nonetheless shall be obligated to offer and provide the portion of the requested Interconnection that can be accommodated without any additional Direct Assignment Facilities or Reliability Upgrades. However, the Participating TO shall not be obligated to provide the incremental amount of requested Interconnection that requires such additional facilities or upgrades until such facilities or upgrades have been placed in service.

2.10 Expedited Interconnection Procedures. In lieu of the procedures set forth above, the New Facility Operator proposing to interconnect a Small Generating Facility shall have the option to expedite the processing of its Completed Interconnection Application. In order to exercise this option, the New Facility Operator shall submit in writing a Request for Expedited Interconnection Procedures to the Participating TO and

to the ISO within ten (10) Business Days after receiving a copy of the System Impact Study for the proposed Interconnection. Within ten (10) Business Days after receiving a Request for Expedited Procedures, the Participating TO shall tender an Expedited Interconnection Agreement that requires the New Facility Operator to compensate the Participating TO for all costs reasonably incurred pursuant to the terms of this TO Tariff for processing the Completed Interconnection Application and providing the requested Interconnection. While the Participating TO agrees to provide the New Facility Operator with its best estimate of the costs of any needed Direct Assignment Facilities and, if applicable, Reliability Upgrades and other charges that may be incurred, unless otherwise agreed by the parties, such estimate shall not be binding and the New Facility Operator must agree in writing to compensate the Participating TO for all actual Interconnection costs reasonably incurred pursuant to the provisions of this TO Tariff. The New Facility Operator shall execute and return such Expedited Interconnection Agreement within ten (10) Business Days of its receipt or the New Facility Operator's request for Interconnection will cease to be a Completed Interconnection Application and will be deemed terminated and withdrawn. In that event, the New Facility Operator shall reimburse the Participating TO for all costs reasonably incurred in processing the application not covered by the terms of the System Impact Study Agreement.

3 Additional Definitions for this Appendix.

3.1 Delivery Upgrade. The transmission facilities, other than Direct Assignment Facilities and Reliability Upgrades, necessary to relieve constraints on the ISO Controlled Grid and to ensure the delivery of energy from a New Facility to Load.

3.2 ISO Tariff Large Generator Interconnection Procedures (ISO Tariff LGIP).

The procedures included in the ISO Tariff to interconnect a Large Generating Facility directly to the ISO Controlled Grid, as such procedures may be modified from time to time, and accepted by the Commission.

3.3 Large Generating Facility. A generating facility having a generating facility capacity of more than 20 MW.

3.4 New Facility. (a) Each generating unit that proposes to sell its Generation at wholesale and that seeks to directly interconnect to the ISO Controlled Grid; (b) each existing generating unit directly interconnected to the ISO Controlled Grid that will be repowered and increases the total capability of the power plant; or (c) each existing generating unit directly interconnected to the ISO Controlled Grid that will be repowered without increasing the total capability of the power plant but has changed the electrical characteristics of the power plant such that its re-energization may violate Applicable Reliability Criteria and require additional Direct Assignment Facilities or Reliability Upgrades.

3.5 New Facility Operator. The owner of a planned New Facility, or its designee.

3.6 Reliability Upgrade. For purposes of this Appendix, the transmission facilities, other than Direct Assignment Facilities, beyond the first point of Interconnection necessary to interconnect a New Facility safely and reliably to the ISO Controlled Grid, which would not have been necessary but for the Interconnection of a New Facility, including network upgrades necessary to remedy short circuit or stability problems resulting from the interconnection of a New Facility to the ISO Controlled Grid.

Reliability Upgrades also include, consistent with WECC practice, the facilities

necessary to mitigate any adverse impact a New Facility's interconnection may have on a path's WECC path rating. Reliability Upgrades shall be specified in the Interconnection Agreement that governs Interconnection service to the New Facility Operator and shall be subject to FERC approval.

3.7 Small Generating Facility. A generating facility having a generating facility capacity of no more than 20 MW.