

9. Expansion Process.

9.1 Determination of Facilities.

A Participating TO shall perform a Facilities Study in accordance with this Section where (1) the Participating TO is obligated to construct or expand facilities in accordance with Section 24 of the ISO Tariff and this TO Tariff; (2) a Market Participant agrees to pay the costs of the Facilities Study and specifies the project objectives to be achieved in terms of increased capacity or reduced congestion; or (3) the Participating TO is required to perform a Facilities Study pursuant to the ISO Tariff.

9.1.1 Payment of Facilities Study's Cost.

9.1.1.1 Market Participant to Pay for Facilities Study.

Where a Market Participant requests a Facilities Study and the need for the transmission addition or upgrade has not yet been established in accordance with the procedures established herein and the ISO Tariff, the Market Participant shall pay the cost of the Facilities Study.

9.1.1.2 Project Sponsor or Project Proponent to Pay for Facilities Study.

Where the facilities to be added or upgraded have been determined to be needed in accordance with the procedures established herein and the ISO Tariff, the Project Sponsor, Project Proponent, or the ISO requesting the study shall pay the reasonable cost of the Facilities Study. When the Participating TO is the Project Sponsor in accordance with the ISO Tariff, the costs of the Facilities Study shall be recovered through the Access Charges and transmission rates.

9.1.1.3 Principal Beneficiaries to Pay for Facilities Study.

Where the facilities to be added or upgraded have been determined to be needed and the principal beneficiaries have been identified by the ISO or ISO ADR Procedures in accordance with the ISO Tariff, the Project Sponsor and the identified principal beneficiaries shall pay the reasonable cost of the Facilities Study, in such proportions as may be agreed, or, failing agreement, as determined in accordance with the ISO ADR Procedures.

9.1.2 Payment Procedure.

Where a Facilities Study is being conducted pursuant to this TO Tariff, the Participating TO shall, within thirty days of the receipt of all reasonably required information, tender to the Market Participant, Project Sponsor, Project Proponent, ISO, or identified principal beneficiaries, as the case may be, a Facilities Study Agreement that defines the scope, content, assumptions, and terms of reference for such study, the estimated time required to complete it, and such other provisions as the parties may reasonably require and pursuant to which such Market Participant, Project Sponsor, Project Proponent, the ISO, or identified principal beneficiaries agree to reimburse the Participating TO the reasonable cost of performing the required Facilities Study. If the Market Participant, Project Sponsor, Project Proponent, the ISO, or identified principal beneficiaries, as the case may be, agree to the terms of the Facilities Study Agreement, they shall execute the Facilities Study Agreement and return it to the Participating TO within ten Business Days. Alternatively, if the Market Participant, Project Sponsor, Project Proponent, the ISO, or identified principal beneficiaries, as the case may be, request the Participating TO to proceed with the Facilities Study and commit 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, and the parties shall submit the disputed terms for resolution under the ISO's ADR Procedures.

9.1.3 Facilities Study Procedures.

Upon receipt of an executed Facilities Study Agreement or alternative request to proceed as provided for in Section 9.1.2, a copy of which has been provided to the ISO by the party requesting the Facilities Study, the Participating TO will use due diligence to complete the required Facilities Study within a sixty (60) day period. If the Participating TO is unable to complete the Facilities Study in the allotted time period, the Participating TO shall notify the Market Participant 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. If additional time is required, the Participating TO will use best efforts to complete the study within 10 months, provided adequate information is provided by all the parties.

9.2 Obligation to Build.

9.2.1 Due Diligence to Construct.

Subject to Section 9.3.3 of this TO Tariff, the Participating TO shall use due diligence to construct, within a reasonable time, additions or upgrades to its transmission system that it is obligated to construct pursuant to the ISO Tariff and this TO Tariff.

Alternatively, if a Market Participant requests the Participating TO to file an unexecuted Participation 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 Participation Agreement. Provided, however, that if the ISO ADR Procedures concerns whether the requesting entity is an Eligible Customer, the Participating TO shall not be obligated to file an unexecuted Participation Agreement or commence construction of the additions or upgrades or incur other costs under the Participation Agreement until a final order determining the just and reasonable rates, terms, and conditions for such Participation Agreement has been issued by the applicable court or regulatory authority. The Participating TO's obligation to build will be subject to: 1) its ability, after making a good faith effort, to obtain the 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; and 3) a signed Participation Agreement. The Participating TO will not construct or expand its existing or planned transmission system, if doing so would impair system reliability as determined through systems analysis based on the Applicable Reliability Criteria.

9.2.2 Delay in Construction or Expansion.

If any event occurs that will materially affect the time for completion of new facilities, or the ability to complete them, the Participating TO shall promptly notify: (1) the Project Sponsor with regard to facilities determined to be needed; (2) the Parties to the Participation Agreement with regard to facilities determined to be needed pursuant to the ISO Tariff where principal beneficiaries were identified; and (3) the ISO. In such circumstances, the Participating TO shall, within thirty days of notifying such Project Sponsor, Parties to the Participation Agreement, and the ISO of such delays, convene a

technical meeting with such Project Sponsor, Parties to the Participation Agreement, and the ISO to discuss the circumstances which have arisen and evaluate any options available. The Participating TO also shall make available to such Project Sponsor, Parties to the Participation Agreement, and the ISO, as the case may be, studies and work papers related to the cause and extent of the delay and the Participating TO's ability to complete the new facilities, including all information that is in the possession of the Participating TO that is reasonably needed to evaluate the alternatives.

9.2.2.1 Alternatives to the Original Facility Additions.

If the review process of Section 9.2.2 determines that one or more alternatives exist to the originally planned construction project, the Participating TO shall present such alternatives for consideration to the Project Sponsor, Parties to the Participation Agreement, and the ISO, as the case may be. If upon review of any alternatives, such Project Sponsor, the ISO, or Parties to the Participation Agreement wish to evaluate or to proceed with one of the alternative additions or upgrades, such Project Sponsor, the ISO, or Parties to the Participation Agreement may request that the Participating TO prepare a revised Facility Study pursuant to Sections 9.1.1, 9.1.2, and 9.1.3 of this TO Tariff. In the event the Participating TO concludes that no reasonable alternative exists to the originally planned addition or upgrade and the Project Sponsor or Parties to the Participation Agreement or the ISO disagree, the dispute shall be resolved pursuant to the ISO ADR Procedure.

9.2.2.2 Refund Obligation for Unfinished Facility Additions.

If the Participating TO and the Project Sponsor, the ISO, or Parties to the Participation Agreement, as the case may be, mutually agree that no other reasonable alternatives

exist, the obligation to construct the requested additions or upgrades shall terminate and any deposit not yet applied toward the expended project costs shall be returned with interest pursuant to FERC Regulation 35.19(a)(2)(iii). However, the Project Sponsor and any identified principal beneficiaries, as the case may be, shall be responsible for all costs prudently incurred by the Participating TO through the time the construction was suspended.

9.3 Provisions Relating To Transmission Construction On the Systems Of Other TOs.

9.3.1 Responsibility for Third Party Additions.

A Participating TO shall not be responsible for making arrangements for any 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 Participating TO will undertake reasonable efforts through the coordinated planning process to assist in making such arrangements, including, without limitation, providing any information or data required by such other electric system pursuant to Good Utility Practice.

9.3.2 Coordination of Third-Party System Additions.

Where transmission additions or upgrades being built pursuant to the ISO Tariff require additions or upgrades on other systems, to the extent consistent with Section 9.3.3 of this TO Tariff, the Participating TO shall coordinate construction on its own system with the construction required by others. The Participating TO, after consultation with the ISO, the Project Sponsor, and Parties to the Participation Agreement, as the case may be, may defer construction if the new transmission facilities on another system cannot

be completed in a timely manner. The Participating TO shall notify such Project Sponsor, Parties to the Participation Agreement, and the ISO, 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 the new facilities. Within forty Business Days of receiving written notification by the Participating TO of its intent to defer construction pursuant to this section, such Project Sponsor, Parties to the Participation Agreement, or the ISO may challenge the decision in accordance with the ISO ADR Procedure.

9.3.3 Expansion by “Local Furnishing Participating TOs”.

Notwithstanding any other provision of this TO Tariff, prior to requesting that a Local Furnishing Participating TO construct or expand facilities, the ISO or Project Sponsor shall tender (or cause to be tendered) an application under Section 211 of the FPA requesting FERC to issue an order directing the Local Furnishing Participating TO to construct or expand facilities as necessary to provide transmission service as determined pursuant to the ISO Tariff. Such Local Furnishing Participating TO shall thereafter, within ten Business Days of receiving a copy of the Section 211 application, waive its right to a request for service under Section 213(a) of the FPA and to the issuance of a proposed order under Section 212(c) of the FPA. Upon receipt of a final order from FERC under Section 211 of the FPA that is no longer subject to rehearing or appeal, such Local Furnishing Participating TO shall construct or expand facilities to comply with that FERC order and shall transfer to the ISO Operational Control over the Local Furnishing Participating TO’s expanded transmission facilities in accordance with the ISO Tariff.