

ATTACHMENT O

Recovery of New Facilities Costs

I. Development of System Plan

The Transmission Provider will develop an annual System Plan to assure that sufficient transmission capacity exists to serve all Long-Term Firm Point-to-Point (LTF PTP) Service and Network Integration Transmission Service (NITS) commitments.

The annual System Plan will be developed based on current NITS and LTF PTP Service commitments with their rollover rights and the annual load forecast provided by the Network Customer as required by Section 31.6 of this Tariff.

II. Definitions

Capitalized words not defined in this Section II of Attachment O shall be given the meanings ascribed to them elsewhere in this Tariff.

A. Direct Assignment Facilities

Direct Assignment Facilities are 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 may be subject to Commission approval.

B. Transmission Provider Interconnection Facilities

Transmission Provider Interconnection Facilities are 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 of the Standard Generator Interconnection Agreement (SGIA) with any generator, including any modifications, additions or upgrades to such facilities

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and equipment. Transmission Provider's Interconnection Facilities are sole use facilities and shall not include Stand Alone Network Upgrades or Network Upgrades.

C. System Plan Network Upgrades

System Plan Network Upgrades are 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 identified in the development of the System Plan as necessary to maintain reliable service for long-term firm service commitments including:

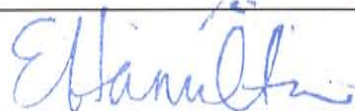
1. LTF PTP Services, including import, export and flow through services; and
2. NITS, as required to accommodate expected load growth, but excluding Network Upgrades identified in NRIS Interconnection Studies.

D. Network Upgrades

Network Upgrades are modifications or additions to transmission-related facilities that are not System Plan Network Upgrades. Network Upgrades for:

1. LTF PTP Service is defined in Section 1.26 of Terms and Conditions in the OATT.
2. Energy Resource Interconnection Service (ERIS) is defined in Section 1 of Attachment M-1 to the OATT.
3. Network Resources Interconnection Service (NRIS) is defined in Section 1 of Attachment M-1 to the OATT.

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III. Cost Recovery

A. Direct Assignment Facilities

The Transmission Customer shall pay the costs of Direct Assignment Facilities.

B. Transmission Provider's Interconnection Facilities

The Interconnection Customer shall pay the costs of Transmission Provider's Interconnection Facilities.

C. System Plan Network Upgrades

The costs of System Plan Network Upgrades are recovered through transmission rates for PTP and NITS.

D. Network Upgrades

1. Funding of Network Upgrades

The Transmission Provider shall fund Network Upgrades.

2. Provision of Revenue Guarantee for Network Upgrades

- (a) Transmission Customers shall provide Transmission Provider with security for the Network Upgrades in the form of a standby irrevocable letter of credit or other form of security that is reasonably acceptable to Transmission Provider ("Security") in accordance with Section 19.4 or Section 32.4 of OATT. Interconnection Customers shall provide Security for Network Upgrades in accordance with Article 11.5 of the SGIA. Notwithstanding the above and notwithstanding Section 19.4 and Section 32.4 of OATT and Article 11.5 of the SGIA, if the Transmission Customer or Interconnection Customer is BC Hydro,

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then no security for Network Upgrades is required under Section 19.4 or Section 32.4 of OATT or Article 11.5 of the SGIA.

- (b) Such Security shall be granted in favour of Transmission Provider and shall be in a sufficient amount which may be revised from time to time to cover the costs for designing, constructing, procuring and installing the Network Upgrades.
- (c) Such Security must be made by an entity that meets the creditworthiness requirements of Transmission Provider, or issued by a financial institution reasonably acceptable to Transmission Provider. If the entity making the Security ceases to meet the creditworthiness requirements of the Transmission Provider or the financial institution issuing the security ceases to be reasonably acceptable to the Transmission Provider, then the Transmission Customer shall provide a new form of security that meets the Transmission Provider's requirements, as stated above, within 30 Calendar Days of notice being provided to the Transmission Customer.
- (d) The Security will be held for a period and reduced by the Transmission Provider in accordance with Section III.D.3 of this Attachment O.
- (e) The Transmission Customer or Interconnection Customer will be responsible for the costs of arranging for and maintaining the Security.
- (f) The Transmission Provider will not pay interest on the amount on the Security.

3. Release of and Reducing Outstanding Balance of Security

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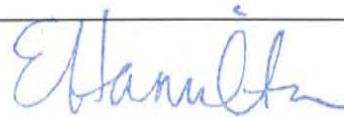
(a) LTF PTP Service

- (i) The Transmission Provider shall reduce the outstanding balance of the Security by an amount equal to the Transmission Customer's payment for transmission services on the LTF PTP rate schedule excluding the costs of scheduling, losses and ancillary services. Subject to paragraphs (ii) and (iii) below, the Transmission Provider will continue to reduce the outstanding balance of the Security by the Transmission Customer's payment for service until the balance becomes zero.
- (ii) If the Transmission Customer terminates its Service Agreement, the Transmission Provider may call on the full outstanding balance of the Security at that time.

(b) ERIS

- (i) If LTF PTP Service is purchased to transmit output from the Generating Facility receiving ERIS pursuant to the same SGIA pursuant to which the Security was provided, the Transmission Provider will, subject to paragraphs (ii) and (iii) below, reduce the outstanding amount of the Security in accordance with Section III.D.3.(a) of this Attachment O.
- (ii) If the Interconnection Customer terminates the SGIA or the Interconnection Customer's Generating Facilities fails to achieve Commercial Operation within 3 years of the target date for Commercial Operation set out in Appendix B of the SGIA, the Transmission Provider may call on the full outstanding balance of the Security at that time.

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(c) NRIS

- (i) If Interconnection Customer's Generating Facility is designated as a Network Resource, the Transmission Provider will, subject to paragraph (ii) below, at the end of each calendar year beginning with the calendar year during which the Generating Facility achieves Commercial Operation, agree to a reduction in the then outstanding amount of the Security by an amount equal to the capacity of the Generating Facility designated as a Network Resource during that calendar year multiplied by the LTF PTP rate, excluding the costs of scheduling, losses and ancillary services.
- (ii) If the Interconnection Customer terminates the SGIA or the Interconnection Customer's Generating Facility fails to achieve Commercial Operation within 3 years of the target date for Commercial Operation set out in Appendix B of the SGIA, the Transmission Provider may call on the full outstanding balance of the Security at that time.
- (iii) If Interconnection Customer's Generating Facility is not or ceases to be designated as a Network Resource, Transmission Provider shall deal with the Security in accordance with Section III.D.3.(b) of this Attachment O.

(d) Security Balance Information

The Transmission Provider will compute and provide to each Transmission Customer or Interconnection Customer, as applicable, an initial forecast of the time required to reduce the entire amount of the Security to zero. The Transmission Provider

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will track remaining credit balances for all Transmission Customers and Interconnection Customers and notify them of material changes in the length of time required to reduce the outstanding balance of the Security to zero due to LTF PTP rate changes.

4. Multiple Securities

Where Transmission Customer or Interconnection Customer causes Network Upgrades for more than one service, the Transmission Customer may consolidate the Securities required for each Network Upgrade into one with an amount equals to sum total of the Network Upgrade costs incurred.

E. Clustering and Open Season

1. Interconnection

Pursuant to Section 4.2 of SGIP, the Transmission Provider may elect to study Interconnection Requests using Clustering. In Clustering, the Transmission Provider may allocate the costs of Network Upgrades identified in the Interconnection Facilities Study arising out of Clustering between or among the Interconnection Requests subject to the Clustering on a pro rata basis relative to the maximum output of the Generating Facilities that are the subject of the Interconnection Requests. The Interconnection Customers of these Generating Facilities shall provide Security in the same amount of their respective allocated Network Upgrade costs. The Transmission Provider may reduce the amount of the Security as described in Section III.D.3.(b) or III.D.3.(c) of this Attachment.

2. LTF PTP

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Pursuant to Section 15.8 of the OATT, the Transmission Provider may elect to study LTF PTP service requests in an Open Season process. The Transmission Provider may allocate costs of Network Upgrades identified in the Facilities Study arising out of the Open Season process to Transmission Customers on a pro rata basis relative to the capacity requested by each Transmission Customer, after having deducted, for any Transmission Customer, any requested capacity that has been accommodated by any available transmission capability identified in the System Impact Study and allocated to that Transmission Customer in accordance with Section 15.8 and Section 15.9. The Transmission Customers shall provide Security in the same amount as their respective allocated Network Upgrade costs. The Transmission Provider may reduce the amount of the Security as described in Section III.D.3.(a) of this Attachment.

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