

GENERATION SECURITY DEPOSIT POLICY

1.0 General Items

1.1 Applicability: This Generation Security Deposit Policy governs Generation Security Deposit requirements included within the New Load Queue process for End Use Customers adding 5 MW of peak load or more. This Generation Security Deposit Policy shall be considered in conjunction with the provisions of NPPD’s Transmission Standard Extension Policy (and any customer specific Transmission Facility Construction Agreement, or TFCA), various rate schedules and other NPPD policies as applicable.

1.2 Philosophy: NPPD incurs cost to select, study, and site new generation resources. Further, there are much greater costs and long-term commitments to build out new generating resources for NPPD customer loads. NPPD will provide service to End Use Customer loads with investment in required infrastructure, while also reasonably protecting all NPPD customers from undue cost or rate increases.

1.3 Basis: As a member of Southwest Power Pool (SPP), the District must meet SPP Generation Interconnection Procedures (GIP), per the Sixth Revised Volume No. 1 – Attachment V Generator Interconnection Southwest Power Pool – Open Access Transmission Tariff. This SPP GIP requires financial commitment for a request to be accepted and validated in the SPP Generation Interconnection Study Queue. SPP’s financial provisions include deposits and financial securities in demonstration of good faith, intent, and readiness of accepting financial risk for Interconnection Facilities, Network and Shared Network upgrades. The District expects End Use Customers to demonstrate this same good faith, intent, and readiness of accepting financial risk in requesting service from NPPD. Requiring such Generation Security Deposit from End Use Customers reinforces this expectation, while managing risks for all NPPD customers.

1.4 Authority: The Generation Security Deposit Policy shall apply to the various situations and types of End Use Customers as outlined below.

1.5 End Use Customer: This policy applies to the End Use Customer for whom the new load will be served. The Generation Security Deposit Agreement will be between NPPD and the End Use Customer. End Use Customer will be required to complete an application form to enter the New Load Queue.

1.6 Use of Load Data from the End Use Customer: The End Use Customer load information needed for and used by this policy, as collected in an application form for the New Load Queue, shall be documented in the Generation Security Deposit Agreement and TFCA as applicable, include:

1.6.1 Peak Load (Megawatts and mega-volt-amps) – this is the maximum load the End Use Customer will place on NPPD’s assets. This shall be used for calculating the Generation Security Deposit amounts.

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Superseded Rev.: _____

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1.6.2 Minimum Guaranteed Energy Consumption (also called Full Build Out Condition) – this is the average annual energy consumption determined over a period of a minimum of 2 years (maybe longer for phased in load growth) starting at the In-Service Date.

2.0 Ownership

2.1 This Generation Security Deposit is based upon NPPD’s financial commitment to study new generation. The Generation Security Deposit provided by the End Use Customer with new load does not provide, nor infer, any ownership in NPPD’s generation facilities or associated capacity thereof. NPPD will own all generation facilities and the associated capacity these facilities provide.

3.0 Generation Security Deposit

3.1 The End Use Customer requesting service of new load will be required to provide a Generation Security Deposit as specified in the Generation Security Deposit Agreement. The Generation Security Deposit will be in the form of a bond, letter of credit, or other suitable form of security that may be called in the event the End Use Customer terminates the project, or otherwise does not meet the terms of the Generation Security Deposit Agreement.

3.2 Generation Security Deposit Amount: The amount of Generation Security Deposit will be a standard dollars per MW security deposit for End Use Customers requesting service of new load. This Generation Security Deposit may be subject to change with any changes to the SPP requirements.

3.3 The Generation Security Deposit shall consist of two amounts.

3.3.1 The first amount shall be \$8,000 per peak MW of new load as specified by End Use Customer on the application to serve their load. This amount will be due within thirty (30) days of a fully signed Generation Security Deposit Agreement, where such Generation Security Deposit Agreement will be signed by End Use Customer within thirty (30) days of End Use Customer submitting a completed application. The End Use Customer will not progress in the New Load Queue with any transmission studies or be allowed to enter into a TFCA until the first amount can be drawn upon by NPPD.

3.3.2 The second amount shall be \$4,000 per peak MW of new load and is due within thirty (30) days after End Use Customer has 1) completed all necessary transmission studies, as determined by NPPD, 2) has executed a TFCA, if NPPD requires such TFCA, and 3) provided TFCA Security to NPPD. The End Use Customer will not meet criteria in the New Load Queue for “Expected” status until the second amount can be drawn upon by NPPD.

3.4 The Generation Security Deposit shall be held as follows:

3.4.1 Prospective End Use Customers with no current load being served by NPPD: three (3) years beyond the date the End Use Customer facility begins taking service from NPPD

Effective: _____

Superseded Rev.: _____

Approved: _____

Resolution No.: _____

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with load substantially at the level contemplated by the Generation Security Deposit Agreement.

3.4.2 Existing End Use Customers requesting additional load to be served by NPPD (can be an additional facility location or existing facility expansion): three (3) years from the date the deposit payment is made by the End Use Customer.

3.5 If the End Use Customer terminates the project or does not meet the terms and conditions of the Generation Security Deposit Agreement, the District may call upon and collect the Generation Security Deposit. In this case, the Generation Security Deposit is non-refundable.

4.0 Generation Security Deposit Agreement (GSDA)

4.1 Prior to progressing with any transmission studies or entering into a TFCA, the End Use Customer shall enter into a Generation Security Deposit Agreement (GSDA) with NPPD. The GSDA shall outline the commitments of both the End Use Customer and NPPD consistent with this Generation Security Deposit Policy and any other applicable NPPD policies. Key requirements of a GSDA are:

4.1.1 The End Use Customer’s facility and load shall be clearly defined, including the Peak Load (used for calculating the Generation Security Deposit amounts) and the Minimum Guaranteed Energy Consumption (used for calculating the Full Build Out Condition).

4.1.2 The security deposit requirements shall be defined, including issuer rating requirements.

4.1.3 A target date for the start of service to the End Use Customer new load, based on the later of any TFCA target In-Service Date, or NPPD generation availability.

4.1.4 Other key requirements as agreed to by NPPD that are needed to define roles and responsibilities.

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