



JOINT USE SUBSTATIONS - Common Facilities – Cost Responsibility for Improvements, Modifications, Maintenance, etc.

BUSINESS PRACTICE

This Business Practice identifies the allocation of the cost responsibility for expansions and improvements to Common Facilities at Joint Use Substations. These expansions and improvements may arise from project work of the Common Facilities Owner, a Tenant, or as a result of equipment failure or infrastructure modernization. It applies to substations that were deemed Joint Use Substations at the time of ATC formation, as well as those that are deemed Joint Use Substations and constructed following ATC's initial formation. The entity that drives the need for Common Facilities Expansion will be responsible for the initial associated costs. If Common Facilities Expansion is driven by the Tenant, the Common Facilities Owner will book the assets at zero value so that annual return on and of will not be collected on an asset for which the Tenant has already paid in full. Annual proportionate allocation of Common Facilities operating and maintenance costs will change as values of Assignable Facilities change. Common Facilities Improvements will be the responsibility of the Common Facilities Owner.

DEFINITIONS

Assignable Facilities – Are those facilities categorized by function (transmission, distribution, or generation) at a Joint Use Substation that serve a single owner, are owned and maintained by a single entity, and are not Common Facilities.

Common Facilities - are those existing facilities, installed at a Joint Use Substation, which are substantially used and useful to more than one entity at such substation and may include, but are not limited to, batteries, ground grids, fences, gravel areas, parking areas, landscaping, access roads, yard lighting, shielding, screening and other similar elements. Common Facilities do not include real property or the Substation property.

Common Facilities Expansion – shall mean additions made to the Common Facilities as they existed when the substation was first designated a Joint Use Substation and which require an increased footprint, completely new material, infrastructure, etc. Examples include: expansion of ground grid, fencing, RTU's,

site grading and stoning, addition of area lighting, expansion of the control house, station power facilities (both AC & DC), lightning protection.

Common Facilities Improvement – improvements or replacements made to existing Common Facilities for the betterment, maintenance, and/or operation of existing Common Facilities by reason of their obsolescence, or equipment failure.

Common Facilities Owner – Shall mean, unless mutually agreed to otherwise by all entities having Assignable Facilities at the Joint Use Substation, the one entity that owned the greater value (original installed cost) of Assignable Facilities installed at the substation as of the latter of the date the transmission facilities were contributed to ATC and the date at which they were first placed in commercial operation.

Joint Use Substation – shall mean a substation at which Assignable Facilities are installed, owned and operated by more than one entity.

Joint Use Substation Tenant (“Tenant”) - shall mean an entity that owns Assignable Facilities at a Joint Use Substation and for whom the Common Facilities are substantially used and useful. There can be one or more Tenant at a Joint Use Substation.

Return On and Return Of Billings - Shall be defined and calculated as follows: Return On investment is calculated by multiplying the total net book investment value of the Common Facilities times the overall rate of return allowed the Common Facilities Owner by the utility regulatory agency with jurisdiction over such Common Facilities Owner in its most recent rate order; this is then multiplied by the percent of Assignable Facilities (at original cost) owned by Tenant to determine annual billing. The Return Of investment is calculated using the depreciation rate most recently established for such facilities by the applicable utility regulatory agency to determine annual depreciation of the common facilities; this is then multiplied by the percent of Assignable Facilities (at original cost) owned by Tenant to determine annual billing.

SCOPE AND/OR APPLICABILITY

- 1. Annual Operating and Maintenance Expense.** Each entity is responsible for the operating and maintenance costs for its own Assignable Facilities installed at any Joint Use substation. The Common Facilities Owner is responsible to manage and administer the shared allocation of appropriate expenses for the Common Facilities. The Common Facilities Owner shall incur and pay all annual operating and maintenance costs associated with all Common Facilities and charge the Tenant(s) for its portion of the annual operating and maintenance expenses based upon the pro-rata value of the Tenant’s Assignable

Facilities determined at the end of each calendar year. The proportionate allocation value for each entity is equal to each individual entity's total Assignable Facility value (at original cost) divided by the collective sum of all Assignable Facilities value (at original cost) at that Joint Use Substation. Annual operating and maintenance expense may include but is not limited to: snow removal, weed control, grass cutting, etc.

- 2. Common Facilities Improvements.** When any Improvement has to be made to existing Common Facilities, by reason of their use over time or equipment failure, the Common Facilities Owner shall be obligated to cooperate with the other entities in designing, engineering, scheduling and installing any Common Facilities Improvements. The functionality of these Common Facilities Improvements will be equal to or greater than the original installation unless agreed to by the entities at the site. The Common Facilities Owner shall incur the costs for the Common Facilities Improvements and be responsible to administer cost allocation where applicable. Proportional recovery of this investment will be made through the Return On and Return Of Billings.

If a Tenant requires a Common Facilities Improvement due to a modification in its Assignable Facilities, (e.g. requires an increase in battery capacity, station auxiliary transformer capacity, distribution panel size, etc.) the requesting Tenant will reimburse the Common Facilities Owner the undepreciated value of the existing asset plus the marginal cost of the larger asset over a similarly rated replacement. The initial cost of the requested Common Facilities Improvement will be paid as a Contribution In Aid of Construction (CIAC) by the Tenant and entered at zero net book value by the Common Facilities Owner.

- 3. Common Facilities Owner Initiated Common Facilities Expansion.** The Common Facilities Owner will provide adequate notice to the other entities having Assignable Facilities located at the Joint Use Substation, and will consult with the other entities to determine the scope of the Expansion. The Common Facilities Owner will bear all cost associated with the Common Facilities Expansion and will retain ownership of the Common Facilities Expansion when complete. The Common facilities Owner will recover thru proportionate share of Return on and of Billings
- 4. Tenant Initiated Common Facilities Expansion.** Any Tenant may request that the Common Facilities Owner make Expansions to Common Facilities in order to accommodate their respective business needs or operating requirements. Or, the Tenant may request permission from the Common Facilities Owner to Expand the Common Facilities as part of a work activity it is contemplating at that site. The Common Facilities Owner shall cooperate and participate in the design,

engineering, procurement, scheduling and installation of the Expansion to the Common Facilities. The Tenant agrees to bear the costs associated with the Expansion through providing a CIAC to the Common Facilities Owner to cover the cost of the Expansion. The Common Facilities Owner will take ownership of the facilities at zero net book value and will not reflect the value of this expansion in Return on and of Billings.

- 5. Contributions In Aid of Construction.** Any CIAC payment shall be made at a time that is mutually acceptable to the Common Facilities Owner and the requesting Tenant. Because one entity, either Common Facilities Owner or Tenant, may be making a payment that is later deemed to be taxable by the Internal Revenue Service, the entity receiving the payment for the Expansion or Improvements of the Common Facilities will assume complete responsibility for any and all tax liability implications as a result of the CIAC.
- 6. Good Utility Practice.** The Common Facilities Owner has the obligation in the exercise of prudent business judgment to operate and maintain all of the Common Facilities according to Good Utility Practice standards. Because the determination of Good Utility Practice may be different for transmission, distribution, and generation facilities, the most stringent definition of Good Utility Practice as used by either the Common Facilities Owner or the Tenants at a given Joint Use Substation shall be applied to that Joint Use Substation. Additionally, any of the Tenants at any Joint Use Substation may reasonably require that, due to the differences in the definition of Good Utility Practice, the Common Facilities Owner provide Common Facilities Improvements to any component of the Common Facilities subject to the terms above.
- 7. De minimus Use.** Sometimes Common Facilities used and useful benefit is de minimus to a Tenant and therefore does not warrant proportionate cost allocation by the Common Facilities Owner. Examples would include but are not limited to: spare fuse storage in a control house, presence of RTU's, presence of metering for control area operations, and presence of metering for revenue collection.

SUPPORTING INFORMATION

Given the Common Facilities Owner expenditures may be driven by Tenant construction needs, it is the responsibility of the Tenant to provide adequate notice of these impacts so they can be included in the budget processes of the Common Facilities Owner. ATC will continually strive to fully inform all Common Facilities Owner of Common Facility Expansions or Improvements, which may occur, as a result of an ATC project. In it's role

as a Common Facilities Owner, ATC expects similar consideration from Tenants.

Separate Assignable Facilities may be the least cost alternative to constructing or expanding a substation, such as control houses. These can be assigned to transmission, distribution or generation and would not be considered a Common Facility.

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TITLE:	<i>Common Facilities</i> <i>Approved by: Walter Woelfle</i>	Page 5 of 6

Exhibit 1 - JOINT USE SUBSTATIONS - Common Facilities – Cost Responsibility for Improvements, Modifications, Maintenance, etc.

	SCENARIO						
	Annual O & M (e.g. Monitoring, Cutting grass, Weed control, Snow removal, Etc.)	CFO* Performs Improvement beneficial to all parties (e.g. Battery Replacements, Routine Replacement of Auxiliary Power Transformers, ground grid upgrade, etc.)	CFO Requires Improvement (e.g. Larger Battery or Auxiliary Power Transformers, Etc.)	Tenant Requires Improvement (e.g. Larger Battery or Auxiliary Power Transformers, Etc.)	CFO Initiated Site Expansion (e.g. Land acquisition, Increased footprint, new addition to ground grid or fence) to Accommodate a CFO need	Tenant Initiated Site Expansion (e.g. Land acquisition, Increased footprint, addition to ground Grid or fence) to Accommodate a Tenant need	Jointly Initiated Site Expansion (e.g. Land acquisition, Increased footprint, addition to ground Grid or fence) to Accommodate both trans. and dist. work
Business Practice							
Existing Practice	CFO Costs shared between CFO and Tenant based upon relative amount of Assigned Facilities owned by each	CFO Pays Ownership booked to CFO Recovered thru proportionate share of Return On and Of Billings	CFO Pays Ownership booked to CFO Recovered thru proportionate share of Return On and Of Billings	CFO Pays Ownership booked to CFO Recovered thru proportionate share of Return On and Of Billings	CFO Pays Ownership booked to CFO Recovered thru proportionate share of Return On and Of Billings	CFO Pays Ownership booked to CFO Recovered thru proportionate share of Return On and Of Billings	CFO Pays Ownership booked to CFO Recovered thru proportionate share of Return On and Of Billings
Proposed Practice	No change	No change	No change	CFO Pays -with CIAC from Tenant for Undepreciated Amount of existing asset and marginal cost for larger replacement over and above replacement with ratings equivalent to existing. Ownership booked to CFO. No Return On and Of Billings since Tenant has paid in full.	No change	Tenant Pays as CIAC to CFO Ownership transferred to CFO at end of work on Common. No Return On and Of Billings as Tenant has already paid in full	No change

***CFO = Common Facilities Owner as referenced in Business Practice**