FINANCIAL SECURITY REFUND ELIGIBILITY

FREQUENTLY ASKED QUESTIONS

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FINANCIAL SECURITY REFUND FAQS

Financial Securities are required under SPP Tariff Attachment V, Generator Interconnection Procedures to demonstrate progressive readiness through the Generation Interconnection study process as well as staging fiscal liquidity of securities as a performance lien for the generating facility construction phase utilized after execution of the Generation Interconnection Agreement. Financial Securities are differentiated from Cash Study Deposits, which are used exclusively to fund costs associated with the Generation Interconnection studies. This following is based on the SPP Tariff Attachment V, effective 15 January 2022.

This Financial Security Refund FAQ does not apply to the cash study deposits or non-refundable risks, per the SPP Tariff Attachment V.

What forms of financial securities does SPP accept under the Generation Interconnection Study Process? Under the Generation Interconnection Procedures, SPP accepts provisions of Financial Securities in the form of Cash securities or Letter of Credit.

When are financial securities collected and how is that amount determined? Financial securities are collected in three phases:

- **Financial Security One** is required **upon initial submission** into the queue in accordance with SPP Tariff Attachment V, under Section 8.2.f., that requires $4,000 per MW, in the form of Cash or Letter of Credit.

  *****Under SPP Tariff Attachment V, Section 8.2.a.1, the Interconnection Customer has an option to provide a Gen Tie Financial Security 'in lieu of' real property Site Control, at the rate of $80,000 per total line mile of right-of-way. Please refer to the SPP Site Control Criteria for more detail.

- **Financial Security Two**, per Section 8.5.1, is required after the posting of the initial DISIS Phase One Report and **before the end** of Decision Point One (DP1). Financial Security Two is calculated as *equal to or the greater of* one of two criteria: a) ten percent (10%) of the Cost Factor*, less the amount of Financial Security One that was provided to enter DISIS Phase One, or b) $4,000 per MW of the requested capacity advancing to DISIS Phase Two.
- **Financial Security Three** is required after the posting of the DISIS Phase Two report but **before the end** of Decision Point Two (DP2). Financial Security Three is an additional financial security deposit equal to twenty percent (20%) of the total upgrade costs allocated to the Interconnection Request, less the amount of Financial Security One and Financial Security Two.

What Financial Securities are 'at risk' of forfeiture, if the Interconnection Request is withdrawn after the start of DISIS Phase One, but before the end of Decision Point 1? Per Section8.14.b, if an Interconnection Request is withdrawn after the beginning of DISIS Phase One, but prior to the end of DP1, then twenty-five percent (25%) of Financial Security One and twenty-five (25%) of Financial Security provided in lieu of Site Control for the Generating Facility's tie line will be forfeited to the extent that equally-queued Interconnection Requests are subjected to increased total of Network Upgrades and Transmission Owner Interconnection Facilities upgrade costs as a result of the withdrawal. If the Transmission Provider determines that no equally-queued Interconnection Requests are subjected to increased total of Network Upgrades and Transmission Owner Interconnection Facilities upgrade costs as a result of the withdrawal, Financial Security One will be refunded with accrued interest, if any.

What Financial Securities are 'at risk' of forfeiture, if the Interconnection Request is withdrawn after the end of Decision Point 1 (DP1), but before the end of Decision Point 2 (DP2)? Per Section8.14.c, If an Interconnection Request is withdrawn after the end of DP1, but prior to the end of DP2, then one-hundred percent (100%) of Financial Security One, one-hundred percent (100%) of Financial Security provided in lieu of Site Control for the Generating Facility's tie line, and twenty-five percent (25%) of Financial Security Two will be forfeited to the extent that equally-queued Interconnection Requests are subjected to increased total of Network Upgrades and Transmission Owner Interconnection Facilities upgrade costs as a result of the withdrawal.

There is an exception to this forfeiture, per Section 8.14.c., where **two conditions must be met**: 1) the total allocated costs for the withdrawn Interconnection Request, including those costs for upgrades to mitigate impacts to Affected Systems if known, increased by twenty-five percent (25%) or more from the end of DP1 to DISIS Phase Two, **and** 2) the allocated cost per MW of requested capacity, including costs for Affected Systems if known, increased by $10,000/MW or more from the end of DP1 to DISIS Phase Two.

What Financial Securities are 'at risk' of forfeiture, if the Interconnection Request is withdrawn after the end of Decision Point 2 (DP2)? Per Section8.14.d, if an Interconnection Request is withdrawn after the end of DP2, Financial Security One, Financial Security Two, Financial Security Three, and Financial Security provided in lieu of Site Control for the Generating Facility's tie line will be forfeited to the extent that equally- or lower-queued Interconnection Requests are subjected to increased total of Network Upgrades and Transmission Owner Interconnection Facilities upgrade costs as a result of the withdrawal.

There is an exception to this forfeiture, per Section 8.14.d., where **two conditions must be met**: 1) the total allocated costs for the withdrawn Interconnection Request, including those costs for upgrades to mitigate impacts to Affected Systems if known, increased by thirty-five percent (35%) or more from the end of DP2 to the Interconnection Facilities Study, **and** 2) the allocated cost per MW of requested capacity, including costs for Affected Systems if known, increased by $15,000/MW or more from the end of DP2 to the Interconnection Facilities Study.

When must I notify SPP to withdraw the Interconnection Request to avoid placing Financial Securities (including Gen Tie Financial Security, if applicable) at risk of forfeiture? Interconnection Customer must provide written notice to SPP of its decision to withdraw before commencement of the DISIS Phase One study.

After the Decision Point Two has passed, are there any other opportunities to withdraw an Interconnection Request in order to receive a refund of Financial Securities? Yes, per Section 8.14.e, if the Interconnection Facilities Study is subsequently revised or a new or revised Affected System study is received resulting in a total allocated cost that meets the exception to forfeiture afforded under Section 8.14(d), the Interconnection Customer may withdraw the Interconnection Request within the next fifteen (15) Business Days after the posting of the revised study and receive a full refund of Financial Security One, Financial Security Two, Financial Security Three, and Financial Security provided in lieu of Site Control for the Generating Facility's tie line. The option to withdraw and receive a full refund without regard to the impact to concurrently- or lower-queued Interconnection Requests will expire fifteen (15) Business Days after the posting of the revised study.

Keep in mind, the total allocated costs based on results of any revised studies will continue to be compared against the total allocated costs at the end of DP2.

What does 'forfeiture' of financial securities actually mean? Forfeiture of any financial securities shall mean that Financial Security One, Financial Security Two and Financial Security Three (including Gen Tie Financial Security, if applicable) will be retained by SPP pending final evaluation of impact upon other Interconnection Requests that is economically impacted or harmed by the withdrawal of an Interconnection Request. The amount of the forfeiture is limited to the extent Network Upgrade and Transmission Owner Interconnection Facilities upgrade costs increased as a result of the withdrawn Interconnection Request.

What if it is ultimately determined that no other Interconnection Requests were economically harmed due to my Interconnection Request being withdrawn - are my Financial Securities refundable? Yes, under Section 8.14.b, 8.14.c and 8.14.d, after all necessary interconnection studies have been completed to determine that there are no adverse impacts to other Interconnection Requests, the Financial Securities may be refunded with accrued interest, if any.

If SPP retains any portion of Financial Securities, but not all, to be applied toward increased costs to an Interconnection Customer as a result of our withdrawal, will we receive a refund on the unused balance? Yes, under Section 8.14.f, after all necessary interconnection studies have been completed to determine adverse impacts to other Interconnection Requests, SPP will refund those remaining Financial Securities.

What Studies Will Be Compared Between Each Other To Determine the Exception To Forfeiture Thresholds? Under Section 8.14.e, reads in part: "The total allocated costs based on results of any revised studies will continue to be compared against the total allocated costs at the end of DP2." Pursuant to determining any exception to forfeiture thresholds, under

Section 8.14.c and 8.14.d, any subsequent studies or restudies will always be compared to the DISIS Report posted at the end of DP2.

Will any accrued interest be earned on Financial Securities? Yes, but only cash Financial Securities will accrue interest from the date of receipt until released or utilized by SPP, per Section 8.14. Letters of Credit do not accrue interest.

How are the forfeited financial securities used? Per Section 8.14.f, if any portion of Financial Security One, Financial Security Two, or Financial Security Three is retained by SPP due to economic harm caused to an equally- or lower-queued Interconnection Request, it will be applied toward the increased cost of designing, procuring, and constructing any Network Upgrades assigned to an Interconnection Customer(s) as a result of the withdrawal of Interconnection Request.

How does SPP handle the release of a Letter of Credit? When authorized to release the Letter of Credit, SPP will return the physical Letter of Credit back to the issuing financial institution.

** Financial Security Two Cost Factor is calculated by first determining the cost allocation factor pursuant to Section 4.2.2 of the GIP applicable to an Interconnection Request for an upgrade assigned to that same Interconnection Request, and multiplying the cost allocation factor by itself and then by the total estimated cost of the upgrade; then summing the resulting products for every upgrade allocated to an Interconnection Request. The cost of upgrades required to mitigate impacts to Affected Systems is excluded from Financial Security Two.*