Attachment I

14.2 Attachment 1 to Attachment H

14.2.1 Schedules

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Niagara Mohawk Power Corporation | **Attachment 1**
Calculation of RR Pursuant to Attachment H, Section 14.1.9.2 | Year | **Schedule 1**

Calculation of RR

9.2 The RR component shall equal the (a) Historical Transmission Revenue Requirement plus (b) the Forecasted Transmission Revenue Requirement plus (c) the Annual True-Up, determined in accordance with the formula below.

Historical Transmission Revenue Requirement (Historical TRR)

Line No.			Reference		
1		**Historical Transmission Revenue Requirement (Historical TRR)**			
2					
3	9.2 (a)	Historical TRR shall equal the sum of NMPC's (A) Return and Associated Income Taxes, (B) Transmission Related Depreciation Expense, (C)			
4		Transmission Related Real Estate Tax Expense, (D) Transmission Related Amortization of Investment Tax Credits,			
5		(E) Transmission Operation and Maintenance Expense, (F) Transmission Related Administrative and General Expenses, (G) Transmission			
6		Related Payroll Tax Expense, (H) Billing Adjustments, and (I) Transmission Related Bad Debt Expense less			
7		(J) Revenue Credits, and (K) Transmission Rents, all determined for the most recently ended calendar year as of the beginning of the update year.			
8			Reference		
9			*Section:*	**0**	
10		Return and Associated Income Taxes	(A)	#DIV/0!	Schedule 8, line 64
11		Transmission-Related Depreciation Expense	(B)	#DIV/0!	Schedule 9, Line 6, column 5
12		Transmission-Related Real Estate Taxes	(C)	#DIV/0!	Schedule 9, Line 12, column 5
13		Transmission - Related Investment Tax Credit	(D)	#DIV/0!	Schedule 9, Line 16, column 5
14		Transmission Operation & Maintenance Expense	(E)	$0	Schedule 9, Line 23, column 5
15		Transmission Related Administrative & General Expense	(F)	#DIV/0!	Schedule 9, Line 37, column 5
16		Transmission Related Payroll Tax Expense	(G)	$0	Schedule 9, Line 43, column 5
17		Sub-Total (sum of Lines 10 - Line 16)		#DIV/0!	
18					
19		Plus: Billing Adjustments	(H)	$0	Schedule 10, Line 1
20		Plus : Bad Debt Expenses	(I)	$0	Schedule 10, Line 4
21		Less: Revenue Credits	(J)	$0	Schedule 10, Line 7
22		Less: Transmission Rents	(K)	$0	Schedule 10, Line 14
23					
24		Total Historical Transmission Revenue Requirement (Sum of Line 17 - Line 22)		#DIV/0!	
25					

Niagara Mohawk Power Corporation **Attachment 1**
Forecasted Transmission Revenue Requirement **Schedule 2**
Attachment H, Section 9.2

0

Shading denotes an input

Line No.			Period	Reference		Source
1	9.2 (b)	**FORECASTED TRANSMISSION REVENUE REQUIREMENTS**				
2		Forecasted TRR shall equal (1) the Forecasted Transmission Plant Additions (FTPA) multiplied by the Annual FTRRF, plus (2) the Mid-Year Trend				
3		Adjustment (MYTA), plus (3) the Tax Rate Adjustment (TRA), as shown in the following formula:				
4						
5		Forecasted TRR = (FTPA * FTRRF) + MYTA + TRA				
6						
7			Period	Reference		Source
8						
9						
10	(1)	Forecasted Transmission Plant Additions (FTPA)			$0	Workpaper 8, Section I, Line 16
11		Annual Transmission Revenue Requirement Factor (FTRRF)			#DIV/0!	Line 35
12		Sub-Total (Lines 10*11)			#DIV/0!	
13		Plus Mid-Year Trend Adjustment (2) (MYTA)			$0	Workpaper 9, line 31, variance column
14		Forecasted Transmission Revenue Requirement (Line 12 + Line 13)			**#DIV/0!**	
15						
16	(2)	**MID YEAR TREND ADJUSTMENT (MYTA)**				
17		The Mid-Year Trend Adjustment shall be the difference, whether positive or negative, between				
18		(i) the Historical TRR Component (E) based on actual data for the first three months of the Forecast Period,				
19		and (ii) the Historical TRR Component (E) based on data for the first three months of the year prior to the Forecast Period.				Workpaper 9
20						
21	(3)	**The Tax Rate Adjustment (TRA)**				
22		The Tax Rate Adjustment shall be the amount, if any, required to adjust Historical TRR Component (A) for any change in the Federal Income Tax Rate				
23		and/or the State Income Tax Rate that takes effect during the first five months of the Forecast Period.				
24						
25	9.2 (c)	**ANNUAL FORECAST TRANSMISSION REVENUE REQUIREMENT FACTOR**				
26		The Annual Forecast Transmission Revenue Requirement Factor (Annual FTRRF) shall equal the sum of Historical TRR components (A) through (C),				
27		divided by the year-end balance of Transmission Plant in Service determined in accordance with Section 9.2 (a), component (A)1(a).				
28						
29						
30		Investment Return and Income Taxes		(A)	#DIV/0!	Schedule 1, Line 10
31		Depreciation Expense		(B)	#DIV/0!	Schedule 1, Line 11
32		Property Tax Expense		(C)	#DIV/0!	Schedule 1, Line 12
33		Total Expenses (Lines 30 thru 32)			#DIV/0!	
34		Transmission Plant		(a)	#DIV/0!	Schedule 6, Page 1, Line 12
35		Annual Forecast Transmission Revenue Requirement Factor (Lines 33/ Line 34)			#DIV/0!	

Niagara Mohawk Power Corporation **Attachment 1**
Annual True-up (ATU) **Schedule 3**
Attachment H Section 9.2 (c)

Line No.			0 Year	Source:
1				
2	9.2(d)	The Annual True-Up (ATU) shall equal (1) the difference between the Actual Transmission Revenue Requirement and the Prior Year		
3		Transmission Revenue Requirement, plus (2) the difference between the Actual Scheduling, System Control and Dispatch costs		
4		and Prior Year Scheduling, System Control and Dispatch costs, plus (3) the difference between the Prior Year Billing Units and the Actual Year		
5		Billing Units multiplied by the Prior Year Unit Rate, plus (4) Interest on the net differences.		
6				
7	(1)	Revenue Requirement (RR) of rate effective July 1 of prior year	$0	Schedule 4, Line 1, Col (d)
8		Less: Annual True-up (ATU) from rate effective July 1 of prior year	$0	Schedule 4, Line 1, Col (c)
9		Prior Year Transmission Revenue Requirement	$0	Line 7 - Line 8
10				
11		Actual Transmission Revenue Requirement	#DIV/0!	Schedule 4, Line 2, Col (a)
12		Difference	#DIV/0!	Line 11 - Line 9
13				
14	(2)	Prior Year Scheduling, System Control and Dispatch costs (CCC)	$0	Schedule 4, Line 1, Col (e)
15		Actual Scheduling, System Control and Dispatch costs (CCC)	$0	Schedule 4, Line 2, Col (e)
16		Difference	$0	Line 15 - Line 14
17				
18	(3)	Prior Year Billing Units (MWH)	$0	Schedule 4, Line 1, Col (f)
19		Actual Billing Units	-	Schedule 4, Line 2, Col (f)
20		Difference	-	Line 18 - Line 19
21		Prior Year Indicative Rate	#DIV/0!	Schedule 4, Line 1, Col (g)
22		Billing Unit True-Up	#DIV/0!	Line 20 * Line 21
23				
24		Total Annual True-Up before Interest	#DIV/0!	(Line 12 + Line 16 + Line 22)
25				
26	(4)	Interest	#DIV/0!	Line 57
27				
28		Annual True-up RR Component	#DIV/0!	(Line 24 + Line 26)
29				

30 Interest Calculation per 18 CFR § 35.19a

31	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
32	Quarters	Annual	Accrued Prin	Monthly	Days			Accrued Prin	Accrued
33		Interest	& Int. @ Beg	(Over)/Under	in	Period		& Int. @ End	Int. @ End
34		Rate (a)	Of Period	Recovery	Period	Days	Multiplier	Of Period	Of Period
35									
36	3rd QTR '07		0		92	92	1.0000	$0	$0
37	July	0.00%		#DIV/0!	31	92	1.0000	#DIV/0!	#DIV/0!
38	August	0.00%		#DIV/0!	31	61	1.0000	#DIV/0!	#DIV/0!
39	September	0.00%		#DIV/0!	30	30	1.0000	#DIV/0!	#DIV/0!
40									
41	4th QTR '07		#DIV/0!		92	92	1.0000	#DIV/0!	#DIV/0!
42	October	0.00%		#DIV/0!	31	92	1.0000	#DIV/0!	#DIV/0!
43	November	0.00%		#DIV/0!	30	61	1.0000	#DIV/0!	#DIV/0!
44	December	0.00%		#DIV/0!	31	31	1.0000	#DIV/0!	#DIV/0!
45									
46	1st QTR		#DIV/0!		91	91	1.0000	#DIV/0!	#DIV/0!

	'08								
47	January	0.00%		#DIV/0!	31	91	1.0000	#DIV/0!	#DIV/0!
48	February	0.00%		#DIV/0!	29	60	1.0000	#DIV/0!	#DIV/0!
49	March	0.00%		#DIV/0!	31	31	1.0000	#DIV/0!	#DIV/0!
50									
51	2nd QTR '08		#DIV/0!		91	91	1.0000	#DIV/0!	#DIV/0!
52	April	0.00%		#DIV/0!	30	91	1.0000	#DIV/0!	#DIV/0!
53	May	0.00%		#DIV/0!	31	61	1.0000	#DIV/0!	#DIV/0!
54	June	0.00%		#DIV/0!	30	30	1.0000	#DIV/0!	#DIV/0!
55									
56									
57	Total (over)/under Recovery			#DIV/0!	(line 24)	#DIV/0!			#DIV/0!

(a) Interest rates shall be the interest rates as reported on the FERC Website http://www.ferc.gov/legal/acct-matts/interest-rates.asp

Attachment 1
Schedule 4

Niagara Mohawk Power Corporation Wholesale TSC Calculation Information
2008 Forecast using 2007 Historical Data and 2008 Forecast

		(a)	(b)	See Note (**) below. (c)	(d)	(e)	(f)	(g)
		Historical Transmission Revenue Requirement (Historical TRR)	Forecasted Transmission Revenue Requirement	Annual True Up (**)	Revenue Requirement (RR)	Scheduling System Control and Dispatch Costs (CCC)	Annual Billing Units (BU) MWh	Rate $/MWh (*)
1	Prior Year Rates Effective ________	-	-	-	-	-	-	#DIV/0!
2	Current Year Rates Effective July 1, 2008	#DIV/0!	#DIV/0!		#DIV/0!	-	-	#DIV/0!
3	Increase/(Decrease)							#DIV/0!
4	Percentage Increase/(Decrease)							#DIV/0!

1.) Information directly from Niagara Mohawk Prior Year Informational Filing
2.)
(a) Schedule 1, Line 24
(b) Schedule 2, Line 14
(c) Schedule 3, Line 28
(d) Attachment H, Section 9.2 The RR Component shall equal Col (a) Historical Transmission Revenue Requirement plus Col (b) the Forecasted Transmission Revenue Requirement plus Col (c) the Annual True-Up
(e) Schedule 11 - Annual Scheduling, System Control and Dispatch Costs. (i.e. the Transmission Component of control center costs) as recorded in FERC Account 561 and its associated sub-accounts from the prior calendar year excluding any NY Independent System Operating (NYISO) system control and load dispatch expenses already recovered under Schedule 1 of the NYISO Tariff.
(f) Schedule 12 - Billing Units shall be the total Niagara Mohawk load as reported to the NYISO for the calendar year prior to the Forecast Period, including the load for customers taking service under Niagara Mohawk's TSC rate. The total Niagara Mohawk load will be adjusted to exclude (i) load associated with wholesale transactions being revenue credited through the WR, CRR, SR, ECR, and Reserved components of Attachment H of the NYISO TSC rate including Niagara Mohawk's external sales, load associated with grandfathered OATT agreements, and any load related to pre-OATT grandfathered agreements; (ii) load associated with transactions being revenue credited under Historical TRR Component J; and (iii) load associated with netted station service.
(g) (Col (d) + Col (e)) / Col (f)

(*) The rate column represents the unit rate prior to adjustments; the actual rate will be determined pursuant to the applicable TSC formula rate.
(**) There was no true-up for this period. This is illustrative only.

Niagara Mohawk Power Corporation
Allocation Factors - As calculated pursuant to Section 9.1

Attachment 1
Schedule 5

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Shading denotes an input

Line No.		Source	Definition

1	9.1 1.	**Electric Wages and Salaries Factor**	**83.5000%**		Fixed per settlement
2					
3	9.1 3.	**Transmission Wages and Salaries Allocation Factor**	**13.0000%**		Fixed per settlement
4					
5					
6					
7					
8	9.1 2.	**Gross Transmission Plant Allocation Factor**			
9		Transmission Plant in Service	#DIV/0!	Schedule 6, Page 2, Line 3, Col 5	Gross Transmission Plant Allocation Factor shall equal the total investment in
10		Plus: Transmission Related General	$0	Schedule 6, Page 2, Line 5, Col 5	Transmission Plant in Service, Transmission Related Electric General Plant,
11		Plus: Transmission Related Common	$0	Schedule 6, Page 2, Line 10, Col 5	Transmission Related Common Plant and Transmission Related Intangible Plant
12		Plus: Transmission Related Intangible Plant	$0	Schedule 6, Page 2, Line 15, Col 5	divided by Gross Electric Plant.
13		Gross Transmission Investment	#DIV/0!	Sum of Lines 9 - 13	
14					
15		Total Electric Plant		FF1 207.104	
16		Plus: Electric Common	$0	Schedule 6, Page 2, Line 10, Col 3	
17		Gross Electric Plant in Service	$0	Line 15 + Line 16	
18					
19		**Percent Allocation**	**#DIV/0!**	Line 13 / Line 17	
20					
21	9.1 4.	**Gross Electric Plant Allocation Factor**			
22					
23		Total Electric Plant in Service	$0	Line 15	Gross Electric Plant Allocation Factor shall equal
24		Plus: Electric Common Plant	$0	Schedule 6, Page 2, Line 10, Col 3	Gross Electric Plant divided by the sum of Total Gas Plant,
25		Gross Electric Plant in Service	$0	Line 23 + Line 24	Total Electric Plant, and Total Common Plant
26					
27		Total Gas Plant in Service		FF1 201.8d	
28		Total Electric Plant in Service	$0	Line 15	
29		Total Common Plant in Service	$0	Schedule 6, Page 2, Line 10, Col 1	
30		Gross Plant in Service (Gas & Electric)	-	Sum of Lines 27-Lines 29	
31					
32		**Percent Allocation**	**#DIV/0!**	Line 25 / Line 30	

Attachment 1
Schedule 6
Page 1 of 2

Niagara Mohawk Power Corporation
Annual Revenue Requirements of Transmission Facilities
Transmission Investment Base (Part 1 of 2)
Attachment H, section 9.2

Line No.					
1	9.2 (a) Transmission Investment Base				
2					
3	A.1. Transmission Investment Base shall be defined as (a) Transmission Plant in Service, plus (b) Transmission Related Electric General Plant, plus				
4	(c) Transmission Related Common Plant, plus (d) Transmission Related Intangible Plant, plus (e) Transmission Related Plant Held for Future Use, less				
5	(f) Transmission Related Depreciation Reserve, less (g) Transmission Related Accumulated Deferred Taxes, plus (h) Transmission Related				
6	Regulatory Assets net of Regulatory Liabilities, plus (i) Transmission Related Prepayments, plus (j) Transmission Related Materials and Supplies,				
7	plus (k) Transmission Related Cash Working Capital.				
8					
9					
10		Reference	**2007**	Reference
11		*Section:*		
12	Transmission Plant in Service	(a)	#DIV/0!	Schedule 6, page 2, line 3, column 5
13	General Plant	(b)	$0	Schedule 6, page 2, line 5, column 5
14	Common Plant	(c)	$0	Schedule 6, page 2, line 10, column 5
15	Intangible Plant	(d)	$0	Schedule 6, page 2, line 15, column 5
16	Plant Held For Future Use	(e)	$0	Schedule 6, page 2, line 19, column 5
17	Total Plant (Sum of Line 12 - Line 16)		#DIV/0!	
18				
19	Accumulated Depreciation	(f)	#DIV/0!	Schedule 6, page 2, line 29, column 5
20	Accumulated Deferred Income Taxes	(g)	#DIV/0!	Schedule 7, line 6, column 5
21	Other Regulatory Assets	(h)	#DIV/0!	Schedule 7, line 11, column 5
22	Net Investment (Sum of Line 17 -Line 21)		#DIV/0!	
23				
24	Prepayments	(i)	#DIV/0!	Schedule 7, line 15, column 5
25	Materials & Supplies	(j)	#DIV/0!	Schedule 7, line 21, column 5
26	Cash Working Capital	(k)	$0	Schedule 7, line 28, column 5
27				
28	Total Investment Base (Sum of Line 22 - Line 26)		#DIV/0!	

Niagara Mohawk Power Corporation
Annual Revenue Requirements of Transmission Facilities
Transmission Investment Base (Part 1 of 2)
Attachment H Section 9.2

Attachment 1
Schedule 6
Page 2 of 2

(a) A. 1.

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Shading denotes an input

Line No.		(1) Total	(2) Allocation Factor		(3) = (1)*(2) Electric Allocated	(4) Allocation Factor		(5) = (3)*(4) Transmission Allocated	FERC Form 1/PSC Report Reference for col (1)		Definition
1	Transmission Plant								FF1 207.58g	9.2(a)A.1.(a)	Transmission Plant in Service shall equal the balance of total investment in Transmission Plant
2	Wholesale Meter Plant							#DIV/0!	Workpaper 1, Line 45		
3	Total Transmission Plant in Service (Line 1+ Line 2)							#DIV/0!			plus Wholesale Metering Investment
4											
5	General Plant		100.00%		$0	13.00%	(c)	$0	FF1 207.99g	9.2(a)A.1.(b)	Transmission Related Electric General Plant shall
6											equal the balance of investment in Electric General
7											Plant mulitplied by the Transmission Wages and
8											Salaries Allocation Factor
9											
10	Common Plant		83.50%	(a)	$0	13.00%	(c)	$0	FF1 201. 8h	9.2(a)A.1.(c)	Transmission Related Common Plant shall equal Common
11											Plant multiplied by the Electric Wages and Salaries
12											Allocation Factor and further multiplied by the
13											Transmission Wages and Salaries Allocation Factor.
14											
15	Intangible Plant		100.00%		-	13.00%	(c)	$0	FF1 205.5g	9.2(a)A.1.(d)	Transmission Related Intangible Plant shall equal Intangible
16											Electric Plant multiplied by the Transmission Wages and
17											Salaries Allocation Factor.
18											
19	Transmission Plant Held for Future Use	$0						$0	Workpaper 10, Line 1	9.2(a)A.1.(e)	Transmission Related Plant Held for Future Use shall equal
20											the balance in Plant Held for Future Use associated with
21											property planned to be used for transmission service within
22											five years
23	Transmission Accumulated Depreciation										
24	Transmission Accum. Depreciation							$0	FF1 219.25b	9.2(a)A.1.(f)	Transmission Related Depreciation Reserve shall equal the

Line	Description	Input	Allocation Factor		Electric Allocated	Allocation Factor		Transmission Allocated	Reference	Definition
25	General Plant Accum.Depreciation		100.00%		$0	13.00%	(c)	$0	FF1 219.28b	balance of: (i) Transmission Depreciation Reserve, plus (ii)
26	Common Plant Accum Depreciation		83.50%	(a)	$0	13.00%	(c)	$0	FF1 356.1 end of year balance	the product of Electric General Plant Depreciation Reserve
27	Amortization of Other Utility Plant		100.00%		$0	13.00%	(c)	$0	FF1 200.21c	multiplied by the Transmission Wages and Salaries
28	Wholesale Meters	#DIV/0!						#DIV/0!	Workpaper 1, Line 46	Allocation Factor, plus (iii) the product of Common Plant
29	Total Depreciation (Sum of line 24 - Line 28)							#DIV/0!		Depreciation Reserve multiplied by the Electric Wages and
30										Salaries Allocation Factor and further multiplied by the
31										Transmission Wages and Salaries Allocation Factor plus (iv)
32										the product of Intangible Electric Plant Depreciation Reserve
33										multiplied by the Transmission Wages and Salaries
34										Allocation Factor plus (v) depreciation reserve associated with
35										the Wholesale Metering Investment
36										

Allocation Factor Reference
(a) Schedule 5, line 1
(b) Schedule 5, line 32 - not used on this Schedule
(c) Schedule 5, line 3
(d) Schedule 5, line 19 - not used on this Schedule

Niagara Mohawk Power Corporation — **Attachment 1**
Annual Revenue Requirements of Transmission Facilities — **Schedule 7**
Transmission Investment Base (Part 2 of 2)

Attachment H Section 9.2 (a) A. 1.
Shading denotes an input

0

Line No.		(1) Total	(2) Allocation Factor	(3) = (1)*(2) Electric Allocated	(4) Allocation Factor		(5) = (3)*(4) Transmission Allocated	FERC Form 1/PSC Report Reference for col (1)		Definition
1	Transmission Accumulated Deferred Taxes									
2	Accumulated Deferred Taxes (281-282)		100.00%	$0	#DIV/0!	(d)	#DIV/0!	FF1 275.2k	9.2(a)A.1.(g)	Transmission Related Accumulated Deferred Income Taxes
3	Accumulated Deferred Taxes (283)	$0	100.00%	$0	#DIV/0!	(d)	#DIV/0!	Workpaper 2, Line 5 (link)		shall equal the electric balance of Total Accumulated Deferred
4	Accumulated Deferred Taxes (190)		100.00%	$0	#DIV/0!	(d)	#DIV/0!	FF1 234.8c		Income Taxes (FERC Accounts 190, 55,281, 282, and 283 net of
5	Accumulated Deferred Inv. Tax Cr		100.00%	$0	#DIV/0!	(d)	#DIV/0!	FF1 267.8h		stranded costs), multiplied by the Gross Transmission Plant

	(255)									
6	Total (Sum of line 2 - Line 5)			$0			#DIV/0!			Allocation Factor.
7										
8	Other Regulatory Assets									
9	FAS 109 (Asset Account 182.3)		100.00%	$0	#DIV/0!	(d)	#DIV/0!	FF1 232 lines 2,4,9,17	9.2(a)A.1.(h)	Transmission Related Regulatory Assets shall be Regulatory
10	FAS 109 (Liability Account 254)		100.00%	$0	#DIV/0!	(d)	#DIV/0!	FF1 278.1 lines 4&21(f)		Assets net of Regulatory Liabilities multiplied by the Gross
11	Total (line 9 + Line 10)	$0		$0			#DIV/0!			Transmission Plant Allocation Factor.
12										
13	Transmission Prepayments							FF1 111.57c	9.2(a)A.1.(i)	Transmission Related Prepayments shall be the product of
14	Less: Prepaid State and Federal Income Tax							FF1 263 lines 2 & 9 (h)		Prepayments excluding Federal and State taxes multiplied by
15	Total Prepayments	$0	#DIV/0! (b)	#DIV/0!	#DIV/0!	(d)	#DIV/0!			the Gross Electric Plant Allocation Factor and further
16										multiplied by the Gross Transmission Plant Allocation Factor.
17										
18	Transmission Material and Supplies								9.2(a)A.1.(j)	Transmission Related Materials and Supplies shall equal: (i)
19	Trans. Specific O&M Materials and Supplies						$0	FF1 227.8		the balance of Materials and Supplies assigned to
20	Construction Materials and Supplies		#DIV/0! (b)	#DIV/0!	#DIV/0!	(d)	#DIV/0!	FF1 227.5		Transmission plus (ii) the product of Material and Supplies
21	Total (Line 19 + Line 20)						#DIV/0!			assigned to Construction multiplied by the Gross Electric
22										Plant Allocation Factor and further multiplied by Gross
23										Transmission Plant Allocation Factor.
24										
25	Cash Working Capital								9.2(a)A.1.(k)	Transmission Related Cash Working Capital shall be an
26	Operation & Maintenance Expense						$0	Schedule 9, Line 23		allowance equal to the product of: (i) 12.5% (45 days/ 360 days = 12.5%)
27							0.1250	x 45 / 360		multiplied by (ii) Transmission Operation and Maintenance Expense.
28	Total (line 26 * line 27)						$0			
29										
30										

Allocation Factor Reference
(a) Schedule 5, line 1 - not used on this Schedule
(b) Schedule 5, line 32
(c) Schedule 5, line 3 - not used on this Schedule
(d) Schedule 5, line 19

Niagara Mohawk Power Corporation **Attachment 1**
Annual Revenue Requirements of Transmission Facilities **Schedule 8**
Cost of Capital Rate

Shading denotes an input | **0**

Line No.

1 **The Cost of Capital Rate shall equal the proposed Weighted Costs of Capital plus Federal Income Taxes and State Income Taxes.**
2 The Weighted Costs of Capital will be calculated for the Transmission Investment Base using NMPC's actual capital structure and will equal the sum of (i), (ii), and (iii) below:
3
4 (i) the long-term debt component, which equals the product of the actual weighted average embedded cost to maturity of NMPC's long-term debt outstanding during the year and the sum of (a) the ratio of actual long-term debt to total capital at year-end; and
5 (b) the extent, if any, by which the ratio of NMPC's actual common equity to total capital at year-end exceeds fifty percent (50%). Long term debt shall be defined as the average of the beginning of the year and end of year balances of the following: long term debt less the unamortized
6 Discounts on Long-Term Debt less the unamortized Loss on Reacquired Debt plus unamortized Gain on Reacquired Debt. Cost to maturity of NMPC's long-term debt shall be defined as the cost of long term debt included in the debt discount expense and
7 any loss or gain on reacquired debt.
8 (ii) the preferred stock component, which equals the product of the actual weighted average embedded cost to maturity of NMPC's preferred stock then outstanding and the ratio of actual preferred stock to total capital at year-end;
9
10 (iii) the return on equity component shall be the product of the allowed return on equity of 11.5% and the ratio of NMPC's actual common equity to total capital at year-end, provided that such ratio
11 shall not exceed fifty percent (50%).
12

Line No.			CAPITALIZATION	Source:	CAPITALIZATION RATIOS	COST OF CAPITAL	Source:	WEIGHTED COST OF CAPITAL	EQUITY PORTION
13									
14									
15									
16									
17	(i)	Long-Term Debt	$0	Workpaper. 6, Line 16b	#DIV/0!	#DIV/0!	Workpaper 6, Line 17c	#DIV/0!	
18	(ii)	Preferred Stock		FF1 112.3c	#DIV/0!	#DIV/0!	Workpaper 6, Line 24d	#DIV/0!	#DIV/0!
19	(iii)	Common Equity		FF1 112.16c - FF1 112.3,12,15c	#DIV/0!	11.50%		#DIV/0!	#DIV/0!
20									
21		Total Investment Return	$0		#DIV/0!			#DIV/0!	#DIV/0!

22
23
24
25
26 9.2.2.(b) Federal Income Tax shall equal

$$= \frac{(\ A. + [\ B\ /\ C]\ X\ \text{Federal Income Tax Rate}\ )}{(\ 1 - \text{Federal Income Tax Rate}\ )}$$

27
28
29 where A is the sum of the preferred stock component and the return on equity component, each as determined in Sections (a)(ii) and for the ROE set forth in (a)(iii) above, B is the Equity AFUDC component of Depreciation Expense for
30 Transmission Plant in Service as defined at Section 9.1.16 (FF1 117.38c), and C is the Transmission Investment Base as shown at Schedule 6, Page 1 of 2, Line 28.
31

32 =
(#DIV/0! +($0) / #DIV/0! X)
33 (1 - 0)
34
35 = #DIV/0!
36
37
38 9.2.2.(c) State Income Tax shall equal = (A. + [B / C] + Federal Income Tax Rate) X State Income Tax Rate
39 (1 - State Income Tax Rate)
40
41 where A is the sum of the preferred stock component and the return on equity component as determined in (a)(ii) and (a)(iii) above , B is the Equity AFUDC component of Depreciation Expense for Transmission Plant in
42 Service as defined at Section 14.1.9.1.16 above, and C is the Transmission Investment Base as shown at Schedule 6, Page 1 of 2, Line 28.
43
44
45
46 = (#DIV/0! +($ 0) / #DIV/0! + #DIV/0!) X
47 (1 - 0)
48
49 = #DIV/0!
50
51
52
53 (a)+(b)+(c) Cost of Capital Rate = #DIV/0!
54
55
56 **9.2(a) A. Return and Associated Income Taxes shall equal the product of the Transmission Investment Base and the Cost of Capital Rate**
57
58
59

60	Transmission Investment Base	#DIV/0!	Schedule 6, page 1 of 2, Line 28
61			
62	Cost of Capital Rate	#DIV/0!	Line 53
63			
64	= Investment Return and Income Taxes	#DIV/0!	Line 60 X Line 62

Niagara Mohawk Power Corporation **Attachment 1**

Annual Revenue Requirements of Transmission Facilities **Schedule 9**

Transmission Expenses

Attachment H Section 9.2 **0**

Shading denotes an input

Line No.		(1) Total	(2) Allocation Factor	(3) = (1)*(2) Electric Allocated	(4) Allocation Factor	(5) = (3)*(4) Transmission Allocated	FERC Form 1/ PSC Report Reference for col (1)		Definition
	Depreciation Expense								
1	Transmission Depreciation					$0	FF1 336.7f	9.2.B.	Transmission Related Depreciation Expense shall equal the sum of:
2	General Depreciation		100.0000%	$0	13.0000% (c)	$0	FF1 336.10f		(i) Depreciation Expense for Transmission Plant in Service, plus (ii)
3	Common Depreciation		83.5000% (a)	$0	13.0000% (c)	$0	FF1 356.1		the product of Electric General Plant Depreciation Expense multiplied
4	Intangible Depreciation		100.0000%	$0	13.0000% (c)	$0	FF1 336.1f		by the Transmission Wages and Salaries Allocation Factor plus (iii)
5	Wholesale Meters					#DIV/0!	Workpaper 1, Line 47		Common Plant Depreciation Expense multiplied by the Electric
6	Total (line 1+2+3+4+5)					#DIV/0!			Wages and Salaries Allocation Factor, further multiplied by the
7									Transmission Wages and Salaries Allocation Factor plus (iv)
8									Intangible Electric Plant Depreciation Expense multiplied by the
9									Transmission Wages and Salaries Factor plus (v) depreciation
10									expense associated with the Wholesale Metering Investment.
11									
12	Real Estate Taxes		100.0000%	$0	#DIV/0! (d)	#DIV/0!	FF1 263.25i	9.2.C.	Transmission Related Real Estate Tax Expense shall equal the
13									electric Real Estate Tax Expenses multiplied by the Gross
14									Transmission Plant Allocation Factor.
15									
16	Amortization of Investment Tax Credits		#DIV/0! (b)	#DIV/0!	#DIV/0! (d)	#DIV/0!	FF1 117.58c	9.2.D.	Transmission Related Amortization of Investment Tax Credits shall
17									equal the product of Amortization of Investment Tax Credits multiplied
18									by the Gross Electric Plant Allocation Factor and further multiplied by
19									the Gross Transmission Plant Allocation Factor.
20	Transmission Operation and Maintenance								
21	Operation and Maintenance					$0	FF1 321.112b	9.2.E.	Transmission Operation and Maintenance Expense shall equal
22	less Load Dispatching - #561					$0	FF1 321.84-92b		the sum of electric expenses as recorded in
23	O&M (Line 21 - Line 22)	$0				$0			FERC Account Nos. 560, 562-574.
24									
25	Transmission Administrative and General							9.2.F.	Transmission Related Administrative and General Expenses shall
26	Total Administrative and General						FF1 323.197b		equal the product of electric Administrative and General Expenses,
27	less Property Insurance (#924)						FF1 323.185b		excluding the sum of Electric Property Insurance, Electric Research and
28	less Pensions and Benefits (#926)						FF1 323.187b		Development Expense and Electric Environmental Remediation Expense,
29	less: Research and Development Expenses (#930)	$0					Workpaper 12, Line 3		and 50% of the NYPSC Regulatory Expense
30	Less: 50% of NY PSC Regulatory Expense						FF1 351.4h		multiplied by the Transmission Wages and Salaries Allocation Factor,

31	less: Environmental Remediation Expense	$0					Workpaper 11, Line 3
32	Subtotal (Line 26-27-28-29-30-31)	$0	100.0000%	$0	13.0000% (c)	$0	
33	PLUS Property Insurance alloc. using Plant Allocation	$0	100.0000%	$0	#DIV/0! (d)	#DIV/0!	Line 27
34	PLUS Pensions and Benefits	$88,644,000	100.0000%	$88,644,000	13.0000% (c)	$11,523,720	Workpaper 3
35	PLUS Transmission-related research and development	$0				$0	Workpaper 12
36	PLUS Transmission-related Environmental Expense	$0				$0	Workpaper 11
37	Total A&G (Line 32+33+34+35+36)	$88,644,000		$88,644,000		#DIV/0!	
38							
39	Payroll Tax Expense						
40	Federal Unemployment						FF1 263.4i
41	FICA						FF1 263.3i
42	State Unemployment						FF1 263.17i
43	Total (Line 40+41+42)	$0	100.0000%	$0	13.0000% (b)	$0	

Allocation Factor Reference
(a) Schedule 5, line 1
(b) Schedule 5, line 32
(c) Schedule 5, line 3
(d) Schedule 5, line 19

plus the sum of Electric Property Insurance multiplied by the Gross Transmission Plant Allocation Factor, plus transmission-specific Electric Research and Development Expense, and transmission-specific Electric Environmental Remediation Expense. In addition, Administrative and General Expenses shall exclude the actual Post-Employment Benefits Other than Pensions ("PBOP") included in FERC Account 926, and shall add back in the amounts shown on Workpaper 3, page 1, or other amount subsequently approved by FERC under Section 205 or 206.

9.2.G. Transmission Related Payroll Tax Expense shall equal the product of electric Payroll Taxes multiplied by the Transmission Wages and Salaries Allocation Factor.

Niagara Mohawk Power Corporation **Attachment 1**
Annual Revenue Requirements of Transmission Facilities **Schedule 10**
Billing Adjustments, Revenue Credits, Rental Income

0

Attachment H Section
14.1.9.2 (a)

Shading denotes an input

Line No.		(1) Total	Source		Definition
1	Billing Adjustments			9.2.H.	Billing Adjustments shall be any adjustments made in accordance with Section 14.1.9.4.4 below.
2					
3					
4	Bad Debt Expense	$0	Workpaper 4, Line 4	9.2.I.	Transmission Related Bad Debt Expense shall equal
5					Bad Debt Expense as reported in Account 904 related to NMPC's wholesale transmission billing.
6					
7	Revenue Credits	$0	Workpaper 5, Line 11	9.2.J.	Revenue Credits shall equal all Transmission revenue recorded in FERC account 456
8					excluding (a) any NMPC revenues already reflected in the WR, CRR, SR, ECR and Reserved
9					components in Attachment H of the NYISO TSC rate; (b) any revenues associated
10					with expenses that have been excluded from NMPC's revenue requirement; and (c) any
11					revenues associated with transmission service provided under this TSC rate, for which the
12					load is reflected in the calculation of BU.
13					
14	Transmission Rents	$0	Workpaper 7	9.2.K.	Transmission Rents shall equal all Transmission-related rental income recorded in FERC
15					account 454.615
16					
17				9.4(d)	
18				1	Any changes to the Data Inputs for an Annual Update, including but not limited to
19					revisions resulting from any FERC proceeding to consider the Annual Update, or
20					as a result of the procedures set forth herein, shall take effect as of the beginning
21					of the Update Year and the impact of such changes shall be incorporated into the
22					charges produced by the Formula Rate (with interest determined in accordance
23					with 18 C.F.R. § 38.19(a)) in the Annual Update for the next effective Update
24					Year. This mechanism shall apply in lieu of mid-Update Year adjustments and
25					any refunds or surcharges, except that, if an error in a Data Input is discovered
26					and agreed upon within the Review Period, the impact of such change shall be
27					incorporated prospectively into the charges produced by the Formula Rate during
28					the remainder of the year preceding the next effective Update Year, in which case
29					the impact reflected in subsequent charges shall be reduced accordingly.
30				2	The impact of an error affecting a Data Input on charges collected during the
31					Formula Rate during the five (5) years prior to the Update Year in which the error
32					was first discovered shall be corrected by incorporating the impact of the error on
33					the charges produced by the Formula Rate during the five-year period into the
34					charges produced by the Formula Rate (with interest determined in accordance
35					with 18 C.F.R. § 38.19(a)) in the Annual Update for the next effective Update
36					Year. Charges collected before the five-year period shall not be subject to correction.

(b)	List of Items excluded from the Revenue Requirement	Reason

Niagara Mohawk Power Corporation
System, Control, and Load Dispatch Expenses (CCC)
Attachment H, Section 9.5

The CCC shall equal the annual Scheduling, System Control and Dispatch Costs (i.e., the transmission component of control center costs) as recorded in FERC Account 561 and its associated sub-accounts using information from the prior calendar year, excluding NYISO system control and load dispatch expense already recovered under Schedule 1 of the NYISO Tariff.

1	**Scheduling and Dispatch Expenses**			**0**	**Source**
2					
3	Accounts	561	Load Dispatching		FF1 321.84b
4	Accounts	561.1	Reliability		FF1 321.85b
5	Accounts	561.2	Monitor and Operate Transmission System		FF1 321.86b
6	Accounts	561.3	Transmission Service and Schedule		FF1 321.87b
7	Accounts	561.4	Scheduling System Control and Dispatch		FF1 321.88b
8	Accounts	561.5	Reliability, Planning and Standards Development		FF1 321.89b
9	Accounts	561.6	Transmission Service Studies		FF1 321.90b
10	Accounts	561.7	Generation Interconnection Studies		FF1 321.91b
11	Accounts	561.8	Reliability, Planning and Standards Dev. Services		FF1 321.92b
12					
13		Total Load Dispatch Expenses (sum of Lines 3 - 11)			sum lines 3 - 11
14					
15	Less Account 561 directly recovered under Schedule 1 of the NY ISO Tariff				
16					
17	Accounts	561.4	Scheduling System Control and Dispatch		line 7
18	Accounts	561.8	Reliability, Planning and Standards Dev. Services		line 11
19	Total NYISO Schedule 1				line 17 + line 18
20					
21	Total CCC Component				line 13 - line 19

Attachment 1
Schedule 12

Niagara Mohawk Power Corporation

Billing Units - MWH
Attachment H, Section 9.6

BU shall be the total Niagara Mohawk load as reported to the NYISO for the calendar billing year prior to the Forecast Period, including the load for customers taking service under Niagara Mohawk's TSC Rate. The total Niagara Mohawk load will be adjusted to exclude (i) load associated with wholesale transactions being revenue credited through the WR, CRR, SR, ECR and Reserved components of Workpaper H of the NYISO TSC rate including Niagara Mohawk's external sales, load associated with grandfathered OATT agreements, and any load related to pre-OATT grandfathered agreements; (ii) load associated with transactions being revenue credited under Historical TRR Component J; and (iii) load associated with netted station service.

Line No.		Dec 06- Nov 07	SOURCE
1	Subzone 1		NIMO TOL (transmission owner load)
2	Subzone 2		NIMO TOL (transmission owner load)
3	Subzone 3		NIMO TOL (transmission owner load)
4	Subzone 4		NIMO TOL (transmission owner load)
5	Subzone 29		NIMO TOL (transmission owner load)
6	Subzone 31		NIMO TOL (transmission owner load)
7	Total NIMO Load report to NYISO	**0.000**	sum lines 1-6
8	LESS: All non-retail transactions		
9	Watertown		FF1 page 329.11.j
10	High Load Factor Fitzpatrick		NIMO TOL (transmission owner load)
11	Disputed Station Service		NIMO TOL (transmission owner load)
12	Other non-retail transactions		All other non-retail transactions (Sum of 300,000 series PTID's from TOL)
13	Total Deductions	**0.000**	sum lines 9 - 12
14	PLUS: TSC Load		
15	NYMPA Muni's, Misc. Villages, Jamestown (X1)**		FF1 page 329.19.j ****
16	NYPA Niagara Muni's (X2)		FF1 page 329.1.j ****
17	Total additions	**0.000**	sum lines 15 -17
18	Total Billing Units	**0.000**	line 7 - line 13 + line 18

**** In 2007, the volumes were not detailed in FERC Form 1 as shown. Detail for 2007 will be provided as requested.
On 8/31/07, the contracts for Jamestown and the NYPA Niagara Municipal expired. The previous contract was billed at demand.
The 2007 energy values for the NYPA Niagara Municipals and Jamestown are proxy numbers representing a full year of metered load for December 2006 - November 2007 as billed in January - December. These entities transitioned to the TSC rate on September 1, 2007 for billing effective October 2007. However, the full year billing load was included above.

** One of the Misc Villages at Line 15 is reported on the TOL file with one of the NYPA Niagara Muni's labeled X2.

14.2.2 NYPA Transmission Adjustment Charge ("NTAC")

14.2.2.1 Applicability of the NYPA Transmission Adjustment Charge

Each Billing Period, the ISO shall charge, and each Transmission Customer shall pay, the applicable NYPA Transmission Adjustment Charge ("NTAC") calculated in accordance with Section 14.2.2.2 of this Attachment for the first two (2) months of LBMP and in accordance with Section 14.2.2.1 of this Attachment thereafter. The NTAC shall apply to Transmission Service:

14.2.2.1.1 from one or more Interconnection Points between the NYCA and another Control Area to one or more Interconnection Points between the NYCA and another Control Area ("Wheels Through");[1] or

14.2.2.1.2 from the NYCA to one or more Interconnection Points between the NYCA and another Control Area, including transmission to deliver Energy purchased from the LBMP Market and delivered to such a Control Area Interconnection ("Exports");[1] or

14.2.2.1.3 to serve Load within the NYCA.

In summary the NTAC will be applied to all Energy Transactions, including internal New York State Loads and Wheels Through and Exports out of the NYCA at a uniform, non-discountable rate.

14.2.2.2 NTAC Calculation

14.2.2.2.1 NTAC Formula

Beginning with January 2001, NYPA shall calculate the NTAC applicable to Transmission Service to serve New York State Load, Wheels Through and Exports as follows:

NTAC = {(RR÷12) - (EA) - (IR÷12) - SR - CRN - WR - ECR - NR - NT}/(BU÷12)

Where:

RR = NYPA's Annual Transmission Revenue Requirement, which includes the Scheduling, System Control and Dispatch Costs of NYPA's control center, as approved by FERC;

EA = Monthly Net Revenues from Modified Wheeling Agreements, Facility Agreements and Third Party TWAs, and Deliveries to directly connected Transmission Customers;

SR = $SR_1 + SR_2$

SR_1 will equal the revenues from the Direct Sale by NYPA of Original Residual TCCs, and Grandfathered TCCs associated with ETAs, the expenses for which are included in NYPA's Revenue Requirement where NYPA is the Primary Owner of said TCCs.

SR_2 will equal NYPA's revenues from the Centralized TCC Auction allocated pursuant to Attachment M; this includes revenues from: (a) TCCs associated with Residual Transmission Capacity that are sold in the Centralized TCC Auction; and (b) the sale of Grandfathered TCCs associated with ETAs, if the expenses for these ETAs are included in NYPA's Revenue Requirement.

Revenue from TCCs associated with Residual Transmission Capacity includes payments for Original Residual TCCs that the Transmission Providers sell through the Centralized TCC Auction and the allocation of revenue for other TCCs sold through the Centralized TCC Auction (per the Facility Flow-Based Methodology described in Attachment N).

---

[1] The NTAC shall not apply to Wheels Through or Exports scheduled with the ISO to destinations within the New

SR_1 shall be updated prior to the start of each month based on actual data for the calendar month prior to the month in which the adjustment is made (*i.e.*, January actual data will be used in February to calculate the NTAC effective in March). SR_1 for a month in which a Direct Sale is applicable shall equal the total nominal revenue that NYPA will receive under each applicable TCC sold in a Direct Sale divided by the duration of the TCC (in months).

SR_2 shall equal the Transmission Owner's share of Net Auction Revenue for all rounds of a Centralized TCC Auction, as calculated pursuant to Attachment N, divided equally among the months covered by the Centralized TCC Auction. SR_2 shall be adjusted after each Centralized TCC Auction, and the revised SR_2 shall be effective at the start of each Capability Period;

ECR = NYPA's share of Net Congestion Rents in a month, calculated pursuant to Attachment N. The computation of ECR is exclusive of any Congestion payments or Rents included in the CRN term;

CRN = Monthly Day-Ahead Congestion Rents in excess of those required to offset Congestion paid by NYPA's SENY governmental customers associated with the NYPA OATT Niagara/St. Lawrence Service reservations, net of the Initial Cost.

IR = A. The amount that NYPA will credit to its RR assessed to the SENY Load on account of the foregoing NYPA Niagara/St. Lawrence OATT reservations for SENY governmental customers. Such annual revenues will be computed as the product ("Initial Cost") of NYPA's current OATT system rate of $2.23 per kilowatt per month and the 600 MW of TCCs (or the amount of TCCs reduced by Paragraph C below). In the event NYPA sells these TCCs (or any part thereof), all revenues from these sales will offset the NTAC and the Initial Cost will be

England Control Area provided that the conditions listed in Section 2.7.2.1.4 of this Tariff are satisfied.

concomitantly reduced to reflect the net amount of Niagara/St. Lawrence OATT Reservations, if any, retained by NYPA for the SENY Load. The parties hereby agree that the revenue offset to NTAC will be the greater of the actual sale price obtained by NYPA for the TCCs sold or that computed at the applicable system rate in accordance with Paragraph B below;

B. The system rate of $2.23 per kilowatt per month will be benchmarked to the RR for NYPA transmission initially accepted by FERC ("Base Period RR") for the purposes of computing the Initial Cost. Whenever an amendment to the RR is accepted by FERC ("Amended RR"), the system rate for the purpose of computing the Initial Cost will be increased (or decreased) by the ratio of the Amended RR to the Base Period RR and the effect of Paragraph A on NTAC will be amended accordingly.

C. If prior to the Centralized TCC Auction all Grandfathered Transmission Service including NYPA's 600 MW Niagara/St. Lawrence OATT reservations held on behalf of its SENY governmental customers are found not to be feasible, then such OATT reservations will be reduced until feasibility is assured. A reduction, subject to a 200 MW cap on the total reduction as described in Attachment M, will be applied to the NYPA Niagara/St. Lawrence OATT reservations held on behalf of its SENY governmental customers.

WR = NYPA's revenues from external sales (Wheels Through and Exports) not associated with Existing Transmission Agreements in Attachment L, Tables 1 and 2 and Wheeling revenues from OATT reservations extending beyond the start-up of the ISO;

NR = NYPA Reserved_1 + NYPA Reserved_2

NYPA Reserved_1 will equal NYPA's Congestion payments for a month received pursuant to Section 20.2.3 of Attachment N of this Tariff for NYPA's RCRR TCCs. NYPA Reserved_2 will equal the value that NYPA receives for the sale of RCRR TCCs in a month, with the value for each RCRR TCC sold divided equally over the months remaining until the expiration of that RCRR TCC.

NT = The amount of actual NYPA transmission revenues minus NYPA's monthly revenue requirement.

BU = Annual Billing Units are New York State Loads and Loads associated with Wheels Through and Exports in megawatt-hours ("MWh").

The RR and SR will not include expenses for NYPA's purchase of TCCs or revenues from the sale of such purchased TCCs or from the collection of Congestion Rents for such TCCs.

The ECR, EA, CRN, WR, NR, and NT shall be updated prior to the start of each month based on actual data for the calendar month prior to the month in which the adjustment is made (*i.e.*, January actual data will be used in February to calculate the NTAC effective in March).

The NTAC shall be calculated as a $/MWh charge and shall be applied to Actual Energy Withdrawals, except for Wheels Through and Exports in which case the NTAC shall be applied to scheduled Energy quantities. The NTAC shall not apply to scheduled quantities that are Curtailed by the ISO.

14.2.2.2.2 Implementation of NTAC

At the start of LBMP implementation certain variables of the NTAC equation will not be available. For the first and second months of LBMP implementation, the only terms in the NTAC equation that will be known by NYPA are its historical Annual Transmission Revenue

Requirement (RR) and the historical Billing Units (BU), which have been approved by or filed with FERC. For these two months NYPA shall calculate the NTAC using the following equation:

$$\mathbf{NTAC = \{(RR \div 12) - (EA) - (IR \div 12)\}/(BU \div 12)}$$

SR_2 shall not be available until after the first Centralized TCC Auction. For the third month of LBMP implementation until the second month of the Capability Period corresponding to the first Centralized TCC Auction, NYPA shall recalculate the NTAC using the following equation:

$$\mathbf{NTAC = \{(RR \div 12) - (EA) - (IR \div 12) - WR - CRN - SR_1 - ECR\}/(BU \div 12)}$$

Prior to and during implementation of LBMP those current NYPA transmission customers wishing to terminate their Third Party TWAs shall notify the ISO. The ISO shall duly inform NYPA of such conversion so that NYPA can calculate revenues (EA) to be derived from Existing Transmission Wheeling Agreements.

14.2.2.2.2.1 NYPA's recovery pursuant to NTAC initially is limited to expenses and return associated with its transmission system as that system exists at the time of FERC approval of the NTAC ("base period revenue requirement"). Additions to its system may be included in the computation of NTAC only if: a) upgrades or expansions do not exceed $5 million on an annual basis; or b) such upgrades or expansions have been unanimously approved by the Transmission Owners. Notwithstanding the above, NYPA may invest in transmission facilities in excess of $5 million annually without unanimous Transmission Owners' authorization outside the NTAC recovery mechanism. In that case, NYPA cannot recover any expenses or return associated with such additions under NTAC and any TCC or other revenues associated with such additions will not be considered NYPA transmission revenue for purposes of developing the NTAC nor be used as a credit in the allocation of NTAC to transmission system users.

14.2.2.2.3 Filing and Posting of NTAC

NYPA shall coordinate with the ISO to update certain components of the NTAC formula on a monthly or Capability Period basis. NYPA may update the NTAC calculation to change the RR, initially approved by FERC, and such updates shall be submitted to FERC. An integral part of the agreement between the other Transmission Owners and NYPA is NYPA's consent to the submission of its RR for FERC review and approval on the same basis and subject to the same standards as the Revenue Requirements of the Investor-Owned Transmission Owners. Each January, beginning with January 2001, the ISO shall inform NYPA of the prior year's actual New York internal Load requirements and the actual Wheels Through and Exports and shall post this information on the OASIS. NYPA shall change the BU component of the NTAC formula to reflect the prior calendar year's information, with such change to take effect beginning with the March NTAC of the current year. NYPA will calculate the monthly NTAC and provide this information to the ISO by no later than the fourteenth day of each month, for posting on the OASIS to become effective on the first day of the next calendar month. Beginning with LBMP implementation, the monthly NTAC shall be posted on the OASIS by the ISO no later than the fifteenth day of each month to become effective on the first day of the next calendar month.

14.2.2.3 NTAC Calculation Information

NYPA's Annual Transmission Revenue Requirement (RR), for facilities owned as of January 31, 1997, and Annual Billing Units (BU) of the NTAC are:

RR = $165,449,297

BU = 133,386,541MWh

NYPA's Annual Transmission Revenue Requirement is subject to Commission approval in accordance with Section 14.2.3 of this Attachment.

14.2.2.4 Billing

The New York State Loads, Wheels Through, and Exports will be billed based on the product of: (i) the NTAC; and (ii) the Customer's billing units for the Billing Period. The billing units will be based on the metered energy for all Transactions to supply Load in the NYCA during the Billing Period, and hourly Energy schedules for the Billing Period for all Wheels Through and Exports.

24 Attachment R – Cost Allocation Methodology for Costs Arising Under the Incentivized Day-Ahead Economic Load Curtailment Program that are Recovered Pursuant to Schedule 1

Under the Incentivized Day-Ahead Economic Load Curtailment Program ("Program"), costs incurred by the ISO in covering Demand Reduction Providers' Curtailment Initiation Costs and making Demand Reduction Incentive Payments, are to be recovered under Schedule 1. These "Schedule 1 Program Costs" shall be allocated to Transmission Customers, pursuant to the methodology set forth below, on the basis of their Load Ratio Shares and in proportion to the probability, given known transmission congestion patterns, that a particular Demand Reduction will benefit them by reducing Energy costs in their Load Zones or "Composite Load Zones" (see below).

More specifically, Schedule 1 Program Costs shall be allocated to Transmission Customers each Billing Period as follows:

a) Schedule 1 Program Costs shall initially be attributed to the Load Zone where the Generator Bus that was used to bid the Demand Reduction associated with them is located.

b) In determining whether and how Transmission Customers located in particular Load Zones, or Composite Load Zones, have benefited from the Demand Reduction, and how much they shall be required to pay a share of the associated Schedule 1 Program Costs, the ISO shall account for the effects of congestion at the most frequently constrained NYCA interfaces. When none of these interfaces are constrained Transmission Customers in all Load Zones shall be deemed to have benefited from the Demand Reduction and shall pay a share of the associated Schedule 1 Program Costs. When one or more of the most frequently constrained NYCA interfaces is constrained, then Transmission Customers located in a Load Zone, or Composite Load Zone, that is upstream of the constrained interface, shall be deemed to have benefited from an upstream Demand Reduction and shall be required to pay a share of the associated Schedule 1 Program Costs. Similarly, when one or more of the interfaces is congested, Transmission Customers located in a Load Zone, or Composite Load Zone, that is downstream of a constrained interface, shall be deemed to have benefited from a downstream Demand Reduction and shall be required to pay a share of the associated Schedule 1 Program Costs. By contrast, Transmission Customers that are "separated" from a Demand Reduction by a constrained interface shall be deemed not to have benefited from it and shall not be required to pay a share of the associated Schedule 1 Program Costs.

c) The NYISO shall determine the extent of congestion at the most frequently constrained interfaces using a series of equations that calculate the static probability that: (i) no constraints existed in the transmission system serving the Load Zone or Composite Load Zone; (ii) the Composite Load Zone was upstream of a constraint and curtailment pursuant to the Program occurred upstream, and (iii) the Composite Load Zone was downstream of a constraint and curtailment pursuant to the Program occurred downstream.

d) Costs shall be allocated to each Transmission Customer that is deemed to have benefited from the Demand Reduction on a Load Ratio Share basis, using Real-Time metered daily Load data.

The ISO and Market Participants will make an annual determination of which NYCA interfaces were most constrained, and the frequency with which they were constrained, normalized to 100%. Composite Load Zones will be defined based on the location of the most frequently constrained interfaces. Additional information concerning this annual determination shall be set forth in the ISO Procedures.

For reference purposes, the identity of the NYCA interfaces that are currently most frequently constrained, and the equations that will be used to allocate costs to Transmission Customers during the 2001 Summer Capability Period are set forth below. The three most frequently constrained interfaces are currently the "Central-East" interface, which divides western from eastern New York State, the Sprainbrook-Dunwoodie interface, which divides New York City and Long Island from the rest of New York State, and the Consolidated Edison Company ("ConEd") - Long Island. Interface, which divides New York City from Long Island Given these limiting interfaces, four Composite Load Zones currently exist, *i.e.*, West of Central-East (Load Zones A, B, C, D, E,), East Upstate Excluding New York City and Long Island (Load Zones F, G, H, I), New York City (Load Zone J), and Long Island (Load Zone K). The geographic configuration of these Composite Load Zones is depicted in the illustration below.

Based on these factors, Schedule 1 Program Costs shall be allocated to Transmission Customers as follows:

For Transmission Customer m in Load Zones A, B, C, D or E:

$\mathbf{a_1 * (cost_A+\ldots+cost_K) * load_m / (load_A+\ldots+load_K) +}$ **'no constraints**
$\mathbf{a_2 * (cost_A+\ldots+cost_E) * load_m / (load_A+\ldots+load_E) +}$ **'above Central-East const**
$\mathbf{a_3 * (cost_A+\ldots+cost_I+cost_k) * load_m / (load_A+\ldots+load_I+load_k) +}$ **'above S-D constraint**
$\mathbf{a_4 * (cost_A+\ldots+cost_J) * load_m / (load_A+\ldots+load_J)}$ **'above CE-LI constraint**

For Transmission Customer m in Load Zones F, G, H or I:

$\mathbf{a_1 * (cost_A+\ldots+cost_K) * load_m / (load_A+\ldots+load_K) +}$ **'no constraints**
$\mathbf{a_2 * (cost_F+\ldots+cost_K) * load_m / (load_F+\ldots+load_K) +}$ **'below Central-East const**

a_3 * $(cost_A+\ldots+cost_I+cost_k)$ * $load_m$ / $(load_A+\ldots+load_I+load_k)$ + 'above S-D constraint
a_4 * $(cost_A+\ldots+cost_J)$ * $load_m$ / $(load_A+\ldots+load_J)$ 'above CE-LI constraint

For Transmission Customer m in Load Zone J:

a_1 * $(cost_A+\ldots+cost_K)$ * $load_m$ / $(load_A+\ldots+load_K)$ +   'no constraints
a_2 * $(cost_F+\ldots+cost_K)$ * $load_m$ / $(load_F+\ldots+load_K)$ +   'below Central-East const
a_3 * $cost_J$ * $load_m$ / $load_J$ +   'below S-D constraint
a_4 * $(cost_A+\ldots+cost_J)$ * $load_m$ / $(load_A+\ldots+load_J)$ 'above CE-LI constraint

For Transmission Customer m in Load Zone K:

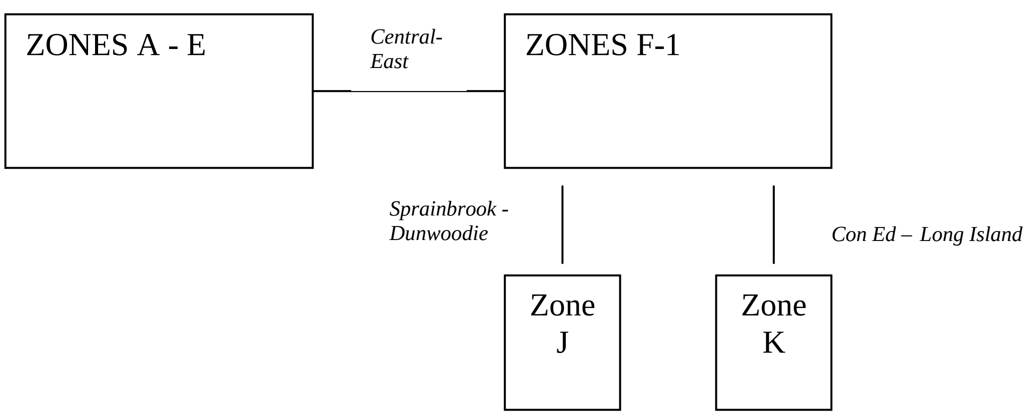
a_1 * $(cost_A+\ldots+cost_K)$ * $load_m$ / $(load_A+\ldots+load_K)$ +   'no constraints
a_2 * $(cost_F+\ldots+cost_K)$ * $load_m$ / $(load_F+\ldots+load_K)$ +   'below Central-East const
a_3 * $(cost_A+\ldots+cost_I+cost_k)$ * $load_m$ / $(load_A+\ldots+load_I+load_k)$ + 'above S-D constraint
a_4 * $cost_K$ * $load_m$ / $load_K$ 'below CE-LI constraint

where the variables are:

a_1 = fraction of time when none of the three most limiting interfaces are constrained
a_2 = fraction of time when the Central-East interface is constrained
a_3 = fraction of time when the Sprainbrook-Dunwoodie interface is constrained
a_4 = fraction of time when the Con Ed-Long Island interface is constrained
$cost_{A\ldots K}$ = Schedule 1 Program Costs in Load Zones A…K, calculated on a daily basis
$load_m$ = real-time Load for Transmission Customer m, calculated on a daily basis
$load_{A\ldots K}$ = real-time Loads for all Transmission Customers s in Load Zone A…K, calculated on a daily basis

The specific values of a_1, a_2 a_3 and a_4, shall be updated each year and shall be set forth in the ISO Procedures.

Relationship Between Frequently Constrained Interfaces and Composite Load Zones



27 Attachment U – Declaration and Recovery of Bad Debt Losses

The provisions of this Attachment U of this ISO OATT shall apply to all bad debt losses recoverable under Rate Schedule 1 of the Services Tariff and Schedule 1 of this ISO OATT.

27.1 Declaration Of A Bad Debt Loss

Transmission Customers owing money for services furnished under this ISO OATT or the ISO Services Tariff are required to pay for those services in accordance with Section 2.7.3 of this ISO OATT. At such time that the ISO's Chief Financial Officer concludes that the ISO does not reasonably expect payment in full from a defaulting Transmission Customer within an acceptable time period, then the ISO's Chief Financial Officer shall declare that the net unpaid obligation is a bad debt loss that requires recovery by the ISO under Section 6.1.3 of Rate Schedule 1 of this ISO OATT, and the ISO shall pursue available remedies for customer defaults under the ISO Tariffs. All funds held by the ISO relative to the defaulting Transmission Customer (e.g., working capital, collateral, etc.) shall be set aside pending determination of ISO's counsel and/or the appropriate bankruptcy courts as to the appropriate disposition of such funds.

27.2 Notice To Market Participants

The ISO shall notify Market Participants of the declaration of a bad debt loss under Section 27.1 of this Attachment U by a posting to the ISO website and to the Market Participant subscriber e-mail lists. Such notification shall identify the defaulting Transmission Customer, the dollar amount of the unpaid balance, the applicable Billing Period(s) for which settlement invoice obligations remain unpaid and are still owing to the ISO, and the future Billing Period(s) in which the ISO will recover the bad debt loss through a Rate Schedule 1 charge.

27.3 Recovery of Payment Defaults and Bad Debt Losses

Whenever all or any portions of any settlement invoices remain unpaid to the ISO after the invoice due date, the ISO, at its discretion, shall utilize the Working Capital Fund to maintain the liquidity of the New York wholesale energy markets and ensure that all Transmission Customers who are owed monies in their settlement invoices under Section 2.7.3. (iii) of this OATT are paid in full. The ISO shall not utilize the Working Capital Fund to satisfy WTSC non-payments.

The ISO will ordinarily first seek to recover the amount of a payment default by drawing upon the entire amount of collateral provided by the defaulting Customer. If the ISO were unable to promptly recover the full amount of the debt in this way, the ISO would ordinarily seek to recover the amount of the payment default by drawing upon the defaulting Customer's contributions to the Working Capital Fund that is described in Attachment V. If the ISO were unable to promptly recover the full amount of the debt through this measure, it would then ordinarily make claims against any available loss protection insurance in accordance with the insurance's terms. The ISO may deviate from the sequence of steps above, or pursue alternative cost-recovery measures, if it determines that doing so would be more likely to minimize the size of, or avoid, a bad debt loss. In the case of a bad debt loss relating to WTSC, the ISO shall draw upon collateral pursuant to Section 29 of Attachment W. After the ISO's Chief Financial Officer has declared a bad debt loss (other than a bad debt loss relating to WTSC), and notified Market Participants in accordance with this Attachment U, the amount of the bad debt loss shall be allocated *pro rata* to all Customers pursuant to the following formula:

$$\textbf{Percentage of Loss to Be Paid by Customer} = \frac{\textbf{CAR + CAP}}{\text{NYAR + NYAP}}$$

Where:

CAR = Customer’s gross accounts receivable, including WTSC in the Billing Period in which the payment obligation that resulted in the loss occurred.

CAP = Absolute value of Customer’s gross accounts payable, including WTSC, in the Billing Period in which the payment obligation that resulted in the loss occurred.

NYAR = ISO’s gross accounts receivable plus the Transmission Owners’ accounts receivable from WTSC, in the Billing Period in which the payment obligation that resulted in the loss occurred.

NYAP = Absolute value of ISO’s gross accounts payable plus the absolute value of the Transmission Owners’ accounts payable from WTSC, in the Billing Period in which the payment obligation that resulted in the loss occurred.

Notwithstanding any recovery of unpaid WTSC through Rate Schedule 1, a Transmission Owner shall be required to pursue reasonable debt collections efforts and refund through Rate Schedule 1 any such WTSC ultimately collected.

The ISO shall recover this Rate Schedule 1 charge in a subsequent Billing Period after the Billing Period in which the bad debt loss is declared; provided, however, that the ISO may recover bad debt losses over several Billing Periods if, in its discretion, the ISO determines such method of recovery to be a prudent course of action.

Customers that are subject to a Rate Schedule 1 charge for a bad debt loss will be assessed the outstanding balance owing to the ISO, as originally reflected in the defaulting Transmission Customer’s invoice, including any accrued interest through the date of such invoice, but exclusive of any additional interest on the unpaid balance that accrued subsequent to the original due date. The ISO shall have the option to adjust Customers’ shares of bad debt loss recovery costs, on a ratable basis, if necessary to fully recover a loss. The ISO shall not be required to determine the outcome of any insurance claim before allocating bad debt loss recovery costs to Customers. Any bad debt losses that are later recovered through insurance proceeds or from a defaulting Customer shall be allocated to all Customers previously charged for the loss according to the same allocation method originally used to collect the loss.

27.4 Re-Entry of Defaulting Transmission Customer

In addition to the provisions for curing a Transmission Customer default contained elsewhere in this ISO OATT, a Transmission Customer whose previous default resulted in a Rate Schedule 1 bad debt loss charge to other Transmission Customers must (i) cure such default by payment to the ISO of all outstanding and unpaid obligations and (ii) meet all ISO minimum participation criteria, registration requirements, and creditworthiness requirements, including posting of required collateral, prior to being re-admitted by the ISO to participate in the New York wholesale energy markets.