

6.18 Schedule 18 – Rate Mechanism for the Recovery of the Smart Path Connect Facilities Charge

6.18.1 Applicability

6.18.1.1 Eligible Project

This Schedule establishes the Smart Path Connect Facilities Charge (“SPC-FC”) for the recovery of the costs of Niagara Mohawk Power Corporation’s (“NMPC”) portion of the “Smart Path Connect” priority transmission project (“SPC Project”). The SPC Project was identified as a “priority transmission project” pursuant to New York State’s Accelerated Renewable Energy Growth and Community Benefit Act (“AREGCBA”) by order of the PSC on October 15, 2020 in PSC Case No. 20-E-0197. Pursuant to AREGCBA, NYPA selected NMPC as a co-developer of the SPC Project. NMPC’s portion of the SPC Project, which is recoverable hereunder, includes the following components: (1) the upgrade of NMPC’s Adirondack-Porter 230 kV lines to 345kV; (2) the construction of a new Austin Road Substation; (3) the extension of the existing 230 kV Rector Road to Chases Lake Line 10 to Austin Road Substation; (4) modifications at the Edic Substation; and (5) removal of the existing 230kV Edic to Porter Line 17 and equipment at the Porter and Chases Lakes Substations (collectively, hereinafter referred to as the “NMPC Smart Path Connect Facilities”).

6.18.1.2 Projects Not Eligible For Cost Recovery Through the CFC Charge

This Schedule does not apply to transmission projects other than those set forth in Section 6.18.1.1. In addition, this Schedule shall not apply to provide cost recovery to NYPA for any transmission projects.

6.18.2 Revenue Requirement for SPC-FC

The SPC-FC shall be calculated in accordance with Section 6.18.3. The costs that may be included in the SPC-FC revenue requirement include all reasonably incurred costs related to the preparation of proposals for, and the development, financing, construction, operation, and maintenance of, the NMPC Smart Path Connect Facilities, including, but not limited to, a reasonable return on investment and any incentives for the construction or abandonment of transmission projects approved under Section 205 or Section 219 of the Federal Power Act and the Commission's regulations implementing those sections, as determined by the Commission.

6.18.3 Calculation and Recovery of SPC-FC and Payment of Recovered Revenue

6.18.3.1 The ISO will calculate and bill the SPC-FC separately for the NMPC Smart Path Connect Facilities in accordance with this Section 6.18.3. The SPC-FC will be allocated on a load ratio share basis, calculated volumetrically based on Actual Energy Withdrawals by LSEs, excluding Withdrawal Billing Units for Exports and Wheels Through. The ISO shall bill the SPC-FC to all LSEs serving Load in the New York Control Area (each a "Responsible LSE"). Responsible LSEs shall pay the SPC-FC.

6.18.3.2 The SPC-FC revenue requirement shall be calculated as determined in accordance with Schedules 15a through 15d of NMPC's formula rate template as set forth in Section 14.2.1 of Attachment H of the ISO OATT. For purposes of the cost of capital inputs to Schedule 15b of the aforementioned formula rate template, the return on common equity shall comprise a 10.5% base return on common equity, plus 100 basis points of incentive adders. The capitalization ratios shall be

NMPC's capital structure as defined in Schedule 8 of NMPC's formula rate template, as set forth in Section 14.2.1 of Attachment H of the ISO OATT.

To the extent that the revenues received for the NMCP Smart Path Connect Facilities in the prior year were greater (or less) than the annual SPC-FC revenue requirement for the year, the current year's SPC-FC revenue requirement will be decreased (or increased) by that difference. The annual SPC-FC revenue requirement will be the basis for the applicable SPC-FC for the Billing Period that shall be charged by the ISO to Responsible LSEs as set forth in Section 6.18.3.4.

6.18.3.3 NMPC shall request Incremental TCCs with respect to the NMPC Smart Path Connect Facilities in accordance with the requirements of Section 19.2.4 of Attachment M of the ISO OATT and accept any Incremental TCCs to the extent awarded by the ISO pursuant to such request. As it relates solely to the NMPC Smart Path Connect Facilities, NMPC shall not be a "Transmission Owner" for purposes of Section 20.2.5 or Section 20.3.7 of Attachment N of the ISO OATT and accordingly shall not receive an allocation of Net Congestion Rents under Section 20.2.5 of Attachment N of the ISO OATT or Net Auction Revenues under Section 20.3.7 of Attachment N of the ISO OATT.

NMPC shall in relation to the NMPC Smart Path Connect Facilities exercise its right to obtain and maintain in effect all Incremental TCCs, including temporary Incremental TCCs, to which it has rights under Section 19.2.4 of Attachment M of the ISO OATT and shall take the actions required to do so in accordance with the procedures specified therein. Notwithstanding Sections 19.2.4.7 and 19.2.4.8 of Attachment M of the ISO OATT, Incremental TCCs

created and awarded to NMPC as a result of implementation of the NMPC Smart Path Connect Facilities shall not be eligible for sale in Secondary Markets.

Incremental TCCs that may be created and awarded to NMPC as a result of the implementation of the NMPC Smart Path Connect Facilities, shall be offered by NMPC in all rounds of the six-month Sub-Auction of each Centralized TCC Auction conducted by the ISO. The ISO shall disburse the associated auction revenues to NMPC. The total amount of the auction revenues disbursed to NMPC pursuant to this Section 6.18.3.3 shall be used in the calculation of the SPC-FC, as set forth in Section 6.18.3.5. Incremental TCCs associated with the NMPC Smart Path Connect Facilities shall continue to be offered for the duration of the Incremental TCCs, established pursuant to the terms of Attachment M of the ISO OATT.

The revenue offset discussed in this Section 6.18.3.3 shall commence upon the first payment of revenues related to Incremental TCCs associated with the implementation of the NMPC Smart Path Connect Facilities on or after the date the SPC-FC is implemented. The SPC-FC and the revenue offset related to Incremental TCCs associated with the implementation of the NMPC Smart Path Connect Facilities shall not require and shall not be dependent upon a reopening or review of: (i) NMPC's revenue requirements for charges set forth in another rate schedule of the ISO OATT, or (ii) NMPC's revenue requirements for its TSC set forth in Attachment H of the ISO OATT.

6.18.3.3.1 With respect to the NMPC Smart Path Connect Facilities only, NMPC shall not be charged O/R-t-S Congestion Rent Shortfall Charges, U/D Congestion Rent

Shortfall Charges, O/R-t-S Auction Revenue Shortfall Charges or U/D Auction Revenue Shortfall Charges or be paid O/R-t-S Congestion Rent Surplus Payments, U/D Congestion Rent Surplus Payments, O/R-t-S Auction Revenue Surplus Payments or U/D Auction Revenue Surplus Payments under Section 20.2.4 and Section 20.3.6 of Attachment N of the ISO OATT. Outage charges related to any Incremental TCCs awarded by the ISO for the NMPC Smart Path Connect Facilities shall be separately assessed to NMPC as an Expander not subject to Section 20.2.5 of Attachment N of the ISO OATT, and payable by NMPC to the ISO, pursuant to Section 19.2.4.10 of Attachment M of the ISO OATT.

6.18.3.4 The billing units for the SPC-FC shall be based on the Actual Energy Withdrawals, excluding Withdrawal Billing Units for Exports and Wheels Through, of the Responsible LSEs.

6.18.3.5 Cost Recovery Methodology

The ISO shall calculate the SPC-FC applicable to each Responsible LSE as follows:

$$\text{SPC-FC}_{B,L} = (\text{AnnualRR}_B - \text{IncrementalTransmissionRightsRevenue}_B + \text{OutageCostAdjustment}_B) \\ \times (\text{LSEWithdrawalUnits}_{L,B} / \text{TotalWithdrawalUnits}_B)$$

Where:

L = The relevant Responsible LSE;

B = The relevant Billing Period;

AnnualRR_B = the pro rata share of the annual revenue requirement for the NMPC Smart Path Connect Facilities, as discussed in Sections 6.18.2 and 6.18.3.2 above, allocated for Billing Period B;

$\text{IncrementalTransmissionRightsRevenue}_B$ = the auction revenue derived from the sale of Incremental TCCs awarded to NMPC plus Incremental TCC payments received by NMPC pursuant to Section 20.2.3 of Attachment N of the ISO OATT for the NMPC Smart Path Connect

Facilities, as discussed in Section 6.18.3.3 above, allocated for Billing Period B. The revenues from the sale of Incremental TCCs in the ISO's six-month Sub-Auctions of each Centralized TCC Auction shall be allocated uniformly across all hours of Billing Period B;

$OutageCostAdjustment_B$ = the Outage charges, as discussed in Section 6.18.3.3.1 above, for the Incremental TCCs awarded to NMPC for the NMPC Smart Path Connect Facilities aggregated across all hours in Billing Period B; and

$LSEWithdrawalUnits_{L,B}$ = Actual Energy Withdrawals for Responsible LSE L, excluding Withdrawal Billing Units for Exports and Wheels Through, for all Load Zones aggregated across all hours in Billing Period B; and

$TotalWithdrawalUnits_B$ = Actual Energy Withdrawals for all Responsible LSEs, excluding Withdrawal Billing Units for Exports and Wheels Through, for all Load Zones aggregated across all hours in Billing Period B.

6.18.3.6 The ISO will collect the appropriate SPC-FC revenues each Billing Period and remit those revenues to NMPC in accordance with the ISO's billing and settlement procedures.

6.18.3.7 The "Base Revenue Requirement" for the NMPC Smart Path Connect Facilities as identified in Schedule 15 line 2 (a) of NMPC's formula rate template, as set forth in Section 14.2.1 of Attachment H of the ISO OATT, will be treated as a revenue credit in the revenue requirement for NMPC's TSC. After considering the revenue credit from the SPC-FC, the net cost for the NMPC Smart Path Connect Facilities recovered through the TSC will be deemed to be zero.

6.18.3.8 NMPC shall recalculate the SPC-FC revenue requirement each year as part of the Annual Update process set forth in Section 14.1.9.4 of Attachment H of the ISO OATT. The SPC-FC revenue requirement shall be separately stated in that Annual Update, and the Annual Update shall provide supporting documentation for the calculation of the SPC-FC revenue requirement for the Update Year. Each Responsible LSE shall be an "Interested Party" with respect to any portion of the

Annual Update related to the SPC-FC. The SPC-FC revenue requirement for the first year will be calculated retroactively to include any construction work in progress (“CWIP”) amounts authorized by the Commission for recovery in rate base. The ISO shall commence charging the revenue requirement component of the SPC-FC beginning with the first billing period for the next effective Update Year. Capitalized terms used in this Section 6.18.3.8, but not otherwise defined in Section 1 of the ISO OATT or this rate schedule shall have the meaning specified in Section 14.1.9 of Attachment H of the ISO OATT.