6.10 Schedule 10 - Rate Mechanism for the Recovery of the Reliability Facilities Charge ("RFC")

6.10.1 Applicability.

This rate mechanism establishes the Reliability Facilities Charge ("RFC") for the recovery of costs related to each regulated reliability transmission project undertaken pursuant to a determination by the NYISO that a regulated solution is needed to address Reliability Needs identified by the NYISO in its reliability planning process in accordance with Section 31.2.8 of Attachment Y of the NYISO OATT and the NYISO/TO Reliability Agreement. For purposes of this attachment, a regulated reliability transmission project includes: (i) a regulated backstop transmission project, or an alternative regulated transmission project provided that the ISO has selected such alternative regulated transmission project as the more efficient or cost effective solution to the identified Reliability Need and triggered the alternative regulated transmission project pursuant to Section 31.2.8 of Attachment Y of the ISO OATT, or (ii) a regulated transmission Gap Solution proposed by a Responsible Transmission Owner or an alternative regulated Gap Solution proposed by an Other Developer or Transmission Owner that has been determined by the appropriate state regulatory agency(ies) as the preferred solution to the identified Reliability Need. The rate mechanism shall not apply to projects undertaken by Transmission Owners pursuant to Local Transmission Owner Planning Processes pursuant to Section 31.1.3 and Section 31.2.1 of Attachment Y of the NYISO OATT. The RFC shall be comprised of the revenue requirements related to: (i) each regulated reliability transmission project filed with FERC by a Transmission Owner pursuant to the provisions of this Attachment; (ii) any costs incurred by NYPA and filed with FERC by the NYISO pursuant to the provisions of this Attachment; and (iii) any FERC approved costs incurred by an Other Developer under

Section 6.10.5 and filed with FERC by the NYISO or Other Developer pursuant to the provisions of this Attachment. Any costs incurred by LIPA and allocable to other Transmission Districts will be collected under a separate LIPA RFC as set forth in Section 6.10.4.3 and filed with FERC by the NYISO pursuant to the provisions of Section 6.10.4.3. This RFC will provide for full recovery of all reasonably incurred costs related to the preparation of proposals for, and the development, construction, operation and maintenance of any regulated reliability transmission project undertaken pursuant to Attachment Y of this tariff, including all reasonable costs related to such a project that is halted in accordance with the provisions of the NYISO's tariff and the NYISO/TO Reliability Agreement. Subject to regulatory acceptance, the RFC shall include a reasonable return on investment and any applicable incentives. The RFC established under this Attachment shall be separate from the Transmission Service Charge ("TSC") and the NYPA Transmission Adjustment Charge ("NTAC") determined in accordance with Attachment H of the NYISO OATT. With respect to the recovery of costs incurred by LIPA and NYPA, the provisions of Sections 6.10.1, and 6.10.2 through 6.10.3.4 of this Attachment shall not apply to LIPA or NYPA, except as provided for in Sections 6.10.4.3 and 6.10.4.4 of this Attachment. The recovery of costs related to development, construction, operation and maintenance of a regulated reliability transmission project undertaken by LIPA or NYPA shall be pursuant to the provisions of Sections 6.10.4.3 and 6.10.4.4 of this Attachment**.** The recovery of costs related to development, construction, operation and maintenance of an alternative regulated solution proposed by an Other Developer shall be pursuant to the provisions of Section 6.10.5 of this Attachment.

6.10.2 Recovery of Transmission Owner's Costs Related to Regulated Reliability Transmission Solutions.

Each Transmission Owner shall have on file at FERC the rate treatment that will be used to derive and determine the revenue requirement to be included in the RFC, and for the LIPA RFC as applicable, for regulated transmission projects undertaken pursuant to a determination by the NYISO that a regulated solution is needed to address Reliability Needs identified by the NYISO in its reliability planning process in accordance with Section 31.2.8 of Attachment Y of the NYISO OATT. The filing will provide for the recovery of the full revenue requirement for a regulated reliability transmission project consistent with FERC regulations including but not limited to any incentives for the construction of transmission projects provided for in Section 219 of the Federal Power Act and the FERC regulations implementing that section. Pursuant to a determination by the NYISO that a regulated solution is needed to address Reliability Needs identified by the NYISO in its reliability planning process in accordance with Section 31.2.8 of Attachment Y of the NYISO OATT, (i) the Responsible Transmission Owner(s) proceeding with a regulated transmission backstop solution or (ii) a Transmission Owner proceeding with an alternative regulated transmission solution that the ISO has selected as the more efficient or cost effective solution and triggered pursuant to Section 31.2.8 of Attachment Y of the ISO OATT, will proceed with the approval process for all necessary federal, state and local authorizations for the requested project to which this RFC applies.

6.10.2.1 Upon receipt of all necessary federal, state, and local authorizations, including FERC acceptance of the rate treatment, the Transmission Owner(s) shall commence construction of the project.

6.10.2.2 Upon completion of the project, the Transmission Owner(s) or the NYISO as applicable, will make an informational filing with FERC to provide the final

project cost and resulting revenue requirement to be recovered pursuant to this Attachment. The final project cost and resulting revenue requirement will be reduced by any amounts that, pursuant to Section 25.7.12.3.3 of Attachment S to the NYISO OATT, have been previously committed by or collected from Developers for the installation of System Deliverability Upgrades required for the interconnection of generation or merchant transmission projects. The resulting revenue requirement will become effective and recovery of project costs pursuant to this Attachment will commence upon the making of the information filing with FERC, and shall not require and shall not be dependent upon a re-opening or review of the Transmission Owner(s)' revenue requirements for the TSCs and NTAC set forth in Attachment H of the NYISO OATT. This Section 6.10.2.2 also applies to the recovery of all reasonably incurred costs related to either (i) a regulated backstop transmission project or (ii) an alternative regulated transmission project that the ISO has selected as the more efficient or cost effective solution and triggered pursuant to Section 31.2.8 of Attachment Y of the ISO OATT, and that is later halted, including but not limited to reasonable and necessary expenses incurred to implement an orderly termination of the project, in accordance with the provisions of the NYISO OATT and the NYISO/TO Reliability Agreement. Following the information filing, the NYISO will bill the RFC or LIPA RFC, as applicable.

6.10.2.3 The Transmission Owners may propose a non-transmission solution subject to state jurisdiction to address a Reliability Need included in the Comprehensive Reliability Plan, provided that the appropriate state agency(ies)

has established procedures to ensure full and prompt recovery of all reasonably incurred costs related to a project, comparable to those set forth in this tariff for cost recovery for regulated reliability transmission projects.

6.10.3 RFC Revenue Requirement Recovery.

The RFC is to be billed by the NYISO and paid by the LSEs located in load zones to which the cost of the transmission facilities have been allocated in accordance with Attachment Y of the NYISO OATT. All LSEs in the load zones to which costs have been allocated, including Transmission Owners, competitive LSEs and municipal systems, will be billed by the NYISO.

6.10.3.1 The revenue requirement filed pursuant to Section 6.10.2.2 will be the basis for the RFC Rate ($/MWh) for the Billing Period, and shall be applied by the NYISO to each LSE based on its Actual Energy Withdrawals as set forth in Section 6.10.3.4.

6.10.3.2 To the extent that incremental transmission rights owned by the Transmission Owner sponsoring the project are created as a result of a transmission project implemented in accordance with Attachment Y of the NYISO OATT, those incremental transmission rights that can be sold will be auctioned or otherwise sold by the NYISO. The NYISO will disburse the associated revenues to the Transmission Owner(s). The associated revenues will be used in the calculation of the RFC as set forth in Section 6.10.3.4. The incremental transmission rights will continue to be sold for the depreciable life of the project, and the revenues offset discussed above will commence upon the first payment of revenues related to a sale of incremental transmission rights on or

after the RFC is implemented for a specific project. These incremental revenues shall not require and shall not be dependent upon any reopening or any review of the Transmission Owner(s) TSCs or NTAC under Attachment H of the NYISO OATT.

6.10.3.3 The NYISO will collect the appropriate RFC revenues each Billing Period and remit those revenues to the appropriate Transmission Owner(s) in accordance with the NYISO's billing and settlement procedures pursuant to Section 2.7.2.5 of the NYISO OATT.

6.10.3.4 The Billing Units for the RFC Rate for the Billing Period shall be based on the Actual Energy Withdrawals available for the prior Billing Period for those zones determined to be allocated the costs of the project in accordance with Attachment Y of the NYISO OATT.

Step 1: Calculate the $ assigned to each Zone

$$RFC_{z,B} = \sum_{p \in P} \left(\left(AnnualRR_{p,B} - IncrementalTransmissionRightsRevenue_{p,B} \right) \times \left(ZonalCostAllocation\%_{p} \right) \right)$$

Step 2: Calculate a per-MWh Rate for each Zone

$$RFCRate_{z,B} = RFC_{z,B} / MWh_{z,B}$$

Step 3: Calculate charge for each Billing Period for each LSE in each Zone

$$Charge_{B,l,z} = RFCRate_{z,B} \times MWh_{l,z,B}$$

Step 4: Calculate charge for each Billing Period for each LSE across all Zones

$$Charge_{B,l} = \sum_{z \in Z} \left(Charge_{B,l,z} \right)$$

Where,

P = set of Projects.

Z = set of NYISO Zones.
B = the relevant Billing Period.

$MWh_{z,B}$ = Actual Energy Withdrawals in zone z aggregated across all hours in Billing Period B.

$MWh_{l,z,B}$= Actual Energy Withdrawals for LSE l in zone z aggregated across all hours in Billing Period B.

$AnnualRR_{p,B}$ = the pro rata share of the annual Revenue Requirement for each Project as discussed in Section 6.10.2.2 above allocated for Billing Period B.

Incremental Transmission Rights $Revenue_{p,B}$ = the pro rata share of the Incremental Transmission Rights Revenue for each Project as discussed in Section 6.10.3.2 above allocated for Billing Period B.

6.10.4 Recovery of Costs by an Unregulated Transmitting Utility.

An Unregulated Transmitting Utility is a Transmission Owner that, pursuant to Section 201(f) of the FPA is not subject to the Commission's jurisdiction under Sections 205 and 206 of the FPA. The recovery of costs related to the preparation of proposals for, and the development, construction, operation and maintenance of, a regulated reliability transmission project undertaken pursuant to Attachment Y of the NYISO OATT by LIPA, as an Unregulated Transmitting Utility, shall be conducted as follows:

6.10.4.1 Upon the request of the NYISO, an Unregulated Transmitting Utility will proceed with the process of receiving any necessary authorization for the requested project.

6.10.4.2 Upon receipt of all necessary federal, state and local authorizations, the Unregulated Transmitting Utility shall commence with construction of the project.

6.10.4.3 Cost Recovery for LIPA

Transmission Owners other than LIPA that propose an alternative regulated transmission project on Long Island would recovery any costs per Sections 6.10.2 through 6.10.3.4 of this Attachment. Other Developers that propose an alternative regulated transmission project on Long Island would recover any costs per Section 6.10.5 of this Attachment.

6.10.4.3.1 Any costs incurred for a regulated backstop reliability transmission project or an alternative regulated transmission project undertaken by LIPA, as an Unregulated Transmitting Utility, shall be recovered as follows:

6.10.4.3.1.1 For costs to LIPA customers: Cost will be recovered pursuant to a rate recovery mechanism approved by the Long Island Power Authority's Board of Trustees pursuant to Article 5, Title 1-A of the New York Public Authorities Law, Sections 1020-f(u) and 1020-s. Upon approval of the rate recovery mechanism, LIPA shall provide to the NYISO, for purposes of inclusion within the NYISO OATT and filing with FERC on an informational basis only, a description of the rate recovery mechanism and the rate that LIPA will charge and collect from responsible entities within the Long Island Transmission District in accordance with the NYISO cost allocation methodology pursuant to Section 31.5.3.2 of Attachment Y of the NYISO OATT.

6.10.4.3.1.2 For Costs to Other Transmission Districts: Where the NYISO determines that there are responsible entities outside of the Long Island Transmission District that should be allocated a portion of the costs of the regulated backstop reliability transmission solution or an alternative regulated transmission solution undertaken by LIPA, LIPA shall inform the NYISO of the amount of such costs. Such costs will be an allocable amount of the cost base recovered through the recovery

mechanism described in Section 6.10.4.3.1.1 in accordance with the formula set forth in Section 6.10.3.4. The costs of a LIPA regulated backstop reliability transmission project or an alternative regulated transmission solution, allocable to responsible entities outside of the Long Island Transmission District shall constitute the "revenue requirement" that the NYISO shall include and, and recover through, a separate "LIPA RFC". The NYISO shall file the LIPA RFC with the Commission as an informational filing. The NYISO will file such RFC for Commission review under the same "comparability" standard as is applied to review of changes in LIPA's TSC under Attachment H of this tariff. LIPA shall intervene in support of such filing at the Commission and shall take the responsibility to resolve all concerns about the contents of the filing that might be raised in such proceeding. The NYISO shall bill for LIPA the LIPA RFC to responsible entities in Transmission Districts other than the Long Island Transmission District consistent with Sections 6.10.3.1 through 6.10.3.4 and shall remit the revenues collected to LIPA each Billing Period.

6.10.4.4 Savings Clause. The inclusion in the NYISO OATT or in a FERC filing on an informational basis of the charges for recovery of costs incurred by LIPA or NYPA related to a regulated project undertaken pursuant to Attachment Y into the NYISO OATT, as provided for in Sections 6.10.4.3 and 6.10.4.4, or the inclusion of such charges in the NYISO RFC pursuant to Section 6.10.4.3.1.2, shall not be deemed to modify the treatment of such rates as non-jurisdictional pursuant to Section 201(f) of the FPA.

6.10.5 Recovery of Costs Incurred by an Other Developer Related to an Alternative Regulated Solution.

6.10.5.1 The RFC shall be used as the cost recovery mechanism for the recovery of the costs of an alternative regulated reliability transmission project pursuant to a determination by the NYISO that a regulated solution: is needed to address Reliability Needs identified by the NYISO in its reliability planning process in accordance with Section 31.2.8 of Attachment Y of the NYISO OATT, is proposed, developed or constructed by an Other Developer who is otherwise authorized to propose, develop or construct a regulated transmission project under applicable state and federal law, has been selected by the ISO as the more efficient or cost effective solution to the identified Reliability Need, has been triggered by the ISO under Section 31.2.8 of Attachment Y of the ISO OATT, and is authorized by FERC to recover costs under this rate mechanism. Provided however, nothing in this cost recovery mechanism shall be deemed to create any additional rights for an Other Developer to proceed with a regulated transmission project that such Other Developer does not otherwise have at law. The provisions of Sections 6.10.3 through 6.10.3.4 of this Attachment shall be applicable to the recovery of the costs incurred by an Other Developer for proposing, developing, constructing, operating, maintaining, and financing an alternative regulated transmission project that the ISO has selectedas the more efficient or cost effective solution to the identified Reliability Need and that the ISO has triggered pursuant to Section 31.2.8 of Attachment Y of the ISO OATT.

6.10.5.2 Upon receipt of all necessary federal, state, and local authorizations, including FERC acceptance of a Section 205 filing authorizing cost recovery

under the NYISO tariff, the Other Developer shall commence construction of the project. Upon completion of the project, the Other Developer and/or the NYISO, as applicable, will make a filing with FERC to provide the final project cost and resulting revenue requirement to be recovered pursuant to this Attachment. The resulting revenue requirement will become effective and recovery of project costs pursuant to this Attachment will commence upon the acceptance of the filing by FERC. This Section 6.10.5.2 also applies to the recovery of all reasonably incurred costs related to a project that the ISO has selected as the more efficient or cost effective solution, has been triggered by the ISO pursuant to Section 31.2.8 of Attachment Y of the ISO OATT, and is later halted, including but not limited to reasonable and necessary expenses incurred to implement an orderly termination of the project, in accordance with the provisions of the NYISO OATT.

6.10.5.3 Other Developers may also propose a non-transmission solution subject to state jurisdiction to address a Reliability Need included in the Comprehensive Reliability Plan.