ATTACHMENT S - APPENDIX ONE – Allocation of Overage Cost

An Example of the Allocation of Overage Cost Among Class Year Developers, in Accordance with

Section 25.6.2 of Attachment S:

- There are five Developer projects in Class Year 200X.

- The Annual Transmission Reliability Assessment ("ATRA") determines that 10 System Upgrade
  Facilities ("SUFs") are needed to reliably interconnect the Class Year 200X projects, at a total
  cost of $30 million.

- The Annual Transmission Baseline Assessment ("ATBA") determines that 7 SUFs would be
  needed to meet reliability standards without the Class Year 200X projects, at a total cost of $20
  million. (Note: The ATBA may have included some generic "projects" identical to or similar to
  some of the Class Year 200X projects, but not necessarily. Also, some of the SUFs identified by
  the ATBA may be the same as those identified in the ATRA, but not necessarily.)

  (1)   The total cost of ATRA SUFs allocated to the Transmission Owners ("TOs") is equal to the

         total cost of the ATBA SUFs ($20 million).

  (2)   The total cost of ATRA SUFs allocated to the Developers, the Overage Cost, is the net of

         the total cost of the ATRA vs. ATBA SUFs ($30 million - $20 million = $10 million).

  (3)   The ratio of the Overage Cost to the total cost of ATRA SUFs, the Overage Cost

         Percentage, is used to compute the Developers' cost allocations for each ATRA SUF. In

         this example, the Overage Cost Percentage, the ratio, = $10 million/$30 million = 1/3

         (The Developers pay 1/3 the cost of each ATRA SUF). Assume the cost of one of the

         ATRA SUFs (SUF#1) is $3 million. The Developers' share of the cost of that SUF = 1/3 x

         $3 million = $1 million.

  (4)   The Developers' share of the cost of each ATRA SUF is allocated among all the

         Developers that have at least a *de minimus* impact causing the need for that SUF.

In this example, the ATRA determines that 3 of the 5 Class Year 200X projects have at least a *de minimus* impact causing the need for SUF#1.

(5)   The Developers' cost of an ATRA SUF is allocated to each Developer that has at least a *de minimus* impact in accordance with the Contribution Percentage, or ratio of that Developer's measured impact, its electrical contribution, to the sum of the measured impact of all the Developers that have at least a *de minimus* impact.

In this example, the measured impacts of the three projects are 200, 300, and 500 amps, respectively. Thus the pro rata shares of the projects' cost of SUF#1 are $200K, $300K, and $500K, respectively.