6.19.6 Attachment 1 - Rate Mechanism for the Recovery of CLCPA Eligible Projects

for New York State Electric and Gas Corporation

6.19.6.1 Applicability

This Attachment 1 to Rate Schedule 19 of the ISO OATT establishes the CFC Charge of New York State Electric and Gas Corporation (“NYSEG”). NYSEG is an Eligible Transmission Owner and may recover eligible costs for its CLCPA Eligible Projects in accordance with the requirements of Rate Schedule 19 of the ISO OATT.

6.19.6.2 Revenue Requirement

For purposes of Rate Schedule 19 of the ISO OATT, the revenue requirement for the

Eligible Transmission Owner’s CLCPA Eligible Projects shall be determined in accordance with the formula rate protocols set forth in Section 6.19.6.2.1 and the formula rate template set forth in Section 6.19.6.2.2.

6.19.6.2.1 Formula Rate Protocols

Section 1 Definitions

The following definitions shall apply for purposes of this Attachment 1 to Rate Schedule

19 of the ISO OATT:

a. Accounting Change: any change in accounting by NYSEG or its affiliates

that affects inputs to the Formula Rate or the resulting charges billed under the Formula

Rate.

b. Annual Review Procedures: the procedures described in this Section

6.19.6.2.1 of Attachment 1 to Rate Schedule 19 of the ISO OATT that provide for review
and challenge by Interested Parties of the Annual True-up Adjustment and the Annual
Update.

c. Annual Stakeholder Meeting: an annual meeting for Interested Parties with

the intention that NYSEG present, explain and answer questions related to the Annual Trueup Adjustment and Annual Update.

d. Actual Annual Transmission Revenue Requirement (“Actual ATRR”): the actual annual revenue requirement of NYSEG’s CLCPA Eligible Projects for a Rate Year calculated in accordance with the Formula Rate and posted on the ISO website no later than June 15 following the end of such Rate Year.

e. Annual True-up Adjustment: the difference between the revenues collected
for that Rate Year under the Formula Rate based upon the Projected ATRR (not including the
True-up Adjustment or Corrections) and the Actual ATRR for the same Rate Year. The
Annual True-up Adjustment is included in the Annual Update for the next Rate Year.

f. Annual Update: the Projected ATRR for the upcoming Rate Year, including
any Annual True-up Adjustment for the prior Rate Year or any Corrections for prior years.

g. CLCPA Eligible Projects: the transmission projects (or any portion thereof)
owned by NYSEG that qualify as a “CLCPA Eligible Project” as such term is defined in
Section 6.19.1.1 of Rate Schedule 19 of the ISO OATT. For the purposes of this Attachment

1 to Rate Schedule 19 of the ISO OATT, such transmission projects may also be referred to as “Schedule 19 Projects.”

h. Corrections: changes due to errors or otherwise to prior Actual ATRRs that occur after that Actual ATRR is used to determine that Rate Year’s Annual True-up
Adjustment and included in the applicable Annual Update.

i. Formal Challenge: a written challenge, filed with FERC, to the Annual
True-up Adjustment submitted to the Commission or to the Annual Update posted to

the ISO website.

j. Formula Rate: the Formula Rate Template (as set forth in Section

6.19.6.2.2 of this Attachment 1 to Rate Schedule 19 of the ISO OATT) and the

Formula Rate Protocols (as set forth in this Section 6.19.6.2.1 of this Attachment 1 to Rate Schedule 19 of the ISO OATT).

k. Formula Rate Template: the collection of formulas and worksheets,

unpopulated with any data, included as set forth in Section 6.19.6.2.2 of this Attachment 1 to Rate Schedule 19 of the ISO OATT.

l. Informal Challenge: a process by which Interested Parties may challenge

certain aspects of the Annual True-up Adjustment or Annual Update. Informal Challenges are presented to NYSEG directly.

m. Informational Filing: the filing of the Annual Update and the results of the Review Period with FERC on or before February 1 of each year commencing with the
completion of the initial Rate Year for which this Attachment 1 to Rate Schedule 19 of the ISO OATT is effective. This is filed at FERC for informational purposes only and does not require any action by the Commission.

n. Interested Parties: any transmission customer under the ISO OATT, the New York State Department of Public Service, the New York State Department of State’s Division of Consumer Protection Utility Intervention Unit, consumer advocacy agencies, the New York Attorney General or any party that has standing in a NYSEG Formula Rate proceeding under sections 205 or 206 of the FPA.

o. Posting Date: the date on which NYSEG causes to be posted to the ISO
website its Annual Update, which is October 15 of each year; provided, however, that if

such date falls on a weekend or holiday recognized by the Commission, the Posting Date shall be the next business day.

p. Projected Annual Transmission Revenue Requirement (“Projected

ATRR”): the projected annual revenue requirement of NYSEG’s CLCPA Eligible Projects for the upcoming Rate Year calculated in accordance with the Formula Rate and posted on the ISO website no later than the Posting Date.

q. Publication Date: the date on which NYSEG causes the Annual True-up Adjustment to be posted to the ISO website, which is June 15 of each year; provided, however, that if such date falls on a weekend or holiday recognized by the Commission, the Publication Date shall be the next business day.

r. Rate Year: a twelve consecutive month period that begins on January 1

and continues through December 31.

s. Review Period: the period during which Interested Parties may request

information or make Informal Challenges to the Annual True-up Adjustment or Annual

Update. The Review Period extends from the Publication Date to January 31 of the following calendar year. Information requests can be submitted from the Publication Date through
December 1 of the current year.

Section 2 Applicability

These Formula Rate Protocols shall apply to NYSEG’s calculation of its Projected

ATRR and Actual ATRR, and related Annual True-up Adjustment(s). A timeline of the

annual protocol process is contained in Section 10 of this Section 6.19.6.2.1 of Attachment 1 to Rate Schedule 19 of the ISO OATT.

Section 3 Projected ATRR, Actual ATRR, Annual True-up Adjustment and Annual

Update

a. The Projected ATRR calculated pursuant to the Formula Rate shall be

applicable on and after January 1 of the Rate Year in which the revenue requirement of Schedule

19 Projects is to be included in transmission rates.

b. On or before June 15 of each succeeding Rate Year (the Publication Date),

NYSEG shall calculate its Actual ATRR and resulting Annual True-up Adjustment according to the Formula Rate and cause the results to be posted on the ISO website. Within five (5) days of such posting, NYSEG shall provide (or caused to be provided) notice of such posting to Interested Parties. The ISO shall provide notice of such posting via email to Transmission Customers. NYSEG shall provide notice via email to all other Interested Parties utilizing the most recent email address provided to NYSEG.

c. On or before October 15 of each year (the Posting Date) beginning when the
revenue requirement of Schedule 19 Projects is to be included in transmission rates in the
subsequent Rate Year, NYSEG shall calculate its Annual Update for the upcoming Rate Year
and cause the results to be posted on the ISO website. As part of the Annual Update, NYSEG
shall determine its Projected ATRR, calculated according to the Formula Rate. The Annual
Update will also include the results of the Annual True-up Adjustment for the prior Rate Year
and any Corrections for prior years, when applicable. Within five (5) days of such posting,
NYSEG shall provide (or caused to be provided) notice of such posting to Interested Parties.
The ISO shall provide notice of such posting via email to Transmission Customers. NYSEG
shall provide notice via email to all other Interested Parties utilizing the most recent email
address provided to NYSEG.

d. If the Publication Date or the Posting Date falls on a weekend or a holiday
recognized by FERC, then the Publication Date or Posting Date, as applicable, shall be the

next business day.

e. Within thirty (30) days after the Posting Date (October 15), NYSEG shall hold
the Annual Stakeholder Meeting to present, explain and answer questions concerning the
Annual True-up Adjustment for the prior Rate Year and the Annual Update for the upcoming
Rate Year. NYSEG will provide the opportunity for remote participation at Annual
Stakeholder Meetings. To ensure that Interested Parties receive sufficient advance notice of
Stakeholder Meetings, NYSEG shall schedule each Annual Stakeholder Meeting at least one

(1) month in advance and cause notice thereof to be posted on the ISO website. Within five

(5) days of such posting, NYSEG shall provide (or caused to be provided) notice of such posting to Interested Parties. The ISO shall provide notice of such posting via email to Transmission Customers. NYSEG shall provide notice via email to all other Interested Parties utilizing the most recent email address provided to NYSEG.

f. NYSEG shall modify the Annual Update to reflect any changes that it and the
Interested Parties agree upon by no later than December 1 and shall cause the revised Annual
Update to be posted on the ISO website no later than December 15. Any change agreed to or
required after November 30 will be implemented as part of the subsequent Annual True-up
Adjustment to be effective in the next following Rate Year. Within five (5) days of such
posting, NYSEG shall provide (or caused to be provided) notice of such posting to Interested
Parties. The ISO shall provide notice of such posting via email to Transmission Customers.
NYSEG shall provide notice via email to all other Interested Parties utilizing the most recent
email address provided to NYSEG.

g. The Actual ATRR and Annual True-up Adjustment posting shall:

i. Include a workable, data-populated Formula Rate Template and any

underlying workpapers in native format with all formulas and links intact and based on NYSEG’s FERC Form No. 1 reports for the prior Rate Year;

ii. Provide supporting documentation and workpapers for data that are

used in the Annual True-up Adjustment that are not otherwise available directly from the FERC Form No. 1 reports;

iii. Provide sufficient information to enable Interested Parties to

replicate the calculation of the Annual True-up Adjustment;

iv. Identify any changes in the Formula Rate references (page and line

numbers) to the FERC Form No. 1 report;

v. Identify all material adjustments made to the FERC Form No. 1 data in

determining Formula Rate Template inputs, including relevant footnotes to the FERC Form

No. 1 and any adjustments not shown in the FERC Form No. 1;

vi. Include, with respect to any Accounting Change that affects inputs to

the Formula Rate Template, or the resulting Actual ATRR under the Formula Rate:

A. a description of any changes in an accounting standard or policy;

B. a description of any accounting practices for unusual or

unconventional items where FERC has not provided specific accounting direction;

C. any correction of material errors and material prior period

adjustments that impact the Annual True-up Adjustment calculation or prior Annual True-up Adjustments;

D. a description of any new estimation methods or policies that

change prior estimates; and

E. changes to income tax elections or rates;

vii. Identify items included in the Annual True-up Adjustment at an

amount other than on a historic cost basis (e.g., fair value adjustments);

viii. Identify any reorganization or merger transaction during the previous

year and explain the effect of the accounting for such transaction(s) on inputs to the Annual True-up Adjustment;

ix. Include, for each item identified pursuant to 3.g.vi - 3.g.viii of these

Formula Rate Protocols, a narrative explanation of the individual effect of such changes on the Actual ATRR under the Formula Rate; and

x. Provide for the prior Rate Year the following information related to

affiliate cost allocation.

A. a detailed description of the methodologies used to allocate

and directly assign costs between NYSEG and its affiliates by service category or function,

including any changes to such cost allocation methodologies from the prior Rate Year and

the reasons and justifications for those changes; and

B. the magnitude of such costs that have been allocated or

directly assigned between NYSEG and each affiliate by service category or function.

h. The Projected ATRR shall:

i. Include a workable, data-populated Formula Rate Template and any

underlying workpapers in native format with all formulas and links intact;

ii. Provide supporting documentation and workpapers for all Schedule

19 Projects being added to operating property in the upcoming Rate Year that are used in the Projected ATRR, including projected costs of each project, expected construction schedule and in-service dates; and

iii. Provide enough information to enable Interested Parties to replicate the

calculation of the Projected ATRR.

i. If NYSEG files any corrections to its FERC Form No. 1 that impacts an

Annual True-up Adjustment, such corrections and any resulting refunds or surcharges shall be reflected in the subsequent Annual True-up Adjustment or Annual Update as a
Correction, with interest.

j. Interest on the Annual True-up Adjustment shall be determined based on the Commission's regulations at 18 C.F.R § 35.19a a(iii)(A). The interest payable shall be
calculated using the average of the interest rates used to calculate the time value of money for the twenty-four (24) months during which the over- or under- recovery in the Actual ATRR exists (middle of Rate Year for which Annual True-up Adjustment is being determined to the middle of Rate Year where the Annual True-up Adjustment is included in the Annual
Update). The interest during this 24-month period will initially be estimated and then truedup to actual and included in a subsequent Annual True-up Adjustment.

k. Formula Rate Template inputs for (i) the ceiling rate of return on common

equity; (ii) extraordinary property losses, and (iii) depreciation and amortization expense rates
shall be stated values to be used in the Formula Rate approved by FERC order(s). NYSEG
may make a limited section 205 filing to change its rate of return on common equity to reflect
incentive rate of return adders, if any, which may only be included upon FERC order. Such
filings shall comply with the filing requirements that the FERC may have established for
seeking such incentives. NYSEG may also make a limited section 205 filing to request
recovery of the cost of removal regulatory asset, request recovery of extraordinary property
losses or change or add new depreciation and amortization rates. In each case, the sole

purpose of any such limited section 205 filing shall be to address whether such proposed

changes are just and reasonable and shall not include other aspects of the Formula Rate.

Changes in depreciation and amortization rates to track a state commission order shall become effective only upon FERC order permitting a change in depreciation and amortization rates, which, to the extent possible, should be made effective as of the same date the state
commission order becomes effective. NYSEG will include notification of such changes in the applicable informational filing. NYSEG may also request transmission rate incentives
pursuant to section 219 of the FPA.

l. It is the intent of the Formula Rate, including the supporting explanations and
allocations described therein, that each input to the Formula Rate will be taken either directly
from the FERC Form No. 1 or reconcilable to the FERC Form No. 1 by the application of
clearly identified and supported information. If the FERC Form No. 1 is superseded, the
successor form(s) shall be utilized and supplemented as necessary to provide equivalent
information as that provided in FERC Form No. 1. If the FERC Form No. 1 is discontinued,
equivalent information as that provided in the FERC Form No. 1 shall be utilized.

Section 4. Fundamental Predicates

a. The Formula Rate is premised upon data reported or recorded by NYSEG

consistent with the following predicates ("Fundamental Predicates"):

i. FERC's Uniform System of Accounts;

ii. Applicable FERC Form No. 1 reporting requirements;

iii. FERC's policies governing formula rates for transmission service,

including FERC's policies that all charges billed under transmission formula rates are

subject to: (A) challenge on grounds of imprudence, and (B) an order by FERC requiring

refunds in the manner and to the extent ordered;

iv. FERC orders establishing transmission ratemaking policies of

general application to transmission-owning public utilities, including NYSEG; and

v. The accounting and cost allocation policies, practices and

procedures of NYSEG to the extent consistent with the authorities listed in (i) through (iv) above.

b. The Formula Rate is based upon each of these Fundamental Predicates as
existed as of the date these Formula Rate Protocols are filed with FERC. Provisions of the
Formula Rate may be modified to conform to changes in these Fundamental Predicates in
accordance with Section 8 of these Formula Rate Protocols or as ordered by FERC.

c. The Projected ATRR and the Actual ATRR shall include only costs for

CLCPA Eligible Projects approved by the PSC as contemplated by the CSRA and such costs are directly related to or properly allocable to transmission functions pursuant to Rate
Schedule 19 of the ISO OATT. Interested Parties shall be entitled to review and challenge (i) the reasonableness and prudence of costs and expenditures included in the Projected ATRR and Actual ATRR, (ii) the basis for and reasonableness of allocating all or any portion of
such costs and expenditures in determining the Projected ATRR and Actual ATRR under
Rate Schedule 19 of the ISO OATT, and (iii) whether the allocation of costs as applied
results in a disproportionate allocation of cost to the Projected ATRR and Actual ATRR for
charges under Rate Schedule 19 of the ISO OATT. Any such review and challenge shall
adhere to the procedures set forth in Sections 6 and 8 below.

Section 5 Construction Work in Progress

a. This section applies to any and all NYSEG Schedule 19 Projects where the

Commission has granted NYSEG CWIP in rate base, either 100% or less (“CWIP”).

i. NYSEG shall use the following accounting procedures to ensure that, if

authorized by a Commission order to include 100% of any CLCPA Eligible Project CWIP in
transmission rate base, NYSEG ceases to accrue for recovery any AFUDC and, if less than
100% of CWIP in transmission rate base is authorized, a corresponding percentage of
AFUDC accruals will cease. NYSEG shall assign each Schedule 19 Project where the
Commission has authorized CWIP a unique funding project number (“FPN”) for internal cost
tracking purposes.

ii. NYSEG shall record actual construction costs to each FPN through

work orders that are coded to correspond to the FPN for each applicable Schedule 19 Project.
Such work orders shall be segregated from work orders for other Schedule 19 Projects for
which the Commission has not authorized NYSEG to include any portion of CWIP in rate
base.

iii. For each applicable Schedule 19 Project, NYSEG shall prepare monthly

work order summaries of costs incurred under the associated FPN. These summaries shall
show monthly additions to CWIP and transfers to plant in service and shall correspond to
amounts shown in NYSEG’s FERC Form No. 1. NYSEG shall use these summaries as data
inputs into the Annual True-up Adjustment. NYSEG shall make such work order summaries
available upon request under the review procedures of Section 6 of these Formula Rate
Protocols.

iv. When a Schedule 19 Project for which the Commission granted CWIP,

or portion thereof, is placed into service, NYSEG shall deduct from the total CWIP the

accumulated charges for work orders under the FPN for that project, or portion thereof. The

purpose of this control process is to ensure that expenditures are not double counted as both CWIP and as additions to plant.

v. For Schedule 19 Projects for which the Commission has not granted

CWIP, NYSEG shall record AFUDC to be applied to CWIP and capitalized as part of CWIP and included in the project investment when the project is placed into service.
 vi. For Schedule 19 Projects where the Commission has granted CWIP,

NYSEG will include in the investment for such project’s AFUDC accrued prior to the date that NYSEG first includes the CWIP for such projects in rate base.

b. For each Schedule 19 Project where FERC has approved CWIP in rate base, NYSEG shall include in its Informational Filing a report that includes the following
concerning each project:

i. the actual amount of CWIP recorded for each project by month for the

Rate Year;

ii. the current status of each project; and

iii. the estimated in-service date for each project.

Section 6 Annual Review Procedures

Each Annual True-up Adjustment and Annual Update shall be subject to the following review procedures:

a. Interested Parties shall have until December 1 to serve reasonable information
requests on NYSEG for both the Annual True-up Adjustment and the Annual Update. If
December 1 falls on a weekend or a holiday recognized by FERC, the deadline for
submitting all information and document requests shall be extended to the next business day.
Such information and document requests shall be limited to what is necessary to determine:

i. the extent or effect of an Accounting Change;

ii. whether the Annual True-up Adjustment or Annual Update fails to

include data properly recorded in accordance with these Formula Rate Protocols and the Fundamental Predicates or includes data not properly recorded in accordance with these Formula Rate Protocols and the Fundamental Predicates;

iii. whether the costs included in the Annual Update are properly

accounted for (e.g., recordable and recorded in the appropriate accounts) under FERC's Uniform System of Accounts under 18 C.F.R. Part 101, and otherwise consistent with NYSEG’s accounting policies, practices, or procedures;

iv. whether there are errors in the current Annual Update and, if any are

identified, whether the same or similar errors were made in prior Formula Rate filings with
a further explanation identifying each Formula Rate filing in which such errors were made;

v. the proper application of the Formula Rate and procedures in these

Formula Rate Protocols;

vi. the accuracy of data and consistency with the Formula Rate of the

calculations shown in the Annual True-up Adjustment or the Annual Update;

vii. the prudence of actual costs and expenditures;

viii. the effect of any change to the underlying Uniform System of

Accounts or the FERC Form No. 1; or

ix. any other information that may reasonably have a substantive effect

on the calculation of the Projected ATRR or Actual ATRR pursuant to the Formula Rate.

b. The information and document requests shall not otherwise be directed to
ascertaining whether the Formula Rate is just and reasonable. Additionally, information

requests shall not solicit information concerning costs or allocations where the costs or

allocation methods have been determined by FERC (or resolved by a settlement accepted by FERC) or for Annual True-up Adjustments for other Rate Years, except that such information requests shall be permitted if they seek to determine if there has been a material change in
NYSEG’s circumstances.

c. NYSEG shall make a good faith effort to respond to information requests
pertaining to the Annual True-up Adjustment and Annual Update within fifteen (15)
business days of receipt of such requests. NYSEG shall respond to all information and
document requests by no later than December 20 unless the information exchange period is
extended by NYSEG or FERC. If December 20 falls on a weekend or a holiday
recognized by FERC, the deadline for response to information requests shall be extended
to the next business day.

d. If NYSEG and any Interested Party are unable to resolve disputes related to
information requests submitted in accordance with these annual review procedures, NYSEG
or the Interested Party may petition FERC to appoint an Administrative Law Judge as a
discovery master. The discovery master shall have the power to issue binding orders to
resolve discovery disputes and compel the production of discovery, as appropriate, in
accordance with these annual review procedures and consistent with FERC’s discovery rules.

e. NYSEG will cause to be posted on the ISO website all information requests
from Interested Parties and NYSEG’s response to such requests; except to the extent such
responses to information and document requests include material deemed by NYSEG to be
confidential information (in which event such information will not be publicly posted but will
be made available to requesting parties pursuant to a confidentiality agreement to be executed

by NYSEG and the requesting party).

f. NYSEG shall not claim that responses to information and document

requests provided pursuant to these Formula Rate Protocols are subject to any settlement privilege in any subsequent FERC proceeding addressing NYSEG’s Annual True-up Adjustment, Annual Update, or its Formula Rate.

g. The dates and time periods set forth in this Section 6 may be modified

by agreement between NYSEG and other Interested Parties.

Section 7 Informational Filing

a. By February 1 of each year, NYSEG shall submit to FERC an Informational

Filing of its Annual Update and the results of the Annual Review Procedures. This

Informational Filing must include the information that is required by Section 3, must describe
any changes pursuant to the Annual Review Procedures and must describe all aspects of the
formula rate or its inputs that are the subject of an ongoing dispute under the Informal or Formal
Challenge procedures. Within five (5) days of such Informational Filing, NYSEG shall provide
(or cause to be provided) notice of the Informational Filing to Interested Parties via email and
by posting the docket number assigned to NYSEG’s Informational Filing on NYSEG’s website
and OASIS.

b. Any challenges to the implementation of the Annual Update must be made

through the Challenge Procedures described in Section 8 of these protocols or in a separate

complaint proceeding, and not in response to the Informational Filing.

Section 8 Challenge Procedures

a. Interested Parties have through January 31 of the following year to make an

Informal Challenge to NYSEG’s Annual True-up Adjustment or Annual Update. If January 31
falls on a weekend or a holiday recognized by FERC, the deadline for submitting all Informal
Challenges shall be extended to the next business day. Failure to pursue at least one issue
through an Informal Challenge shall bar the filing of a Formal Challenge. If at least one
Informal Challenge was pursued, then a Formal Challenge may be filed on that issue or any
other issue. Failure to pursue an issue with respect to any particular Annual True-up
Adjustment or Annual Update shall not bar pursuit of such issue through Informal Challenge
or the lodging of a Formal Challenge as to such issue as it relates to subsequent Annual True-
up Adjustments or Annual Updates. This Section 8 shall in no way affect a party’s rights
under FPA section 206.

b. A party submitting an Informal Challenge to NYSEG must specify the inputs,
supporting explanations, allocations, calculations, or other information to which it objects and
provide an appropriate explanation and documents to support its challenge. NYSEG shall
make a good faith effort to respond to any Informal Challenge within twenty (20) business
days of notification of such challenge. NYSEG shall appoint a senior representative to work
with the party that submitted the Informal Challenge (or its representative) toward a resolution
of the challenge. If NYSEG disagrees with such challenge, NYSEG will provide the
Interested Party(ies) with an explanation supporting the inputs and provide supporting
calculations, descriptions, allocations, or other information. No Informal Challenge may be
submitted after January 31, and NYSEG must respond to all Informal Challenges by no later
than February 28, unless the Review Period is extended by NYSEG or FERC. Informal
Challenges shall be subject to the resolution procedures and limitations in this Section 8.

c. Informal Challenges shall be presented to NYSEG and Formal Challenges

filed before the FERC, pursuant to these Formula Rate Protocols and shall:

i. Clearly identify the action or inaction which is alleged to violate the

filed Formula Rate or Formula Rate Protocols;

ii. Explain how the action or inaction violates the Formula Rate or Formula

Rate Protocols;

iii. Set forth the business, commercial, economic, or other issues presented

by the action or inaction as such relates to or affects the party filing the Informal Challenge or

Formal Challenge, including:

A. The extent or effect of an Accounting Change;

B. Whether the Annual True-up Adjustment or Annual Update fails

to include data properly recorded in accordance with these Formula Rate Protocols;

C. The proper application of the Formula Rate and procedures in

these Formula Rate Protocols;

D. The accuracy of data and consistency with the Formula Rate of

the charges shown in the Annual True-up Adjustment or Annual Update, including errors as

described in Section 6.a.iv, for the current Annual True-up Adjustment or Annual Update and

for any prior years in which the Formula Rate included such errors;

E. The prudence of actual costs and expenditures;

F. The effect of any change to the underlying Uniform System of

Accounts or FERC Form No. 1; or

G. Any other information that may reasonably have substantive

effect on the calculation of the Annual True-up Adjustment or Annual Update.

iv. Informal Challenges and Formal Challenges may address whether costs are

recorded consistent with the Fundamental Predicates in these Formula Rate Protocols and

FERC’s policies and regulations, how the costs charged by NYSEG’s affiliates are recorded on NYSEG’s books in accordance with Instruction 14 of the Uniform System of Accounts, the amounts of such centralized service company costs, and whether the costs are properly
includable in transmission rates.

v. With respect to an issue that had previously been adjudicated by the

Commission in a Formal Challenge proceeding that was not resolved by settlement, the

principles of res judicata and collateral estoppel shall apply and, therefore, if a subsequent Formal Challenge is made with respect to such issue, NYSEG may move to dismiss on such grounds, the challenging party or other Interested Parties may contest whether such principles apply, and the Commission shall have the discretion to determine whether the Formal
Challenge may proceed or should be dismissed.

vi. Make a good faith effort to quantify the financial impact or burden (if

any) created for the party filing the Formal Challenge as a result of the action or inaction;

vii. State whether the issues presented are pending in an existing

Commission proceeding or a proceeding in any other forum in which the filing party is a

party, and if so, provide an explanation why timely resolution cannot be achieved in that

forum;

viii. State the specific relief or remedy requested, including any

request for stay or extension of time, and the basis for that relief;

ix. Include all documents that support the facts in the Formal Challenge

in possession of, or otherwise attainable by, the filing party, including, but not limited to,

contracts and affidavits; and

x. State whether the filing party utilized the Informal Challenge procedures

described in these Formula Rate Protocols to dispute the action or inaction raised by the Formal Challenge, and, if not, describe why not.

d. Any person filing a Formal Challenge must serve a copy of the Formal

Challenge on NYSEG. Service to NYSEG must be simultaneous with filing at the

Commission. Simultaneous service can be accomplished by electronic mail in accordance with 18 C.F.R. § 385.2010(f)(3), facsimile, express delivery, or messenger. The party filing the Formal Challenge shall serve the individual listed as the contact person on NYSEG’s Informational Filing required under Section 7 of these Formula Rate Protocols.

e. NYSEG will cause to be posted on the ISO website all Informal Challenges
from Interested Parties and NYSEG’s response(s) to such Informal Challenges; except to the
extent such Informal Challenges or responses to Informal Challenges include material
deemed by NYSEG to be confidential information (in which event such information will not
be publicly posted but will be made available to requesting parties pursuant to a
confidentiality agreement to be executed by NYSEG and the requesting party).

f. Any changes or adjustments to the Annual True-up Adjustment or Annual

Update resulting from the information exchange and Informal Challenge processes agreed to by NYSEG on or before December 1 will be reflected in the Annual Update for the upcoming Rate Year. Any changes or adjustments agreed to by NYSEG after December 1 will be
reflected in the following year’s Annual True-up Adjustment.

g. If NYSEG and a challenging party have not resolved an Informal Challenge to
an Annual Update, the challenging party shall have the right to submit by May 1 a Formal
Challenge with the FERC, which shall be served on NYSEG on the date of such filing as

specified in Section 8.d., above. However, there shall be no need to make a Formal Challenge or to await conclusion of the time periods in this Section 8 if the FERC already has initiated sua sponte a proceeding to consider the Annual Update. A Formal Challenge shall be filed in the same docket as NYSEG’s informational filing discussed in Section 7 of these Formula Rate Protocols. NYSEG shall respond to the Formal Challenge by the deadline established by FERC. A party may not pursue a Formal Challenge if that party did not submit an Informal Challenge on at least one issue during the applicable Review Period.

h. In any proceeding initiated by FERC concerning the Annual True-up

Adjustment or Annual Update or in response to a Formal Challenge, NYSEG shall bear the
burden, consistent with FPA section 205, of proving that it has correctly applied the terms of
the Formula Rate consistent with these Formula Rate Protocols, and that it followed the
applicable requirements and procedures in these Formula Rate Protocols. Nothing herein is
intended to alter the burdens applied by FERC with respect to prudence challenges.

i. In the event an error, as further described in Section 6.a.iv, is identified in an
Annual True- up Adjustment or Annual Update and such error was present in prior Annual
True-up Adjustments or Annual Updates, an Interested Party may request a FERC order
making any correction or providing other remedial relief retroactive to the first Formula Rate
filing in which such error occurred. NYSEG retains all rights to oppose such a request.

j. Except as specifically provided herein, nothing herein shall be deemed to limit
in any way the right of NYSEG to file unilaterally, pursuant to FPA section 205 and the
regulations thereunder, to change the Formula Rate or any of its inputs (including, but not
limited to, rate of return and transmission incentive rate treatment), or to replace the Formula
Rate with a stated rate, or the right of any Interested Party to request such changes pursuant to

FPA section 206 and the Commission’s regulations thereunder.

k. No Interested Party shall seek to modify the Formula Rate under the challenge
procedures set forth in this Section 8, and the Annual True-up Adjustment and Annual
Update shall not be subject to challenge by anyone for the purpose of modifying the Formula
Rate. Any modifications to the Formula Rate will require, as applicable, an FPA section 205
or section 206 filing.

l. Any Interested Party seeking changes to the application of the Formula Rate
due to a change in the Uniform System of Accounts or FERC Form No. 1 shall first raise the
matter with NYSEG in accordance with this Section 8 before pursuing a Formal Challenge.

Section 9 Changes to Annual Informational Filings

Any changes to the data inputs as a result of revisions to NYSEG’s FERC Form No. 1 or as a result of any FERC proceeding to consider the Annual True-up Adjustment or as a result of the procedures set forth herein shall be incorporated into the Formula Rate (with interest
determined in accordance with 18 C.F.R. § 38.19a) in the Annual Update for the next
effective Rate Year. This approach shall apply in lieu of mid-Rate Year adjustments or any refunds or surcharges. However, actual refunds or surcharges (with interest determined in accordance with 18 C.F.R. §38.19a) for the then current Rate Year shall be made if the
Formula Rate is replaced by a stated rate by NYSEG.

Section 10 Timeline of Annual Process

