

Appendix C – Pro Forma Clean and Redline Tariff Records: Rate Schedule 20

Pro Forma Clean Tariff Records: Rate Schedule 20

6.20 Schedule 20 – Rate Mechanism for the Recovery of Niagara Mohawk Segment A Facilities

6.20.1 Applicability

6.20.1.1 Eligible Project

This Schedule establishes the Niagara Mohawk Segment A Facilities Charge (“NMSA-FC”) for the recovery of the costs of the certain transmission facilities comprising a portion of Segment A of the AC Transmission Project (“Segment A Project” or “Project”). The Segment A Project was selected by the ISO Board of Directors as identified in a decision and Public Policy Transmission Planning Report issued April 8, 2019 (and identified therein as “Project T027”). The portions of the Segment A Project eligible for cost recovery by Niagara Mohawk Power Corporation (“Niagara Mohawk” or “NMPC”) pursuant to this Rate Schedule 20 consist of: (a) all work required within the existing and expanded fence-line of Niagara Mohawk’s Edic Substation, and (b) all work required to remove the existing conductor and install new 345 kV conductor on existing towers owned by Niagara Mohawk (in place of the existing #30 line) for approximately 12 miles in and between the Towns of Marcy and Deerfield in Oneida County, and the Towns of Schuyler and Frankfort in Herkimer County (collectively, the “Niagara Mohawk Segment A Facilities”).

6.20.1.2 Projects Not Eligible for Cost Recovery Through the NMSA-FC

This Schedule does not apply to projects other than the Niagara Mohawk Segment A Facilities, as set forth in Section 6.20.1.1 above.

6.20.2 Revenue Requirement for NMSA-FC

The NMSA-FC shall be calculated in accordance with the formula set forth in Section 6.20.3. The costs that may be included in the NMSA-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 Niagara Mohawk Segment A Facilities, including, but not limited to, a reasonable return on investment.

6.20.3 Calculation and Recovery of NMSA-FC and Payment of Recovered Revenue

6.20.3.1 The ISO will calculate and bill the NMSA-FC separately for the Niagara Mohawk Segment A Facilities in accordance with this Section 6.20.3. The ISO shall collect the NMSA-FC from LSEs. The LSEs, including Transmission Owners, competitive LSEs, municipal systems, and any other LSEs, serving Load in the Load Zones and/or Subzones to which the costs of the Niagara Mohawk Segment A Facilities have been allocated (each a “Responsible LSE”) shall pay the NMSA-FC. The costs of the Niagara Mohawk Segment A Facilities shall be allocated in accordance with Section 31.8.2 of Appendix E to Attachment Y of the ISO OATT.

6.20.3.2 The NMSA-FC revenue requirement shall be calculated as follows: The annual NMSA-FC revenue requirement shall equal (a) Segment A Facilities Allocated Expense, plus (b) Segment A Facilities Allocated Return, plus (c) Segment A Facilities Depreciation Expense, minus (d) Segment A Revenue Credits, and (e) any applicable Billing Adjustments. For purposes of this calculation:

(a) Segment A Facilities Allocated Expense is equal to directly assigned gross transmission plant in service for Segment A Facilities, excluding legal obligations associated with the retirement of those assets that Niagara Mohawk is required to settle as a result of an existing enacted law, statute, ordinance, or written or oral contract or by legal construction of a contract under the doctrine of promissory

estoppel (“Asset Retirement Obligations,” or “AROs”), multiplied by the Expense Allocator.

- (i) Expense Allocator is equal to Transmission Expenses divided by NMPC’s gross transmission plant in service per Attachment 1 to Attachment H, Schedule 5, line 13. Transmission Expenses are defined as the sum of:
 - (1) General Depreciation Expense - Attachment 1 to Attachment H, Schedule 9, line 2
 - (2) Common Depreciation Expense - Attachment 1 to Attachment H, Schedule 9, line 3
 - (3) Intangible Depreciation Expense - Attachment 1 to Attachment H, Schedule 9, line 4
 - (4) Wholesale Meters Depreciation Expense - Attachment 1 to Attachment H, Schedule 9, line 5
 - (5) Transmission-Related Real Estate Taxes - Attachment 1 to Attachment H, Schedule 1, line 12
 - (6) Transmission Related Investment Tax Credit - Attachment 1 to Attachment H, Schedule 1, line 13
 - (7) Transmission Operation & Maintenance Expense - Attachment 1 to Attachment H, Schedule 1, line 14
 - (8) Transmission Related Administrative & General Expense - Attachment 1 to Attachment H, Schedule 1, line 15
 - (9) Transmission Related Payroll Tax Expense - Attachment 1 to Attachment H, Schedule 1, line 16

(10) Amortization of Transmission Regulatory Assets and
Liabilities - Attachment 1 to Attachment H, Schedule 1, line 17

(b) Segment A Facilities Allocated Return is equal to Net Transmission
Investment for Segment A Facilities multiplied by Segment A Return Allocator.

(i) Net Transmission Investment is equal to directly assigned gross
transmission plant in service for Segment A Facilities excluding
AROs less directly assigned accumulated depreciation reserve for
Segment A Facilities excluding AROs. Segment A Accumulated
Depreciation Reserve is to be determined using Niagara Mohawk's
plant accounting system by allocating associated utility plant
account reserves to Segment A based on vintage of the assets and
associated account's depreciation parameters (i.e., average service
life, net salvage factor, and depreciation curve). NMPC shall
include all associated workpapers and plant accounting system
reports in their annual update filings.

(ii) Segment A Return Allocator is equal to NMPC's Return and
Associated Income Taxes, Attachment 1 to Attachment H,
Schedule 1, line 10; divided by NMPC's Net Transmission plant in
service, Attachment 1 to Attachment H, Schedule 6, page 1 of 2,
lines 17 plus 19.

(c) Segment A Facilities Depreciation Expense will be determined by
multiplying each Segment A FERC account gross plant in service with
corresponding current FERC approved depreciation rates for NMPC transmission
facilities. The current NMPC depreciation rates are approved by FERC in Docket

No. ER19-132. NMPC shall include all associated workpapers in their annual update filings.

(d) Segment A Revenue Credits will equal any Revenue Credits associated with the Segment A Facilities, excluding Incremental TCCs. Segment A Revenue Credits will be specifically identified and included as a credit in the NMSA-FC Revenue Requirement. In accordance with Section 6.20.3.3 below, any Incremental TCCs associated with the Segment A Facilities and disbursed to NMPC will be credited in the Incremental Transmission Rights Revenue component of the monthly NMSA-FC rate as set forth in Section 6.20.3.6. In order to avoid double-crediting, Incremental TCCs are therefore excluded from the NMSA-FC revenue requirement component of the NMSA-FC rate.

(e) Billing Adjustments will equal any prior period adjustment(s) applicable to the NMSA-FC.

In addition, to the extent that the revenues received for the Niagara Mohawk Segment A Facilities in the prior year were greater (or less) than the annual NMSA-FC revenue requirement for the year, the current year's NMSA-FC revenue requirement will be decreased (or increased) by that difference, including interest calculated per 18 C.F.R. Section 35.19a. The annual NMSA-FC revenue requirement will be the basis for the applicable NMSA-FC rate (\$/MWh) for the Billing Period that shall be charged by the ISO to each Responsible LSE based on its Actual Energy Withdrawals as set forth in Section 6.20.3.5.

6.20.3.3 NMPC shall request Incremental TCCs with respect to the Niagara Mohawk Segment A Facilities in accordance with the requirements of Section 19.2.4 of Attachment M of the ISO OATT and receive any Incremental TCCs to

the extent awarded by the ISO pursuant to such request. As it relates solely to the Niagara Mohawk Segment A 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 Niagara Mohawk Segment A 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 Niagara Mohawk Segment A 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 Niagara Mohawk Segment A 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 6.20.3.3 shall be used in the calculation of the NMSA-FC rate, as set forth in Section 6.20.3.6. Incremental TCCs associated with the Niagara Mohawk Segment A Facilities shall continue to be offered by NMPC in all rounds of the six month Sub-Auction of each Centralized TCC Auction conducted by the ISO for the duration of the Incremental TCCs.

The revenue offset discussed in this Section 6.20.3.3 shall commence upon the first payment of revenues related to Incremental TCCs associated with the implementation of the Niagara Mohawk Segment A Facilities, and shall be deferred to the extent necessary and accounted for through NMPC's annual true-up mechanism until the date the NMPC first produces a non-zero revenue requirement for the Niagara Mohawk Segment A Facilities and the ISO begins to collect the NMSA-FC from Responsible LSEs. The NMSA-FC and the revenue offset related to Incremental TCCs associated with the implementation of the Niagara Mohawk Segment A 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.

6.20.3.4 With respect to the Niagara Mohawk Segment A 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 Niagara Mohawk Segment A 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.

6.20.3.5 The billing units for the NMSA-FC Rate for the Billing Period shall be based on the Actual Energy Withdrawals available for the current Billing Period for those Load Zones and/or Subzones allocated the costs of the project in the manner described in Section 6.20.3.1.

6.20.3.6 Cost Recovery Methodology

The ISO shall calculate the NMSA-FC for each Responsible LSE as follows:

Step 1: Calculate the \$ assigned to each Load Zone or Subzone (as applicable)

$$\text{NMSA-FC}_{p,z,B} = (\text{AnnualRR}_{p,B} - \text{IncrementalTransmissionRightsRevenue}_{p,B} + \text{OutageCostAdjustment}_{p,B}) \times (\text{ZonalCostAllocation}_{z,p})$$

Step 2: Calculate a per-MWh Rate for each Load Zone or Subzone (as applicable)

$$\text{NMSAFCRate}_{p,z,B} = \text{NMSAFC}_{p,z,B} / \text{MWh}_{z,B}$$

Step 3: Calculate charge for each Billing Period for each Responsible LSE in each Load Zone or Subzone (as applicable)

$$\text{Charge}_{B,l,z,p} = \text{NMSAFCRate}_{p,z,B} * \text{MWh}_{l,z,B}$$

Step 4: Calculate charge for each Billing Period for each Responsible LSE across all Load Zones or Subzones (as applicable)

$$\text{Charge}_{B,l,p} = \sum_{z \in Z} (\text{Charge}_{B,l,z,p})$$

Where,

l = the relevant Responsible LSE;

p = the Niagara Mohawk Segment A Facilities;

z = an individual Load Zone or Subzone, as applicable;

Z = set of ISO Load Zones or Subzones, as applicable;

B = the relevant Billing Period;

$MWh_{z,B}$ = Actual Energy Withdrawals in Load Zone or Subzone, as applicable, z aggregated across all hours in Billing Period B;

$MWh_{l,z,B}$ = Actual Energy Withdrawals for Responsible LSE l in Load Zone or Subzone, as applicable, z aggregated across all hours in Billing Period B;

$AnnualRR_{p,B}$ = the pro rata share of the annual revenue requirement for the Niagara Mohawk Segment A Facilities as set forth in 6.20.3.2 above, allocated for Billing Period B;

$IncrementalTransmissionRightsRevenue_{p,B}$ = 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 Niagara Mohawk Segment A Facilities, as discussed in Section 6.20.3.3 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;

$OutageCostAdjustment_{p,B}$ = the Outage charges, as discussed in Section 6.20.3.4 above, for Incremental TCCs awarded to NMPC for the Niagara Mohawk Segment A Facilities, aggregated across all hours in Billing Period B; and

$ZonalCostAllocation_{z,p}$ = the proportion of the cost of the Niagara Mohawk Segment A Facilities allocated to Load Zone or Subzone, as applicable, z, in the manner described in Section 6.20.3.1 above.

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

6.20.3.8 Payments received by NMPC for the NMSA-FC will be treated as a revenue credit in the revenue requirement for NMPC's TSC. After considering the revenue credit from the NMSA-FC, the net cost for the Niagara Mohawk Segment A Facilities recovered through the TSC will be deemed to be zero.

6.20.3.9 NMPC shall recalculate the NMSA-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 NMSA-FC revenue requirement shall be separately stated in that Annual Update, and the Annual Update shall provide supporting documentation for the calculation of the NMSA-FC revenue requirement for the

Update Year. Each Responsible LSE paying the NMSA-FC shall be an “Interested Party” with respect to any portion of the Annual Update related to the NMSA-FC. The NMSA-FC revenue requirement for the first year after the Niagara Mohawk Segment A Facilities are placed in service will be calculated retroactively to the in-service date. The ISO shall commence charging the NMSA-FC beginning with the first billing period for the next effective Update Year, as such term is defined in Section 14.1.9.1.66 of Attachment H of the ISO OATT, after the Niagara Mohawk Segment A Facilities are placed into service.

Pro Forma Redline Tariff Records: Rate Schedule 20

6.20 Schedule 20 – Rate Mechanism for the Recovery of Niagara Mohawk Segment A Facilities

6.20.1 Applicability

6.20.1.1 Eligible Project

This Schedule establishes the Niagara Mohawk Segment A Facilities Charge (“NMSA-FC”) for the recovery of the costs of the certain transmission facilities comprising a portion of Segment A of the AC Transmission Project (“Segment A Project” or “Project”). The Segment A Project was selected by the ISO Board of Directors as identified in a decision and Public Policy Transmission Planning Report issued April 8, 2019 (and identified therein as “Project T027”). The portions of the Segment A Project eligible for cost recovery by Niagara Mohawk Power Corporation (“Niagara Mohawk” or “NMPC”) pursuant to this Rate Schedule 20 consist of: (a) all work required within the existing and expanded fence-line of Niagara Mohawk’s Edic Substation, and (b) all work required to remove the existing conductor and install new 345 kV conductor on existing towers owned by Niagara Mohawk (in place of the existing #30 line) for approximately 12 miles in and between the Towns of Marcy and Deerfield in Oneida County, and the Towns of Schuyler and Frankfort in Herkimer County (collectively, the “Niagara Mohawk Segment A Facilities”).

6.20.1.2 Projects Not Eligible for Cost Recovery Through the NMSA-FC

This Schedule does not apply to projects other than the Niagara Mohawk Segment A Facilities, as set forth in Section 6.20.1.1 above.

6.20.2 Revenue Requirement for NMSA-FC

The NMSA-FC shall be calculated in accordance with the formula set forth in Section 6.20.3. The costs that may be included in the NMSA-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 Niagara Mohawk Segment A Facilities, including, but not limited to, a reasonable return on investment.

6.20.3 Calculation and Recovery of NMSA-FC and Payment of Recovered Revenue

6.20.3.1 The ISO will calculate and bill the NMSA-FC separately for the Niagara Mohawk Segment A Facilities in accordance with this Section 6.20.3. The ISO shall collect the NMSA-FC from LSEs. The LSEs, including Transmission Owners, competitive LSEs, municipal systems, and any other LSEs, serving Load in the Load Zones and/or Subzones to which the costs of the Niagara Mohawk Segment A Facilities have been allocated (each a “Responsible LSE”) shall pay the NMSA-FC. The costs of the Niagara Mohawk Segment A Facilities shall be allocated in accordance with Section 31.8.2 of Appendix E to Attachment Y of the ISO OATT.

6.20.3.2 The NMSA-FC revenue requirement shall be calculated as follows: The annual NMSA-FC revenue requirement shall equal ~~the annual Historical Transmission Revenue Requirement (“HTRR”) for NMPC’s TSC divided by NMPC’s gross transmission plant in service multiplied by the gross transmission plant in service for the Niagara Mohawk Segment A Facilities.~~ (a) Segment A Facilities Allocated Expense, plus (b) Segment A Facilities Allocated Return, plus (c) Segment A Facilities Depreciation Expense, minus (d) Segment A Revenue Credits, and (e) any applicable Billing Adjustments. For purposes of this calculation:

~~(a) — NMPC’s HTRR is equal to Attachment 1 to Attachment H, Schedule 1, line 18.~~

(a) NMPC's gross transmission plant Segment A Facilities Allocated Expense is equal to directly assigned gross transmission plant in service for Segment A Facilities, excluding legal obligations associated with the retirement of those assets that Niagara Mohawk is required to settle as a result of an existing enacted law, statute, ordinance, or written or oral contract or by legal construction of a contract under the doctrine of promissory estoppel ("Asset Retirement Obligations," or "AROs"), multiplied by the Expense Allocator.

(i) Expense Allocator is equal to Transmission Expenses divided by NMPC's gross transmission plant in service per Attachment 1 to Attachment H, Schedule 5, line 13. Transmission Expenses are defined as the sum of:

(1) General Depreciation Expense - Attachment 1 to Attachment H, Schedule 9, line 2

(2) Common Depreciation Expense - Attachment 1 to Attachment H, Schedule 9, line 3

(3) Intangible Depreciation Expense - Attachment 1 to Attachment H, Schedule 9, line 4

(4) Wholesale Meters Depreciation Expense - Attachment 1 to Attachment H, Schedule 9, line 5

(5) Transmission-Related Real Estate Taxes - Attachment 1 to Attachment H, Schedule 1, line 12

(6) Transmission Related Investment Tax Credit - Attachment 1 to Attachment H, Schedule 1, line 13

(7) Transmission Operation & Maintenance Expense - Attachment 1 to Attachment H, Schedule 1, line 14

(8) Transmission Related Administrative & General Expense - Attachment 1 to Attachment H, Schedule 1, line 15

(9) Transmission Related Payroll Tax Expense - Attachment 1 to Attachment H, Schedule 1, line 16

(10) Amortization of Transmission Regulatory Assets and Liabilities - Attachment 1 to Attachment H, Schedule 1, line 17

(b) Segment A Facilities Allocated Return is equal to Net Transmission Investment for Segment A Facilities multiplied by Segment A Return Allocator.

(i) Net Transmission Investment is equal to directly assigned gross transmission plant in service for Segment A Facilities excluding AROs less directly assigned accumulated depreciation reserve for Segment A Facilities excluding AROs. Segment A Accumulated Depreciation Reserve is to be determined using Niagara Mohawk's plant accounting system by allocating associated utility plant account reserves to Segment A based on vintage of the assets and associated account's depreciation parameters (i.e., average service life, net salvage factor, and depreciation curve). NMPC shall include all associated workpapers and plant accounting system reports in their annual update filings.

(ii) Segment A Return Allocator is equal to NMPC's Return and Associated Income Taxes, Attachment 1 to Attachment H, Schedule 1, line 10; divided by NMPC's Net Transmission plant in

service, Attachment 1 to Attachment H, Schedule 6, page 21 of 2,
line 3 lines 17 plus 19.

(c) Segment A Facilities Depreciation Expense will be determined by multiplying each Segment A FERC account gross plant in service with corresponding current FERC approved depreciation rates for NMPC transmission facilities. The current NMPC depreciation rates are approved by FERC in Docket No. ER19-132. NMPC shall include all associated workpapers in their annual update filings.

(d) Segment A Revenue Credits will equal any Revenue Credits associated with the Segment A Facilities, excluding Incremental TCCs. Segment A Revenue Credits will be specifically identified and included as a credit in the NMSA-FC Revenue Requirement. In accordance with Section 6.20.3.3 below, any Incremental TCCs associated with the Segment A Facilities and disbursed to NMPC will be credited in the Incremental Transmission Rights Revenue component of the monthly NMSA-FC rate as set forth in Section 6.20.3.6. In order to avoid double-crediting, Incremental TCCs are therefore excluded from the NMSA-FC revenue requirement component of the NMSA-FC rate.

(b) (e) Billing Adjustments will equal any prior period adjustment(s) applicable to the NMSA-FC.

In addition, to the extent that the revenues received for the Niagara Mohawk Segment A Facilities in the prior year were greater (or less) than the annual NMSA-FC revenue requirement for the year, the current year's NMSA-FC revenue requirement will be decreased (or increased) by that difference₂,
including interest calculated per 18 C.F.R. Section 35.19a. The annual NMSA-

FC revenue requirement will be the basis for the applicable NMSA-FC rate (\$/MWh) for the Billing Period that shall be charged by the ISO to each Responsible LSE based on its Actual Energy Withdrawals as set forth in Section 6.20.3.5.

6.20.3.3 NMPC shall request Incremental TCCs with respect to the Niagara Mohawk Segment A Facilities in accordance with the requirements of Section 19.2.4 of Attachment M of the ISO OATT and receive any Incremental TCCs to the extent awarded by the ISO pursuant to such request. As it relates solely to the Niagara Mohawk Segment A 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 Niagara Mohawk Segment A 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 Niagara Mohawk Segment A 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 Niagara Mohawk Segment A 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 6.20.3.3 shall be used in the calculation of the NMSA-FC rate, as set forth in Section 6.20.3.56. Incremental TCCs associated with the Niagara Mohawk Segment A Facilities shall continue to be offered by NMPC in all rounds of the six month Sub-Auction of each Centralized TCC Auction conducted by the ISO for the duration of the Incremental TCCs.

The revenue offset discussed in this Section 6.20.3.3 shall commence upon the first payment of revenues related to Incremental TCCs associated with the implementation of the Niagara Mohawk Segment A Facilities, and shall be deferred to the extent necessary and accounted for through NMPC's annual true-up mechanism until the date the NMPC first produces a non-zero revenue requirement for the Niagara Mohawk Segment A Facilities and the ISO begins to collect the NMSA-FC from Responsible LSEs. The NMSA-FC and the revenue offset related to Incremental TCCs associated with the implementation of the Niagara Mohawk Segment A 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.

~~6.20.3.3~~6.20.3.4 With respect to the Niagara Mohawk Segment A 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 Niagara Mohawk Segment A 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.

6.20.3.4**6.20.3.5** — The billing units for the NMSA-FC Rate for the Billing Period shall be based on the Actual Energy Withdrawals available for the current Billing Period for those Load Zones and/or Subzones allocated the costs of the project in the manner described in Section 6.20.3.1.

6.20.3.5**6.20.3.6** **Cost Recovery Methodology**

The ISO shall calculate the NMSA-FC for each Responsible LSE as follows:

Step 1: Calculate the \$ assigned to each Load Zone or Subzone (as applicable)

$$\text{NMSA-FC}_{p,z,B} = (\text{AnnualRR}_{p,B} - \text{IncrementalTransmissionRightsRevenue}_{p,B} + \text{OutageCostAdjustment}_{p,B}) \\ \times (\text{ZonalCostAllocation}_{z,p})$$

Step 2: Calculate a per-MWh Rate for each Load Zone or Subzone (as applicable)

$$\text{NMSAFCRate}_{p,z,B} = \text{NMSAFC}_{p,z,B} / \text{MWh}_{z,B}$$

Step 3: Calculate charge for each Billing Period for each Responsible LSE in each Load Zone or Subzone (as applicable)

$$\text{Charge}_{B,l,z,p} = \text{NMSAFCRate}_{p,z,B} * \text{MWh}_{l,z,B}$$

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

Load Zones or Subzones (as applicable)

$$\text{Charge}_{B,l,p} = \sum_{z \in Z} (\text{Charge}_{B,l,z,p})$$

Where,

l = the relevant Responsible LSE;

p = the Niagara Mohawk Segment A Facilities;

z = an individual Load Zone or Subzone, as applicable;

Z = set of ISO Load Zones or Subzones, as applicable;

B = the relevant Billing Period;

$MWh_{z,B}$ = Actual Energy Withdrawals in Load Zone or Subzone, as applicable, z aggregated across all hours in Billing Period B ;

$MWh_{l,z,B}$ = Actual Energy Withdrawals for Responsible LSE l in Load Zone or Subzone, as applicable, z aggregated across all hours in Billing Period B ;

$\text{AnnualRR}_{p,B}$ = the pro rata share of the annual revenue requirement for the Niagara Mohawk Segment A Facilities as set forth in 6.20.3.2 above, allocated for Billing Period B ;

$\text{IncrementalTransmissionRightsRevenue}_{p,B}$ = 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 Niagara Mohawk Segment A Facilities, as discussed in Section 6.20.3.3 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 ;

$\text{OutageCostAdjustment}_{p,B}$ = the Outage charges, as discussed in Section 6.20.3.3-14 above, for Incremental TCCs awarded to NMPC for the Niagara Mohawk Segment A Facilities, aggregated across all hours in Billing Period B ; and

$\text{ZonalCostAllocation}_{z,p}$ = the proportion of the cost of the Niagara Mohawk Segment A Facilities allocated to Load Zone or Subzone, as applicable, z , in the manner described in Section 6.20.3.1 above.

~~6.20.3.6~~6.20.3.7 The ISO will collect the appropriate NMSA-FC revenues each

Billing Period and remit those revenues to NMPC in accordance with the ISO's

billing and settlement procedures.

~~6.20.3.7~~6.20.3.8 Payments received by NMPC for the NMSA-FC will be treated as a revenue credit in the revenue requirement for NMPC's TSC. After considering the revenue credit from the NMSA-FC, the net cost for the Niagara Mohawk Segment A Facilities recovered through the TSC will be deemed to be zero.

~~6.20.3.8~~6.20.3.9 NMPC shall recalculate the NMSA-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 NMSA-FC revenue requirement shall be separately stated in that Annual Update, and the Annual Update shall provide supporting documentation for the calculation of the NMSA-FC revenue requirement for the Update Year. Each Responsible LSE paying the NMSA-FC shall be an "Interested Party" with respect to any portion of the Annual Update related to the NMSA-FC. The NMSA-FC revenue requirement for the first year after the Niagara Mohawk Segment A Facilities are placed in service will be calculated retroactively to the in-service date. The ISO shall commence charging the NMSA-FC beginning with the first billing period for the next effective Update Year, as such term is defined in Section 14.1.9.1.66 of Attachment H of the ISO OATT, after the Niagara Mohawk Segment A Facilities are placed into service.