



Update To Transmission Service (“TSC”) Formula

Presented by: William Wai, *Director of Rates*

December 17, 2025



Changes to LIPA Transmission Service Charge (“TSC”) Formula

LIPA’s TSC recovers costs to deliver power to the New York State Transmission system within the LIPA service territory

- Currently applicable to LIPA’s 3 major Wholesale Transmission Customers
- Formula Rate
 - Four (4) tariff components calculated by New York Independent System Operator (“NYISO”)
 - Three (3) other base components calculated by LIPA
- The formula for the LIPA calculated components was approved by the Board in September 2003

Update to ensure LIPA’s wholesale transmission cost recovery remains consistent with others in the State

Proposed changes to the formula for components calculated by LIPA

- Use of LIPA Weighted Average Cost of Capital instead of LIPA’s Cost of Debt
- Exclusion of interconnection assets related to power plants delivering off-island power to the LIPA system
- Removal of expired or terminated grandfathered transmission agreements
- Addition of payments for monthly congestion revenue rights and sales of monthly residual Transmission Congestion Contract

Thank You

William Wai
Director of Rates

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FOR CONSIDERATION

December 17, 2025

TO: Board of Trustees

FROM: Carrie Meek Gallagher

SUBJECT: Consideration of Approval of LIPA's Methodology for Updating the Formula Rate for LIPA's Components of the Wholesale Transmission Service Charge

Requested Action

The Board of Trustees (the "Board") of the Long Island Power Authority ("LIPA") is requested to approve the proposed changes to the formula rate used for the calculation of LIPA's components of the Wholesale Transmission Service Charge ("TSC") in accordance with the provisions under the New York Independent System Operator ("NYISO") Open Access Transmission Tariff ("OATT") relating to LIPA, as a non-jurisdictional governmental utility. In accordance with the NYISO OATT, the TSC rate is currently billed to Wholesale Transmission Customers (Freeport, Rockville Centre, and NYPA for Greenport) that withdraw electricity from the New York State Transmission System in LIPA's service area.

Background

Attachment H of the NYISO OATT specifies the TSC applies to wholesale transmission service using a transmission owner's facilities. The Wholesale TSC includes a separate component to recover the costs of LIPA's transmission facilities. The Wholesale TSC is charged to applicable wholesale transmission customers, and not to retail electricity customers subject to LIPA's Tariff for Electric Service.

Currently, LIPA's wholesale TSC consists of three base components calculated by LIPA. The three base components calculated by LIPA are (1) Revenue Requirement ("RR"); (2) Scheduling Control Center and Dispatch Costs ("CCC"); and (3) Billing Units ("BU"). There are also four revenue credit components under the NYISO tariff¹ "formula rate," which are calculated by NYISO, and collected by LIPA under the Wholesale TSC formula rate.²

¹ The NYISO revenue credit components typically are monthly sales of residual TCCs (Transmission Congestion Contracts (SR1 & SR2)), monthly excess congestion rents ("ECR"), and monthly congestion payments of TCC revenues ("CRR"). These components change from month to month and generally result in a net revenue credit to the Wholesale TSC customers that lowers their monthly TSC bills.

² See Attachments.

The Board is now being requested to approve LIPA's Proposal (a copy of which is annexed to the attached resolution as **Exhibit "A"**) to update the formula rate used to calculate the three LIPA TSC components for future applications by LIPA Staff.

Description of LIPA's Proposed Tariff Revisions

As described in Section 14.1.2 of Attachment H of the NYISO OATT, LIPA's rates are not under the jurisdiction of the Federal Energy Regulatory Commission ("FERC") but its TSC components are included in the NYISO OATT. At LIPA's request, NYISO will submit to FERC any changes to Table 1 in Section 14.1.4 of Attachment H to the OATT to revise LIPA's RR, CCC, BU, and the resulting base TSC rate. Because of LIPA's non-jurisdictional status, FERC evaluates LIPA's TSC rate under the "comparability standard."

LIPA's Wholesale TSC, RR, CCC, and BU components are calculated pursuant to a formula rate first approved by LIPA's Board in 2003 pursuant to the New York State Administrative Procedures Act and Article 5, Title I-A of the New York Public Authorities Law, Section 1020-f(u) and 1020-s ("Formula Rate"). LIPA's updated RR, CCC, and BU inputs and resulting LIPA TSC rate are included in section 14.1 Transmission Service Charge ("TSC") of the OATT set forth for illustration purposes with redlines in **Exhibit "A"**. Specifically, Table 1 in Section 14.1.4 of Attachment H of the NYISO OATT will be revised to reflect the updated RR, CC, and BU components.

There are two additional modifications to the calculation of LIPA's annual RR. First, the cost of capital used to calculate the RR would be based on LIPA's Weighted Average Cost of Capital ("WACC") instead of LIPA's Cost of Debt used in the Board's approved 2003 methodology. Second, the definitions of "Net Transmission Plant" and "Adjusted Net Transmission Plant" would be modified to exclude transmission assets related to interconnecting the power plant resources (including generation and energy storage) paid by LIPA's retail customers³ and transmission plants associated with delivering Off-Island power to the LIPA System, *i.e.*, over the Neptune, Cross Sound and Y50 cables.

Additionally, LIPA will (i) remove certain grandfathered transmission agreements that have since expired or terminated from the Formula Rate transmission revenue credit calculation and (ii) add monthly congestion payments ("CCR") and monthly sales of residual TCCs (SR1) to the Formula Rate methodology.

The changes described herein will continue to ensure that LIPA is able to recover its wholesale transmission costs in a manner that is consistent with other transmission owners in the State. To ensure that such updates are appropriately implemented, this proposal provides that the LIPA CEO or their designee oversee and review the calculation of the three updated LIPA TSC components biennially. Upon a determination that the TSC components have been properly calculated under the Formula Rate, LIPA

³ This exclusion has been LIPA's general practice for years for power supplied under LIPA Purchase Power Agreements.

staff, under the oversight of the CEO or their designee, would be authorized to undertake all necessary actions to ensure that such LIPA TSC updates are incorporated into NYISO OATT and reflected in LIPA's TSC that is billed to its wholesale transmission customers.

Recommendation

As such, the Board is requested to approve LIPA's updates to the RR, CCC and BU formula rate components, as described herein and in Exhibit "A", to calculate LIPA's components of the wholesale TSC and to authorize LIPA staff to take all necessary actions to implement such updates to become effective as of January 1, 2026.

Attachments

Exhibit "A" Resolution and Proposal Concerning Establishment of Formula for the Calculation of three Base Components of the Transmission Service Charge and Adjustment of Certain Charges/Credits Under the New York Independent System Operator's Open Access Transmission Tariff

APPROVAL OF THE ADOPTION OF A FORMULA RATE FOR THE CALCULATION OF LIPA'S COMPONENTS OF THE NYISO WHOLESALE TRANSMISSION SERVICE CHARGE

WHEREAS, as a member of the New York Independent System Operator ("NYISO"), the Long Island Power Authority ("LIPA" or the "Authority") agreed to provide wholesale transmission service over LIPA's transmission facilities to eligible customers; and

WHEREAS, the Proposal to modify LIPA's Wholesale Transmission Charge ("TSC") recommends the continued use of a formula rate, including LIPA's Revenue Requirement, Control Center Costs, and Billing Units components (as described in the "Procedures for Calculating the Components of the Transmission Service Charge") to calculate LIPA's components of the wholesale TSC which are incorporated with four NYISO revenue credit components to set the TSC charges collected by LIPA for its wholesale transmission service to eligible customers; and

WHEREAS, the approval by the Authority's Trustees of the specific formula rate methodology for the TSC will make clear the rate development process by specifying in the "Procedures for Calculating the Components of the Transmission Service Charge" and is modeled after the NYISO-approved formula with the data inputs from LIPA to be used in deriving the LIPA-calculated components of the TSC; and with such approval, the Trustees would not be required to approve the specific values calculated under the formula, but would afford the staff specific direction on how to update LIPA's wholesale components to be posted in the NYISO Tariff; and

WHEREAS, a filing with the Federal Energy Regulatory Commission ("FERC") is required to modify the NYISO OATT for the Revenue Requirement ("RR"), scheduling system control and dispatch costs ("CCC"), billing units ("BU"), and resulting TSC rate stated therein, and at the request of LIPA, NYISO makes such filings with FERC, on behalf of LIPA, to modify LIPA's RR, CCC, and BU components of LIPA's TSC Wholesale Rate in accordance with the provisions of the NYISO OATT and subject to FERC's policy of reviewing LIPA's non-jurisdictional rates based on a comparability standard; and

WHEREAS, the Return Rate used to calculate the RR would be based on LIPA's Weighted Average Cost of Capital ("WACC") instead of LIPA's Cost of Debt used in the Board's approved 2003 methodology; and

WHEREAS, the definitions of "Net Transmission Plant" and "Adjusted Net Transmission Plant" would be modified to exclude transmission assets related to interconnecting the power plant resources (including generation and energy storage) paid by LIPA's retail customers and transmission plants associated with delivering Off-Island power to the LIPA System, *i.e.*, over the Neptune, Cross Sound and Y50 cables; and

WHEREAS, the grandfathered transmission agreements that have since expired or terminated would be removed from the Formula Rate transmission revenue credit calculation; and

WHEREAS, the monthly congestion payments (“CCR”) and monthly sales of residual TCCs (SR1) would be added to the Formula Rate methodology;

NOW, THEREFORE, BE IT RESOLVED, for the reasons given herein and in the accompanying Memorandum, the Proposal is hereby approved, and the Chairman or her designee are hereby authorized and directed to undertake such actions as are necessary to implement the use of the aforementioned formula rate methodology to calculate LIPA’s components of the wholesale TSC under the NYISO OATT and to take all necessary actions to include such updates in the NYISO Tariff.

Dated: December 17, 2025

Procedures for Calculating the Components of the Transmission Service Charge

1. Purpose of the Transmission Service Charge Formula

- 1.1. LIPA participates as a transmission owner under the New York Independent System Operator's Open Access Transmission Tariff ("NYISO OATT"). Transmission service over LIPA's bulk transmission facilities is subject to the wholesale transmission service charge ("TSC") which is set forth in Attachment H of the NYISO OATT. The LIPA wholesale TSC is a formula rate consisting of Rate Year and monthly components. There are three Rate Year components that are calculated by LIPA and four monthly components that are calculated using a formula identified in Attachment H of the NYISO OATT.

The three components to be calculated by using the applicable Rate Year are:

- Rate Year transmission revenue requirement (RR);
- Rate Year scheduling, system control and dispatch costs (CCC); and
- Rate Year billing units (BU) (measured in megawatt hours).

The components to be calculated Monthly using data from the NYISO are:

- Monthly sales of residual TCCs (SR1 & SR2);
- Monthly excess congestion rents (ECR); and
- Monthly congestion payments of TCC revenues (CRR).

- 1.2. This procedure establishes the methodology for updating the three applicable Rate Year components of the LIPA wholesale TSC. These LIPA-computed components of the wholesale TSC will be updated biennially, on a one-year lag, and submitted to the NYISO for inclusion in the NYISO OATT.
- 1.3. The three Rate Year components of LIPA's wholesale TSC are computed in accordance with the formula set forth below. The computations will incorporate the accounting data for the most recently completed fiscal year.
- 1.4. Workpapers supporting the calculations that determine the components of LIPA's wholesale TSC will be maintained at LIPA's main office in Uniondale, New York.

2. TSC Formula

- 2.1. LIPA's Rate Year TSC Components for the inclusion in the NYISO OATT are:

- Revenue Requirement (**RR**);
- Scheduling, System Control and Dispatch (**CCC**); and
- Billing Units (**BU**).

2.2. LIPA's RR component is calculated based upon the following formula:

RR = (T-NPI adj x FCR x RTAX) – NGTR where:

T-NPI Adj = Transmission Net Plant Investment. Net investment in transmission plant will be calculated from the closing balance for the designated 12-month period as:

- the total net investment in transmission plant, minus
- the net transmission plant investment in generating stations on LIPA's books, minus
- the net transmission plant investment used to provide power to the LIPA system¹.

FCR = Fixed Charge Rate. Where the fixed charge rate is the sum of the following components:

- an O&M expense fixed charge rate calculated as the Rate Year transmission O&M expense divided by Net Transmission Plant
- an A&G expense fixed charge rate calculated as A&G transmission plant related and A&G transmission labor related divided by Net Transmission Plant
- a depreciation expense fixed charge rate calculated as the transmission depreciation expense divided by Net Transmission Plant
- a return rate calculated as LIPA's Weighted Average Cost of Capital ("WACC"). WACC has three components: (1) Debt/Equity Ratio, also known as capital structure, (2) Cost of Equity, and (3) Cost of Debt. (1) LIPA uses a capital structure based upon an assumed debt to equity ratio reflecting the average Public Service Commission approved debt to equity ratios for the Major Electric investor-owned utilities in New York. (2) LIPA uses a Cost of Equity based on the average Public Service Commission approved Cost of Equity for the Major Electric investor-owned utilities in New York. (3) LIPA uses a cost of debt based on the average of LIPA's actual consolidated costs of debt for the Rate Year and the prior calendar year.

¹ Includes facilities that currently deliver Off-Island power to the LIPA System, *i.e.*, Neptune, Cross Sound and Y50.

For the purpose of this return rate calculation, the result of LIPA's WACC calculations shall be not more or less than 0.50% off LIPA's Cost of Debt Service Plus Coverage².

- a PILOT/Property Taxes charge rate calculated as:
 - the Rate Year PILOT paid by LIPA, multiplied by
 - GTP³, divided by
 - Sum of GTP and Adj GDP⁴, divided by
 - Net Transmission Plant
- a general plant fixed charge rate calculated as the net investment in general plant divided by the net investment in total plant times the composite rate. The composite rate is the sum of:
 - the PILOT fixed charge rate;
 - the return rate; and
 - the depreciation fixed charge rate.
- a cash working capital fixed charge rate calculated as the Rate Year transmission expense times 12.5 % times the return rate divided by the net transmission plant.

RTAX = Revenue Tax Factor which provides for the recovery of payments in lieu of state and local revenue taxes and applicable surcharges. The factor is calculated as $(100\% / (100\% - T))$ where T is the tax rate (expressed in percentage form) applicable at the time the Statement is developed. (LIPA Statement 10 PILOT).

NGTR = Net revenue LIPA received from providing grandfathered transmission services.

CCC = T&D control room costs minus local distribution control room costs.

2.3. LIPA's CCC component is calculated as the sum of the Rate Year cost of system load dispatching and the Rate Year cost of transmission load dispatch. An allocation was created to segregate costs between TransOps and T&D control rooms. It was then further refined to break out transmission control room costs minus local distribution control room costs.

² A percentage calculated as follows: (LIPA Annual Cost of Debt Service including Short Term Borrowing plus coverage minus principal payments during the Rate Year) divided by (Total Debt Outstanding, including Leases, Software Based IT Arrangements and Short-Term Debt).

³ GTP is: Gross Transmission Plant with minus gross transmission plant investment in generating stations on LIPA's books, minus the gross transmission plant investment used to provide power to the LIPA system.

⁴ Adj GDP is: Gross Distribution Plant minus "meter plant" and "customer premise plant"

$$\text{BU} = \text{AR} - \text{L}$$

2.4. LIPA's BU component is calculated based upon the following formula:

AR = Annual System Energy Requirements. Rate year system energy requirements are the sum of all electrical energy injected into the LIPA transmission system from generating stations and transmission ties to other transmission systems during the year, including retail requirements and sales for resale, as contained in the Annual Report of the Long Island Power Authority.

L = Estimated Losses. Estimated losses are calculated as the Rate Year system energy requirements times the estimated loss factor on the transmission system contained in the Statement of Values for Losses and Installed Capacity for the Long Island Choice Program as set forth in the Authority's Tariff for Electric Service.

**Applicable Section of
New York Independent System Operator
Open Access Transmission Tariff**

14.1 Transmission Service Charge (“TSC”)

14.1.1 Applicability of the Transmission Service Charge to Wholesale Customers

Each month, each wholesale Transmission Customer shall pay to the appropriate Transmission Owner the applicable Wholesale Transmission Service Charge (“Wholesale TSC”) calculated in accordance with Section 14.1.2.1 of this Attachment. The TSC shall apply to Transmission Service:

14.1.1.1 from one or more Interconnection Points between the NYCA and another Control Area to one or more Interconnection Points between the NYCA and another Control Area (“Wheels Through”); provided, however, that the TSC shall not apply to Wheels Through scheduled with the ISO to destinations within the New England Control Area provided that the conditions listed in Section 2.7.2.1.4 of this Tariff are satisfied;

14.1.1.2 from the NYCA to one or more Interconnection Points between the NYCA and another Control Area, including transmission to deliver Energy purchased from the LBMP Market and delivered to such a Control Area Interconnection Point (“Exports”); provided, however, that the TSC shall not apply to Exports scheduled with the ISO to destinations within the New England Control Area provided that the conditions listed in Section 2.7.2.1.4 of this Tariff are satisfied; or

14.1.1.3 to serve Load within the NYCA; except, the Wholesale TSC shall not apply to:

14.1.1.3.1 a Transmission Owner’s use of its own system to provide bundled retail service to its Native Load Customers pursuant to a retail service tariff on file with

the PSC or, in the case of LIPA, has been approved by the Long Island Power Authority's Board of Trustees;

14.1.1.3.2 Transmission Service pursuant to an Existing Transmission Agreement

whereby the otherwise applicable TSC does not apply pursuant to Attachment K;

or

14.1.1.3.3 retail Transmission Service pursuant to any tariff or rate schedule of a

Transmission Owner that explicitly provides for other transmission charges in lieu of the Wholesale TSC, subject to any applicable provisions of the Federal Power Act.

Each Transmission Owner subject to FERC and/or PSC jurisdiction may file with FERC a separate TSC applicable to retail access in accordance with its retail access program filed with the PSC. To the extent that LIPA's rates for service are established by the Long Island Power Authority's Board of Trustees pursuant to Article 5, Title 1-A of the New York Public Authorities Law, Section 1020-f(u) and 1020-s and are not subject to FERC jurisdiction, this requirement will not apply to LIPA.

14.1.2 Wholesale TSC Calculation

Sections 14.1.2-14.1.6 do not apply to the development of the NYPA TSC, which is described in Section 14.1.7.

14.1.2.1 Wholesale TSC Formula

Each Transmission Owner, except NYPA, shall calculate its TSC applicable to Transmission Service to serve Load within or exiting the NYCA at its Transmission District as follows:

$$\text{WHOLESALE TSC} = \{(\text{RR} \div 12) + (\text{CCC} \div 12) - \text{SR} - \text{ECR} - \text{CRR} - \text{WR} - \text{Reserved}\} / (\text{BU} \div 12).$$

Where:

- RR = The Annual Transmission Revenue Requirement, as stated in Table 1 of this Attachment. Gross Receipts Tax (“GRT”) treatment by each individual company is described in Section 14.1.7. Revenues from grandfathered agreements listed on Attachment H-1 are treated as a revenue credit in the RR;
- CCC = The annual Scheduling, System Control and Dispatch Costs of the individual Transmission Owner (*i.e.*, the transmission component of control center costs) as stated on Table 1 of this Attachment;
- SR = The Transmission Owner’s revenues associated with the sale of certain TCCs, as described in Section 14.1.2.1.1 of this Attachment;
- ECR = The Transmission Owner's share of Net Congestion Rents in a month, calculated pursuant to Attachment N of the OATT;
- CRR = The Transmission Owner's Congestion Payments received from Grandfathered TCCs and Imputed Revenues from Grandfathered Rights from ETA's, the expenses for which are included in the Transmission Owner's Revenue Requirement;
- WR = The Transmission Owner's revenues from external sales (Wheels Through and Export Transactions) not associated with Existing Transmission Agreements included in Attachment L, Tables 18.1, 18.2 and 18.3 and wheeling revenue, associated with OATT reservations extending beyond the start-up of the ISO. (*i.e.*, grandfathered OATT agreements), as described in Section 14.1.2.1.2 of this Attachment;

Reserved = The Transmission Owner's Congestion payments associated with, and value from the sale of ETCNL TCCs and RCRR TCCs, as described in Section 14.1.2.1.3 of this Attachment; and

BU = The Transmission Owner's Billing Units (annual MWh) for the Transmission District (see Table 1 of this Attachment). The Transmission Owner's BU has been adjusted upward to include subtransmission and distribution losses.

14.1.2.1.1 Elements of SR Component

$$SR = SR_1 + SR_2 + SR_3 + SR_4.$$

SR₁ will equal the revenues from the Direct Sale by the Transmission Owner of Original Residual TCCs, TCCs derived from Existing Transmission Capacity for Native Load, and Grandfathered TCCs associated with ETAs, the expenses for which are included in the Transmission Owner's Revenue Requirements where the Transmission Owner is the Primary Holder of said TCCs. SR₁ for a month in which a Direct Sale is applicable shall equal the total nominal revenue that the Transmission Owner will receive under each applicable TCC sold in a Direct Sale divided by the duration of that TCC (in months).

SR₂ will equal the Transmission Owner's revenues from the Centralized TCC Auctions and Reconfiguration Auctions allocated pursuant to Attachments N. SR₂ includes revenues from: (a) TCCs associated with Residual Transmission Capacity that are sold in the Centralized TCC Auctions and Reconfiguration Auctions; (b) the sale of Grandfathered TCCs associated with ETAs, if the expenses for those ETAs are included in the Transmission Owner's Revenue Requirements; and (c) TCCs derived from Existing Transmission Capacity for Native Load that are sold in the Centralized TCC Auction.

Revenue from TCCs associated with Residual Transmission Capacity includes payments for Original Residual TCCs that the Transmission Owners sell through the Centralized TCC Auctions and the allocation of revenue for other TCCs sold through the Centralized TCC Auctions and Reconfiguration Auctions (per the Facility Flow-Based Methodology described in Attachment N).

SR₃ shall equal the Transmission Owner's share of revenues from the award and renewal of Historic Fixed Price TCCs (including extensions of Historic Fixed Price TCCs awarded pursuant to Section 19.2.1.4 of Attachment M of the OATT), as determined pursuant to Section 20.4 of Attachment N. The share of revenues allocated to a Transmission Owner pursuant to Section 20.4 of Attachment N shall be adjusted after each Centralized TCC Auction and divided equally across the months for which the Historic Fixed Price TCCs (including extensions of Historic Fixed Price TCCs awarded pursuant to Section 19.2.1.4 of Attachment M of the OATT) that were awarded or renewed prior to the relevant Centralized TCC Auction are valid.

Notwithstanding anything to the contrary herein, with respect to the Transmission Owner's share of any revenues for Historic Fixed Price TCCs that took effect on or before November 1, 2016, such revenues (or any portion thereof) shall be accounted for in SR₃ by dividing such revenues (or any portion thereof) equally across the six months of the first Capability Period following the effective date of this provision provided that the NYISO has informed the Transmission Owner of its respective share of such revenues (or any portion thereof) at least two weeks prior to the start of such Capability Period, otherwise such revenues (or any remaining portion thereof) shall be accounted for in SR₃ by dividing such revenues (or any remaining portion thereof) equally across the six months of the Capability Period that follows the first Capability Period following the effective date of this provision.

SR₄ shall equal the Transmission Owner's share of revenues from the initial award and renewal of Non-Historic Fixed Price TCCs, as determined pursuant to Section 20.5 of Attachment N. The share of revenues allocated to a Transmission Owner pursuant to Section 20.5 of Attachment N shall be adjusted after each Centralized TCC Auction and divided equally across the months for which the Non-Historic Fixed Price TCCs that were initially awarded or renewed as part of the relevant Centralized TCC Auction are valid. Notwithstanding anything to the contrary herein, with respect to the Transmission Owner's share of any revenues for Non-Historic Fixed Price TCCs that took effect on or before May 1, 2017, such revenues (or any portion thereof) shall be accounted for in SR₄ by dividing such revenues (or any portion thereof) equally across the six months of the first Capability Period that commences following the effective date of this provision provided that the NYISO has informed the Transmission Owner of its respective share of such revenues (or any portion thereof) at least two weeks prior to the start of such Capability Period, otherwise such revenues (or any remaining portion thereof) shall be accounted for in SR₄ by dividing such revenues (or any remaining portion thereof) equally across the six months of the Capability Period that follows the first Capability Period that commences following the effective date of this provision.

14.1.2.1.2 Elements of the WR Component

The WR component will equal the sum of: (1) TSC revenues received from new external transactions (Wheels Through and Export Transactions); (2) transmission revenues received under grandfathered OATT agreements and actual revenues under Schedule 1 to the grandfathered OATT agreements, but not under Schedules 2 through 6 to the grandfathered OATT agreements; and (3) any revenues related to pre-OATT grandfathered arrangements if the transmission owner increased its OATT revenue requirement to derive its RR component to

reflect the fact that revenues related to such transactions are at risk due to options available to the customers resulting from the current restructuring, and the customer retains its grandfathered arrangement.

In each subcomponent of the WR component above, the revenues will include the Gross Receipts Tax (“GRT”) when the Transmission Owner has included the GRT in the RR.

14.1.2.1.2.1 Treatment of Schedule 1 Associated with Grandfathered OATT Service

All customers under grandfathered OATT service agreements must continue to pay the Schedule 1 charge applicable under the individual OATT, absent a settlement to the contrary. The revenues received from Schedule 1 charges paid by grandfathered OATT customers will be treated as revenue credit in the WR component as part of the wheeling revenue associated with OATT reservations extending beyond the start-up of the ISO.

14.1.2.1.3 Elements of the Reserved Component

$$\text{Reserved} = \text{Reserved}_1 + \text{Reserved}_2 + \text{Reserved}_3 + \text{Reserved}_4$$

Reserved_1 will equal the Transmission Owner's Congestion payments for a month received pursuant to Section 20.2.3 of Attachment N of this Tariff for the Transmission Owner's ETCNL TCCs.

Reserved_2 will equal the Transmission Owner's Congestion payments for a month received pursuant to Section 20.2.3 of Attachment N of this Tariff for the Transmission Owner's RCRR TCCs.

Reserved_3 will equal the value that a Transmission Owner receives for the sale of its ETCNL TCCs in a month, with the value for each ETCNL TCC sold divided equally over the month(s) for which that sold ETCNL TCC is valid.

Reserved₄ will equal the value that a Transmission Owner receives for the sale of its RCRR TCCs in a month, with the value for each RCRR TCC sold divided equally over the month(s) for which that sold RCRR TCC is valid.

The RR, SR and CRR will not include expenses for the Transmission Owner's purchase of TCCs or revenues from the sale of said TCCs or from the collection of Congestion Rents for said TCCs. The ECR, CRR, WR, and Reserved shall be updated prior to the start of each month based on actual data for the calendar month prior to the month in which the adjustment is made (e.g., January actual data will be used in February to calculate the TSC effective in March). The TSC shall not apply to the scheduled quantities physically Curtailed by the ISO.

Each Member System is responsible for calculating: (1) the RR component of its TSC charge; (2) the CCC component of its TSC charge; (3) the SR₁ portion of the SR component of its TSC charge; and (4) the BU component of its TSC charge.

The NYISO is responsible for calculating or providing the information necessary to calculate: (1) the SR₂, SR₃ and SR₄ portions of the SR component of each Member System's TSC charge based on information provided by the Member System and information derived from ISO operation; (2) the ECR component of each Member System's TSC charge based on information derived from ISO operation; (3) the CRR component of each Member System's TSC charge based on information derived from ISO operation; (4) the Reserved component of each Member System's TSC charge based on information provided by the Member System and information derived from ISO operation; and (5) the WR component of each Member System's TSC charge based on information provided by the Member System and information derived from ISO operation. Any calculations that the ISO is responsible for are subject to review and comment by all affected parties.

The RR term will be updated based on Transmission Owner filings to FERC (or a NYISO filing to FERC on behalf of LIPA) under the FPA. These filings will be made when a Transmission Owner determines that a change to its RR is required under Section 205.

The CCC term will be updated based on Transmission Owner filings to FERC (or a NYISO filing to FERC on behalf of LIPA) under the FPA. These filings will be made when the Transmission Owner determines that a change to the CCC is required.

SR: The revenue from the Direct Sale of TCCs will be determined monthly and will enter the TSC formula through the SR term with a two-month lag (e.g., January actual data will be used in February to calculate the SR term used in the TSC for March). The revenue that a Transmission Owner receives from a TCC sold in a Centralized Auction or Reconfiguration Auction will be divided equally among the month(s) for which the sold TCC is valid. The revenue from these TCCs will enter the TSC formula month-by-month through the SR term with a two-month lag (e.g., January actual data will be used in February to calculate the SR term used in the TSC for March). For Balance of Period Auctions, the ISO shall also provide each Transmission Owner information regarding their respective share of Net Auction Revenues for each month covered by each Balance-of-Period Auction. The ISO is responsible for providing the information necessary to calculate the SR₂, SR₃ and SR₄ portions of the SR component of each Transmission Owner's TSC. The Transmission Owner will not adjust the information provided by the ISO.

The ECR revenue will be calculated monthly and will enter the TSC formula with a two-month lag (e.g., January actual data will be used in February to calculate the ECR term used in the TSC for March). The ISO is responsible for calculating the ECR component of each Transmission Owner's TSC. The Transmission Owner will not adjust the ISO's calculation.

The CRR revenue will be calculated monthly and will enter the TSC formula with a two-month lag (e.g., January actual data will be used in February to calculate the CRR term used in the TSC for March). Each Transmission Owner will identify for the ISO each ETA ("Identified ETA"), under which the Transmission Owner is a customer, the expenses for which are included in the Transmission Owner's RR. The ISO shall calculate that Transmission Owner's Congestion Payments received from Grandfathered TCCs and Imputed Revenues from Grandfathered Rights from the Transmission Owner's Identified ETAs. If the inclusion of the costs under an Identified ETA in the Transmission Owner's RR is subject to refund, then the CRR shall be subject to adjustment. If the costs under one or more of the Identified ETAs are removed from the RR and the Transmission Owner is required to recalculate its TSC with the adjusted RR, then in recalculating the TSC, the Transmission Owner shall reverse the portion of the CRR that was attributed to each such ETA. The Transmission Owner shall rebill the customers based on the recalculated TSC. To the extent the Transmission Owner owes a refund to the customer, it shall comply with any applicable refund obligations, including payment of interest to the extent due pursuant to 18 C.F.R. § 35.19a(a)(2)(iii), or its successor. If the reversal of the CRR results in a higher TSC than was charged, the customer shall pay in the time prescribed for payment of TSCs the Transmission Owner the difference between the TSC payments it made and the rebilled amounts, with interest thereon from the dates payments were made to the date that the rebilled amounts are due. Said interest will be calculated in the same manner as interest on over-payments as specified in 18 C.F.R. § 35.19a(a)(2)(iii), or its successor.

The Reserved will be calculated monthly and will enter the TSC formula with a two-month lag (e.g., January actual data will be used in February to calculate the ETCNL TCC term

used in the TSC for March). The ISO is responsible for providing the information necessary to calculate the Reserved Component of each Transmission Owner's TSC.

WR: The revenue that a Transmission Owner collects for new external sales will be calculated monthly and will enter the WR term in the TSC formula with a two-month lag (*i.e.*, January actual data will be used in February to calculate the WR term used in the TSC for March). The ISO is responsible for calculating new external sales subcomponent of the WR component of each Transmission Owner's TSC. The Transmission Owner will not adjust the ISO's calculation. The actual revenue that a Transmission Owner collects for grandfathered OATT service that extends beyond ISO start-up, and revenues related to pre-OATT grandfathered arrangements as provided for under numbers (2) and (3) of Original Sheet No. 214A, will also be calculated monthly and will enter the WR term in the TSC formula based upon the prior month's information. For the first month the credit will be equal to the actual revenues received under those grandfathered agreements to be included in the WR component.

The BU term will be updated based on Transmission Owner filings to FERC (or a NYISO filing to FERC on behalf of LIPA) under the FPA. These filings will be made when the Transmission Owner determines that a change to its BU is required.

14.1.3 Filing and Posting of Wholesale TSCs

The Transmission Owners shall coordinate with the ISO to update certain components of the Wholesale TSC formula on a monthly basis or Capability Period basis. Each Transmission Owner may update its Wholesale TSC calculation to change its RR, CCC, or BU component value(s). Such updates, however, shall be subject to necessary FERC filings under the FPA. Each Transmission Owner will calculate its monthly Wholesale TSC and provide the ISO with the Wholesale TSC by no later than the fourteenth of each month, for posting on the OASIS to

become effective on the first of the next calendar month. The monthly Wholesale TSCs for each of the Transmission Districts shall be posted on the OASIS by the ISO no later than the fifteenth of each month or as soon thereafter as is reasonably possible but in no event later than the 20th of the month to become effective on the first of the next calendar month.

14.1.4 TSC Calculation Information

The Annual Transmission Revenue Requirements (“RR”); Scheduling, System Control and Dispatch Costs (“CCC”), Billing Units (“BU”) and Rates of the Transmission Owners, except NYPA, for the purpose of calculating the respective Transmission District-based Wholesale TSC are shown in Table 1 below.

Table 1
Wholesale TSC Calculation Information

Transmission Owner	Revenue Requirement (RR)	Scheduling System Control and Dispatch Costs (CCC)	Annual Billing Units (BU) MWh	Rate \$/MWh ¹
Central Hudson Gas & Electric Corp.	\$15,326,852	\$1,309,980	4,723,659	\$3.5220
Consolidated Edison Co. of NY, Inc.	\$385,900,000	\$21,000,000	49,984,628	\$8.1405
LIPA ²	\$203,109,469	\$4,207,517	19,512,309	\$10.6249
New York State Electric & Gas Corporation ³	\$90,149,075	\$1,633,000	14,817,111	\$6.1943
Niagara Mohawk Power Corporation	See Attachment H, Section 14.1.9	See Attachment H, Section 14.1.9	See Attachment H, Section 14.1.9	See Attachment H, Section 14.1.9
Orange and Rockland Utilities, Inc.	\$21,034,831	\$942,579	3,595,947	\$6.1117
Rochester Gas and Electric Corporation	\$24,242,747	\$583,577	6,967,556	\$3.5631

¹The rate column represents the unit rate prior to crediting; the actual rate will be determined pursuant to the applicable TSC formula rate.

²~~LIPA and the Villages of Freeport, Greenport, and Rockville Centre (“Long Island Municipals”) agreed that the total discounted monthly Wholesale TSC rates to be billed to the Long Island Municipals during the period from~~

~~November 1, 2021 through December 31, 2024 are as follows: (1) November 1, 2021—December 31, 2022: \$6.00/MWh; (2) January 1, 2023—December 31, 2023: \$7.00/MWh; and (3) January 1, 2024—December 31, 2024: \$8.00/MWh. Starting January 1, 2025, LIPA's then effective non-discounted Wholesale TSC rate, as described in Table 1 (including footnote 1 above), shall apply.~~

³NYSEG's RR, BU and unit Rate prior to adjustment pursuant to Attachment H, are subject to retroactive modification pursuant to the provisions of the Settlement Agreement approved by the Commission in its March 26, 2004 order issued in Docket No. EL04-56-000. For any Transmission Customer that "opts out" of the Settlement Agreement as described in paragraph 1.E thereof, the applicable NYSEG "RR" shall be \$100,541,739; the "BU" shall be 13,741,901 MWh; and, the "Rate" prior to adjustment pursuant to Attachment H, shall be \$7.4235 effective as of March 1, 2004.

14.1.5 Treatment of Gross Receipts Tax

14.1.5.1 Central Hudson Gas & Electric Corporation

Central Hudson's TSC shall be increased by dividing the following surcharge factors into the total of all applicable rates and charges to reflect the New York State GRT (0.94922 in the MTA regions and 0.95750 in the non-MTA regions), which is not specifically provided for in the transmission rate, to the extent such tax is imposed on Central Hudson as a result of the transmission service provided to such Customer. Central Hudson shall make an appropriate filing pursuant to Section 205 of the Federal Power Act to implement any change in the specified tax rate prior to altering the tax rate under this provision.

14.1.5.2 Consolidated Edison Company of New York, Inc.

The GRT is included in Con Edison's TSC rate. Con Edison will not charge separately for GRT.

14.1.5.3 LIPA

The GRT is included in LIPA's TSC rate. LIPA will not charge separately for GRT.

14.1.5.4 New York State Electric & Gas Corporation

The Transmission Customer shall pay an amount sufficient to reimburse NYSEG for any amounts payable by NYSEG as sales, excise, value-added, gross receipts or other applicable

taxes with respect to the total amount payable to NYSEG pursuant to the Tariff. The total of all rates and charges will be divided by the appropriate tax factor listed below, depending upon the geographic location of the Transmission Customer's Point(s) of Delivery

Within the Metropolitan Commuter Transportation District: 0.984583

Not within the Metropolitan Commuter Transportation District: 0.986823

These tax factors incorporate the taxes imposed on the Transmission Provider's electric revenues pursuant to New York law and represents the Franchise Tax on Gross Earnings, the Gross Income Tax, and where applicable the Metropolitan Commuter Transportation District Surcharge.

This Provision shall be effective upon commencement of services under the ISO OATT.

14.1.5.5 Niagara Mohawk Power Corporation

For the settled Niagara Mohawk TSC rate, the GRT is included in the RR and there will be no separate GRT tax assessed; For the filed Niagara Mohawk TSC rate, GRT initially is included in the RR and there will be no separate GRT assessed; however, this issue with regard to GRT is subject to final Commission action in Docket No. OA96-194-000, including all stipulations executed in connection therewith.

14.1.5.6 Orange and Rockland Utilities, Inc.

The Transmission Customer's rate will be increased to reflect the gross receipts tax ("GRT") which is not specifically provided for in the transmission rate and ancillary service rates, that a governmental authority may impose on Orange and Rockland as a result of the Transmission Service provided to such Transmission Customer pursuant to Sections 186 and 186-a of the New York Tax Law. The current effective GRT rate for the Section 186-a tax is 3.25% from October 1, 1998 through October 31, 1999 and 2.5% on and after January 1, 2000.

The maximum locality rate allowable under state law for each locality is specified below.

However, if the actual locality rate is less than the maximum locality rate permitted under state law, O&R shall charge the actual tax rate levied by the locality. The currently effective GRT rate for the Section 186 tax is .75%.

Airmont	1.0%
Bloomington	1.0%
Chestnut Ridge	1.0%
Goshen	1.0%
Grandview on Hudson	1.0%
Greenwood Lake	1.0%
Harriman	1.0%
Haverstraw	1.0%
Highland Falls	1.0%
Hillburn	1.0%
Kaser	1.0%
Kiryas Joel	1.0%
Middletown	1.0%
Monroe	1.0%
Montebello	1.0%
New Hempstead	1.0%
New Square	1.0%
Nyack	1.0%
Otisville	1.0%
Piermont	1.0%
Pomona	1.0%
Port Jervis	1.0%
Sloatsburg	1.0%
South Nyack	1.0%
Spring Valley	1.0%
Suffern	1.0%
Unionville	1.0%
Upper Nyack	1.0%
Warwick	1.0%
Washingtonville	1.0%
Wesley Hills	1.0%
West Haverstraw	1.0%
Wurtsboro	1.0%

14.1.5.7 Rochester Gas & Electric Corporation

The Transmission Customer's rate will be increased to reflect the gross receipts tax which is not specifically provided for in the transmission rate and ancillary service rates, that a

governmental authority may impose on RG&E as a result of the Transmission Service provided to such Transmission Customer pursuant to Sections 186 and 186-a of the New York Tax Law.

The currently effective GRT rate for the Section 186-a tax is 3.5% and each locality rate is specified below. The currently effective GRT rate for the Section 186 tax is .75%.

City of Rochester	3.0%
Leroy	1.0%
Manchester	1.0%
Perry	1.0%
Shortsville	1.0%
Warsaw	1.0%
Hilton	1.0%
Pittsford	1.0%
Caledonia	1.0%
Wolcott	1.0%
Avon	1.0%
Leicester	1.0%
Nunda	1.0%
Genesco	1.0%
Mt. Morris	1.0%
Sodus Point	1.0%
Livonia	1.0%
Meridian	1.0%
City of Canandaigua	1.0%
Fairport	1.0%
Brockport	1.0%
Scottsville	1.0%
East Rochester	1.0%

14.1.6 TSC For Retail Access Customers (“RTSC”)

Customers who apply for unbundled Transmission Service in accordance with the provisions of a Transmission Owner’s retail access program filed with the PSC or, in the case of LIPA, approved by the Long Island Power Authority’s Board of Trustees, will be responsible for paying a retail transmission service charge as detailed in Section 5 of this Tariff.

14.1.7 NYPA Transmission Service Charge

The NYPA TSC for service to its directly connected Loads (Reynolds Metals, GM-Massena, Town of Massena and the City of Plattsburgh) shall, at the Eligible Customer's option, be (a) \$1.30 per kilowatt-month or (b) no more than \$3.75 per MWh; not to exceed \$60.00 per MW Day applied to peak MWh scheduled any hour each day; not to exceed \$300.00 per MW-Week applied to the peak MWh scheduled any hour each week. The TSC applicable to service over the Vermont intertie and the Ontario-Hydro intertie shall be the same as (b); provided, however, that the NYPA TSC shall not apply to service over the Vermont intertie provided that the conditions listed in Section 2.7.2.1.4 of this Tariff are satisfied. The TSC applicable to service over the Hydro-Quebec intertie shall be no more than \$4.62 per MWh; not to exceed \$73.85 per MW-Day applied to peak MWh scheduled each day; not to exceed \$369.23 per MW-Week applied to the peak MWh scheduled any hour each week. NYPA shall coordinate with the ISO to update its TSC. Such updates shall be subject to FERC filings.

14.1.8 Discounting

Each Transmission Owner may advise the ISO of discounts to its TSC applicable during a specified period to all deliveries to a particular Interconnection between the NYCA and another Control Area. The ISO shall post the discounts on the OASIS for the specified period.

Three principal requirements apply to discounts for Transmission Service as follows: (1) any offer of a discount made by a Transmission Owner must be announced to all Eligible Customers solely by posting on the OASIS; (2) any customer-initiated requests for discounts (including requests for use by a Transmission Owner's wholesale merchant or an Affiliate's use) must occur solely by posting on the OASIS; and (3) once a discount is negotiated, details must be immediately posted on the OASIS. For any discount that the Transmission Owner agrees to

and advises the ISO of, the same discounted Transmission Service rate will be offered to all Transmission Customers for the same period for all deliveries to a particular Interconnection between the NYCA and another Control Area. The ISO will post the discounts on the OASIS for the specified period.

TABLE 2
Applicable Wholesale TSC for Exports from
New York State, by Transmission Circuit

Ckt.Id	From/To	kV	From Co./To Ext.	Wholesale TSC Paid
5018	Ramapo / Branchburg	500	O&R/PJM	Con Ed/O&R
398	Pleasant Valley/ Long Mtn	345	CHG&E / NE	Con Ed
B3402	Farragut / Hudson	345	Con Ed / PJM	Con Ed
C3403	Farragut / Hudson	345	Con Ed / PJM	Con Ed
A2253	Goethals / Linden	230	Con Ed / PJM	Con Ed
FE	Smithfield / Falls Village	69	CHG&E/NE	CHG&E
1385	Northport / Norwalk 1	138	LIPA / NE	LIPA
393	Alps / Berkshire	345	NMPC / NE	NMPC
69	So. Ripley / Erie East	230	NMPC / PJM	NMPC
E205W	Rotterdam / Bear Swamp	230	NMPC / NE	NMPC
BP76	Packard / Beck	230	NMPC / OH	NMPC
171	Falconer / Warren	115	NMPC / PJM	NMPC
6	Hoosick / Bennington	115	NMPC / NE	NMPC
7	Whitehall / Blissville	115	NMPC / NE	NMPC
1	Dennison / Rosemont	115	NMPC / HQ	NMPC
2	Dennison / Rosemont	115	NMPC / HQ	NMPC
37-HS	Stolle Road / Homer City	345	NYSEG / PJM	NYSEG
30-HW	Watercure / Homer City	345	NYSEG / PJM	NYSEG
70-EH	Hillside / East Towanda	230	NYSEG / PJM	NYSEG
952	Goudey / Laurel Lake	115	NYSEG / PJM	NYSEG
956	No. Waverly / East Sayre	115	NYSEG / PJM	NYSEG
J	So. Mahwah / Waldwick	345	O&R / PJM	Con Ed/O&R
K	So. Mahwah / Walkwick	345	O&R / PJM	Con Ed/O&R
7040	Massena / Chateaugay	765	NYPA / HQ NYPA	NYPA
PA302	Niagara / Beck A	345	NYPA / OH	NYPA
PA301	Niagara / Beck B	345	NYPA / OH	NYPA
L34P	Moses / St. Lawrence	230	NYPA / OH	NYPA

L33P	Moses / St. Lawrence	230	NYPA / OH	NYPA
PA27	Niagara / Beck	230	NYPA / OH	NYPA
PV-20	Plattsburgh / Grand Isle	115	NYPA / NE	NYPA

¹ All scheduling over the Northport - Norwalk Intertie is conducted by LIPA pursuant to Section 5.7 of this Tariff.

TABLE 3
Applicable Wholesale TSC for Municipal Utilities,
Electric Cooperatives and Loads

Except for those municipal utilities and electric cooperatives that continue to take transmission service under an Existing Transmission Agreement, the following Loads shall be obligated to pay the noted Transmission District - based TSC as applicable in accordance with Section 2.7 of this Tariff.

Load	TSC Paid	Load	TSC Paid	Load	TSC Paid
		Greene	NYSEG	Sherrill	NMPC
		Green Island	NMPC	Silver Springs	NYSEG
		Greenport	LIPA	Skaneateles	NMPC
		Groton	NYSEG	Solvay	NMPC
		Hamilton	NYSEG	Spencerport	RG&E
		Holley	NMPC	Springville	NMPC
		Ilion	NMPC	Steuben	NYSEG
Akron	NMPC	Lake Placid	NMPC	Theresa	NMPC
Andover	NMPC	Little Valley	NMPC	Tupper Lake	NMPC
Angelica	RG&E	Marathon	NYSEG	Watkins Glen	NYSEG
Arcade	NMPC	Mayville	NMPC	Wellsville	NMPC
Bath	NYSEG	Mohawk	NMPC	Westfield	NMPC
Bergen	NMPC	Oneida -Madison	NMPC/ NYSEG	Massena	NYPA
Boonville	NMPC	Otsego	NYSEG	Freeport	LIPA
Brolton	NMPC	Penn Yan	NYSEG	Jamestown	NMPC
Castile	NYSEG	Philadelphia	NMPC	Rockville Ctr.	LIPA
Churchville	NMPC	Plattsburgh	NYPA	Alcoa	(1)
Delaware	NYSEG	Richmondville	NMPC	Reynolds	NYPA
Endicott	NYSEG	Rouses Point	NYSEG	Gen. Motors (Massena, NY)	NYPA
Fairport	NMPC	Salamanca	NMPC	Cornwall	NMPC
Frankfort	NMPC	Sherburne	NYSEG		

Notes: (1) - Load is treated as an entity external to the NYCA.

14.1.9 Niagara Mohawk Power Corporation Wholesale TSC Formula Components RR, CCC and BU and Sources of Data Inputs

Niagara Mohawk Power Corporation (“NMPC”) will calculate and update each of its RR, CCC, and BU components annually using the formulas for each component contained in Attachment 1 and in accordance with the update procedures set forth in Section 14.1.9.4. With the exception of forecasted information, the cost data used in the Formula Rate will be cost data from NMPC’s annual FERC Form 1, NMPC’s Annual Report to the New York State Public Service Commission, or NMPC’s official books of record.

14.1.9.1 Definitions

Capitalized terms used in this calculation will have the following definitions:

Allocation Factors

14.1.9.1.1 Electric Wages and Salaries Allocation Factor shall be fixed at 0.835.

14.1.9.1.2 Gross Transmission Plant Allocation Factor shall equal the total investment in Transmission Plant in Service, Transmission Related Electric General Plant, Transmission Related Common Plant and Transmission Related Intangible Plant divided by Gross Electric Plant.

14.1.9.1.3 Transmission Wages and Salaries Allocation Factor shall be fixed at 0.13.

14.1.9.1.4 Gross Electric Plant Allocation Factor shall equal Gross Electric Plant divided by the sum of Total Gas Plant, Total Electric Plant, and total Common Plant.

Ratebase and Expense Items

14.1.9.1.5 Administrative and General Expense shall equal expenses as recorded in FERC Account Nos. 920-935. FERC Account No. 926 shall be adjusted by

reversing the adjustment to the deferred pension costs booked per the NYPSC Statement of Policy for Accounting and Ratemaking Treatment for Pension and Post-Retirement Benefits Other than Pensions. In addition, Administrative and General Expenses shall exclude the actual Post-Employment Benefits Other than Pensions (“PBOP”) expenses included in FERC Account No. 926, and shall add back the FERC accepted Post Employment Benefit Other than Pensions of \$0 annually or any other amount subsequently approved by FERC under Section 205 or 206 of the Federal Power Act.

14.1.9.1.6 Amortization of Investment Tax Credits shall equal credits as recorded in FERC Account No. 420, per 18 C.F.R. Parts 101 (Electric) and 201 (Gas).

14.1.9.1.7 Amortization of Debt Discount Expense shall equal expenses as recorded in FERC Account No. 428.

14.1.9.1.8 Amortization of Loss on Reacquired Debt shall equal expenses as recorded in FERC Account No. 428.1.

14.1.9.1.9 Amortization of Premium on Debt –Credit shall equal the expenses as recorded in FERC Account 429.

14.1.9.1.10 Amortization of Gain on Reacquired Debt--Credit shall equal the expenses as recorded in FERC Account No. 429.1.

14.1.9.1.11 Common Plant shall equal the balance of plant recorded in FERC Account Nos. 389-399. Common Plant shall be defined as the plant common to NMPC’s gas and electric functions per 18 C.F.R. Parts 101 (Electric) and 201 (Gas).

14.1.9.1.12 Common Plant Depreciation Expense shall equal the common plant depreciation expenses as recorded in FERC Account No. 403, 404 and 405 associated with Common Plant per 18 C.F.R. Parts 101 (Electric) and 201 (Gas).

14.1.9.1.13 Common Plant Depreciation Reserve shall equal the common plant depreciation reserve balance as recorded in FERC Account No. 108 associated with Common Plant per 18 C.F.R. Parts 101 (Electric) and 201 (Gas).

14.1.9.1.14 Depreciation Expense for Transmission Plant in Service shall equal depreciation expenses as recorded in FERC Account No. 403, 404 and 405 calculated using the depreciation rates set forth in the following table:

Depreciation Rates

FERC Account/NMPC Internal Account No. Annual Rate

Transmission Plant

350	Land –Rights of Way and Easements	1.32
352	Structures and Improvements	2.42
353	Station Equipment	2.53
353.55	Station Equipment – EMS	4.20
354	Towers and Fixtures	1.80
355	Poles and Fixtures	2.23
356	Overhead Conductors and Devices	1.69
357	Underground Conduit	1.24
358	Underground Conductors and Devices	1.59
359	Roads and Trails	1.33

Electric General Plant

390	Structures and improvements	2.51
391.01	Office furniture, equipment	4.55
391.20	Office furniture equipment (Data Processing Equipment)	20.00

392.22	Transportation Equipment	3.33
394	Tools, shop, garage equipment	4.55
395	Laboratory equipment	4.55
396	Power operated equipment	4.55
397.01	Communication equipment – Radio	4.55
397.02	Communication equipment – Telephone	12.50
397.50 &.60	Communication equipment – Network	4.55
398.01	Power and Supervisory Control	4.55

Common General Plant

390	Structures and improvements	2.57
391.10	Office furniture and equipment	4.55
391.21	Data Processing Equipment	20.00
392.21	Transportation Equipment – Aircraft	7.50
393	Stores equipment	4.55
394	Tools, shop and garage equipment	4.55
395	Laboratory equipment	4.55
396	Power operated equipment	4.55
397.10	Communication equipment – Radio	4.55
397.20	Communication equipment – Telephone	12.50
397.30	Communication equipment – Network	4.55
398	Miscellaneous equipment	4.55
398.10	Power and Supervisory Control	4.55

Electric Distribution Plant – Large Meters

370.30	Large Meters Installation – Bare Costs	5.05
370.35	Large Meters – Installation Costs	5.05

Intangible Plant

302	Franchises and Consents	2.38
303	Miscellaneous Intangible Assets	14.29

14.1.9.1.15 Distribution Plant shall equal the plant balance as recorded in FERC

Account Nos. 360 – 374.

14.1.9.1.16 Equity AFUDC Component of Depreciation Expense shall equal the

activity recorded in FERC Account No. 419.1.

14.1.9.1.17 Electric Environmental Remediation Expense shall be the environmental

remediation expense as recorded in FERC Account 930.2.

14.1.9.1.18 Electric General Plant shall equal the plant balance recorded in FERC

Account Nos. 389-399. Electric General Plant shall be defined as the general plant associated with NMPC's electric function.

14.1.9.1.19 Electric General Plant Depreciation Expense shall equal general plant

depreciation expenses as recorded in FERC Account No. 403, 404 and 405 associated with Electric General Plant.

14.1.9.1.20 Electric General Plant Depreciation Reserve shall equal the general plant

depreciation reserve balance as recorded in FERC Account No. 108 associated with Electric General Plant.

14.1.9.1.21 Electric Property Insurance shall equal property insurance recorded in

FERC Account No. 924.

14.1.9.1.22 Electric Research and Development Expense shall equal research and

development expenses as recorded in FERC Account No. 930.2.

14.1.9.1.23 Gain on Reacquired Debt shall equal the balance as recorded in FERC

Account No. 257.

- 14.1.9.1.24** Gross Electric Plant shall equal Total Electric Plant plus an allocation of Common Plant determined by multiplying Common Plant by the Electric Wages and Salaries Allocation Factor.
- 14.1.9.1.25** Gross Plant (Gas & Electric) shall equal Total Gas Plant plus Total Electric Plant plus Total Common Plant.
- 14.1.9.1.26** Gross Transmission Investment shall equal the total of Transmission Plant in Service, Transmission Related Electric General Plant, Transmission Related Common Plant and Transmission Related Intangible Plant.
- 14.1.9.1.27** Intangible Electric Plant shall equal the balance of plant recorded in FERC Account Nos. 301-303. Intangible Electric Plant shall be defined as the intangible plant associated with NMPC's electric functions.
- 14.1.9.1.28** Intangible Electric Plant Depreciation Expense shall equal the intangible electric plant depreciation expenses as recorded in FERC Account No. 403, 404 and 405 associated with Intangible Electric Plant.
- 14.1.9.1.29** Intangible Electric Plant Depreciation Reserve shall equal the intangible plant depreciation reserve balance as recorded in FERC Account No. 108 associated with Intangible Electric Plant.
- 14.1.9.1.30** Loss on Reacquired Debt shall equal the loss on reacquired debt as recorded in FERC Account No. 189.
- 14.1.9.1.31** Materials and Supplies shall equal materials and supplies balance as recorded in FERC Account No. 154 per 18 C.F.R. Parts 101 (Electric) and 201 (Gas).

- 14.1.9.1.32** Payroll Taxes shall equal the electric payroll tax expenses related to FICA and federal and state unemployment as recorded in FERC Account 408.1.
- 14.1.9.1.33** Plant Held for Future Use shall equal the balance as recorded in FERC Account No. 105 for transmission uses within 5 years.
- 14.1.9.1.34** Prepayments shall equal prepayment balance as recorded in FERC Account No. 165 per 18 C.F.R. Parts 101 (Electric) and 201 (Gas) less prepaid state and Federal income taxes.
- 14.1.9.1.35** Real Estate Tax Expenses shall equal electric real estate tax expense as recorded in FERC Account 408.1.
- 14.1.9.1.36** Regulatory Assets and Liabilities shall equal state and federal regulatory asset balances in FERC Account Nos. 182.3 and 254, assets and liabilities solely related to excess and deficient ADIT associated with changes in federal, state or local tax rates, Other FAS109 assets or liabilities, and excess AFUDC.
- 14.1.9.1.37** Total Accumulated Deferred Income Taxes shall equal the sum of deferred tax balances recorded in FERC Account Nos. 281 - 283 plus accumulated deferred investment tax credits as reflected in FERC Account No. 255, minus the deferred tax balance in FERC Account No. 190. Total Accumulated Deferred Income Taxes shall exclude the specifically identified generation-related stranded cost deferred taxes.
- 14.1.9.1.38** Total Electric Plant shall equal the sum of Transmission Plant, Distribution Plant, Electric General Plant and Intangible Electric Plant.
- 14.1.9.1.39** Total Gas Plant shall equal the plant balance recorded in 18 C.F.R. Part 201, FERC Account Nos. 301-399. Total Gas Plant shall exclude Common Plant.

- 14.1.9.1.40** Transmission Depreciation Reserve shall equal electric transmission plant related depreciation reserve balance as recorded in FERC Account No. 108, plus Transmission Related General Plant Accumulated Depreciation, Transmission Related Amortization of Other Utility Plant, and Common Plant Accumulated Depreciation associated with Gross Electric Plant.
- 14.1.9.1.41** Transmission Operation and Maintenance Expense shall equal the sum of electric expenses as recorded in FERC Account Nos. 560 and 562-574 which shall include Transmission Support Payments, but shall exclude expenses incurred pursuant to agreements entered into with generators or other similar resources for the purpose of supporting transmission reliability that do not qualify as Transmission Support Payments.
- 14.1.9.1.42** Transmission Plant shall equal the gross plant balance as recorded in FERC Account Nos. 350-359.
- 14.1.9.1.43** Transmission Related Bad Debt Expense shall equal Bad Debt Expense as reported in FERC Account 904 related to NMPC's wholesale transmission billing.
- 14.1.9.1.44** Unamortized Discount on Long-Term Debt shall equal the balance in FERC Account No. 226.
- 14.1.9.1.45** Wholesale Metering Investment shall equal the gross plant investment associated with any Revenue or Remote Terminal Unit ("RTU") meters and associated equipment connected to an internal or external tie at voltages equal to or greater than 23 kV. The gross plant investment shall be determined by multiplying the number of such existing wholesale meters recorded in FERC Account No. 370.3 and in blanket metering accounts by the average cost of the

meters plus the average costs of installation. To the extent future gross plant investment for Wholesale Metering can be specifically identified, actual gross meter costs will be used.

14.1.9.1.46 Amortization of Regulatory Assets and Liabilities shall equal credits and expenses as recorded in FERC account 411.1 or 410.1 solely related to excess and deficient ADIT associated with changes in federal, state or local tax rates.

Forecast and True-up Related Terms

14.1.9.1.47 Forecast Period shall mean the calendar year immediately following the calendar year for which the most recent FERC Form 1 data is available, as of the beginning of the Update Year.

14.1.9.1.48 Forecasted Transmission Plant Additions (“FTPA”) shall mean the sum of:

14.1.9.1.48.1 NMPC’s actual Transmission Plant additions during the first quarter (January 1 through March 31) of the Forecast Period; and

14.1.9.1.48.2 NMPC’s forecasted transmission investment for the Forecast Period less the amount (i), divided by 2.

14.1.9.1.49 Interest on refunds, surcharges, or adjustments, as applicable, shall mean interest calculated in accordance with the methodology specified in the Commission’s regulations at 18 C.F.R. § 35.19a (a) (2) (iii) (or as such provision may be renumbered in the future).

14.1.9.1.50 Actual Transmission Revenue Requirement shall mean the current Historical Transmission Revenue Requirement (as defined in Attachment 1).

- 14.1.9.1.51** Actual Scheduling, System Control and Dispatch cost shall mean the most recently established CCC (as defined in Attachment 1).
- 14.1.9.1.52** Actual Billing Units shall mean the most recently established BU (as defined in Attachment 1).
- 14.1.9.1.53** Prior Year Transmission Revenue Requirement shall equal RR less Annual True-Up (“ATU”), as defined in Attachment 1, for the most recently ended calendar year as of the beginning of the Update Year.
- 14.1.9.1.54** Prior Year Scheduling, System Control and Dispatch shall equal the CCC, as defined in Attachment 1, for the prior calendar year.
- 14.1.9.1.55** Prior Year Billing Units shall equal the BU, as defined in Attachment 1, for the prior calendar year.
- 14.1.9.1.56** Prior Year Unit Rate shall equal the sum of RR, as defined in Attachment 1, for the most recently ended Prior Year Revenue Requirement and the Prior Year Scheduling, System Control and Dispatch divided by the Prior Year Billing Units.
- 14.1.9.1.57** Annual Update shall mean the calculation of the RR, CCC, and BU components with Data Inputs for an Update Year in accordance with Section 14.1.9.4.
- 14.1.9.1.58** Data Input shall mean any data required for the calculation of RR, CCC and BU, in accordance with the Formula Rate.
- 14.1.9.1.59** Formal Challenge shall mean a challenge presented in accordance with Section 14.1.9.4.3.2.

14.1.9.1.60 Informational Filing shall mean the filing that NMPC makes in accordance with Section 14.1.9.4 to establish the Annual Update for an Update Year.

14.1.9.1.61 Interested Party shall mean a person that is (i) a party to FERC Docket No. ER08-552, (ii) the New York State Public Service Commission; (iii) a transmission customer under this Tariff that pays charges based on the Formula Rate during the calendar year prior to the submission of the Informational Filing; or (iv) a state regulatory authority having jurisdiction over the retail electric rates of such a transmission customer, provided that such regulatory authority or such customer notifies NMPC of that fact no later than 30 days prior to the Publication Date. An Interested Person includes employees of or consultants to such person.

14.1.9.1.62 Material Accounting Change shall mean an accounting policy or practice, including, but not limited to, a policy or practice affecting the allocation of costs or revenues, employed by NMPC during an Update Year that differs from the corresponding policy or practice in effect during any of the three previous calendar years which change affects any Data Input for the Update Year by \$1.0 million or more, as compared to the previous calendar year.

14.1.9.1.63 Preliminary Challenge shall mean a challenge presented by an Interested Party in accordance with Section 14.1.9.4.2.1.

14.1.9.1.64 Publication Date shall be the date of an Informational Filing for an Update Year.

14.1.9.1.65 Review Period shall be the period ending one-hundred and fifty (150) days after the Publication Date, unless extended in accordance with Section 14.1.9.4.2.1.

14.1.9.1.66 Formula Rate shall be the formulas set forth in Attachment 1.

14.1.9.1.67 Update Year shall be the period from July 1 of a given calendar year through June 30 of the subsequent calendar year for a particular Annual Update.

14.1.9.1.68 Transmission Support Payments shall be expenses accepted by FERC for inclusion in the Historical Transmission Revenue Requirement pursuant to agreements entered into with generators or other similar resources for the purpose of supporting transmission reliability that have been submitted to FERC for review. Pursuant to the settlement agreement accepted by FERC in Docket No. ER14-543, Transmission Support Payments shall include the costs incurred by Niagara Mohawk pursuant to the reliability support services agreements entered into between Niagara Mohawk and Dunkirk Power, LLC on July 12, 2012 and March 4, 2013, including the costs of extending the March 4, 2013 agreement through the end of 2015, less a sum total of \$35 million.

All references to FERC accounts in the above definitions are references to 18 C.F.R. Part 101, unless specifically noted otherwise. In the event that the above-referenced FERC accounts are renumbered, renamed, or otherwise modified, the above sections shall be deemed amended to incorporate such renumbered, renamed, modified or additional accounts.

14.1.9.2 Calculation of RR

The RR component shall equal the (a) Historical Transmission Revenue Requirement, plus (b) the Forecasted Transmission Revenue Requirement which shall exclude the impact of any Transmission Support Payments, plus (c) the Annual True-Up, determined in accordance with the Formula Rate.

14.1.9.3 Fixed Formula Inputs

Formula Rate inputs for (i) the authorized return on common equity (“ROE”), (ii) any cap on the common equity component of the capital structure, (iii) amount and amortization period of extraordinary property losses, (iv) depreciation and/or amortization rates, (v) PBOP expenses, and (vi) the electric wages and salaries allocation factor and transmission wages and salaries allocation factor shall be stated values until changed by the FERC pursuant to Section 205 or Section 206 of the Federal Power Act. An application under Section 205 or 206 or a proceeding initiated by FERC sua sponte under Section 206 to modify any of these stated values under the Formula Rate other than the ROE, the cap on the common equity component of the capital structure or the allocation factors in (vi) shall not be deemed to open for review other components of the Formula Rate.

14.1.9.4 Annual Update Process

14.1.9.4.1 Annual Updates

14.1.9.4.1.1 On or before June 14th of each year, NMPC shall recalculate its RR, CCC, and BU components, applying the Data Inputs called for in the Formula Rate to produce the Annual Update for the upcoming Update Year, and:

14.1.9.4.1.1.1 shall post such Annual Update and a “workable” excel file containing that year’s Annual Update on the NYISO’s Internet website;

14.1.9.4.1.1.2 shall file such Annual Update with the FERC as the Informational Filing. The submission of such Informational Filing with FERC shall not require any action by the agency; and

14.1.9.4.1.1.3 shall serve the Annual Update electronically on all Interested Parties.

14.1.9.4.1.2 If the date for making the Informational Filing should fall on a weekend or a holiday recognized by the FERC, then the posting/filing shall coincide with the NYISO posting requirement for July rates.

14.1.9.4.1.3 The Annual Update for the Update Year:

14.1.9.4.1.3.1 shall use the Data Inputs specified in NMPC's Formula Rate, and therefore, to the extent specified in NMPC's Formula Rate, be based upon NMPC's FERC Form No. 1 data for the most recent calendar year; to the extent specified in NMPC's Formula Rate, be based upon the books and records of NMPC consistent with FERC accounting policies, and, to the extent specified in NMPC's Formula Rate, be based on projections for the upcoming calendar year;

14.1.9.4.1.3.2 shall provide supporting documentation for Data Inputs in the form of the data provided in Attachment C to the Offer of Settlement dated April 6, 2009, in Docket No. ER08-552; and, with respect to Billing Units, shall include monthly documents in PDF format with redacted names and revised reference numbers for each entity to protect confidentiality, showing the Billing Units for each month of the most recently completed calendar billing year (the six-month updated BUs), including NMPC's Transmission Owner Load ("TOL"), consisting of metered loads for the December through November timeframe showing the calendar billing year BUs reported to the NYISO by NMPC. The total MWh of generation (including load modifiers) and net interchange for each NMPC transmission zone will be displayed. National Grid will also provide a document as a "workable" Excel file summarizing the TOL for disputed station service, High Load Factor Fitzpatrick and any other entity excluded from the Billing Units

calculation in Attachment 1, Schedule 6.12, of the Formula Rate. The summary will be labeled to show the reason for exclusion, consistent with the definition of Billing Units and will reconcile to the totals shown on Attachment 1, Schedule 6.12.

14.1.9.4.1.3.3 shall provide notice of and describe all Material Accounting Changes, which description shall include an explanation of the purpose for and the circumstances giving rise to the Material Accounting Change, including references to any relevant orders, policies or notices of the Securities and Exchange Commission, the FERC or a retail regulator, which explanation may incorporate by reference any applicable disclosure statements filed with any such agency;

14.1.9.4.1.3.4 shall provide notice of the date and location of the meeting to be held in accordance with Section 14.1.9.4.2.2;

14.1.9.4.1.3.5 shall be subject to challenge and review only in accordance with the procedures set forth in this Section 14.1.9.4, provided that such procedures shall not preclude investigation of the Annual Update by FERC, including through hearing procedures;

14.1.9.4.1.3.6 shall not seek to modify NMPC's Formula Rate and shall not be subject to challenge by an Interested Party seeking to modify NMPC's Formula Rate (i.e., all such modifications to the Formula Rate will require, as applicable, a Federal Power Act Section 205 or Section 206 proceeding), provided that an Interested Party may propose for consideration a change to the Formula Rate, as provided in Section 14.1.9.4.3.5;

14.1.9.4.1.3.7 shall include a list of the email addresses of Interested Parties upon which the Annual Update was served; and

14.1.9.4.1.3.8 shall provide a description of, and workpapers for, any correction of an error discovered by NMPC that affects the calculation of any charges under the Formula Rate during a prior year within the period applicable under Section 14.1.9.4.4.

14.1.9.4.1.4 The fixed Formula Rate inputs set forth in Section 14.1.9.3 shall not be subject to adjustment in an Annual Update.

14.1.9.4.2 Annual Review Procedures

Each Annual Update shall be subject to the following review procedures:

14.1.9.4.2.1 Any Interested Party shall have up to one hundred fifty (150) days after the Publication Date (unless such period is extended with the written consent of NMPC) to review the calculations and to notify NMPC in writing of any specific challenges to the accuracy of any Data Input in the Annual Update or the conformance of any such Data Input with the requirements of the Formula Rate (“Preliminary Challenge”); provided, however, that each Interested Party shall make a good faith effort to submit Preliminary Challenges at the earliest practicable date so that they may be resolved as soon as possible, and provide NMPC with a non-binding list of potential Preliminary Challenges it may present, based on its review of the Annual Update and on responses to information requests provided to that point, within ninety (90) days of the Publication Date. Any Preliminary Challenge shall be posted on the NYISO’s internet website and

served by electronic service on all Interested Parties by the next business day following the date it is provided to NMPC.

14.1.9.4.2.2 Within thirty (30) days of the Publication Date, NMPC shall hold a meeting open to all Interested Parties, at which meeting: (a) NMPC shall present and explain the Annual Update; (b) NMPC shall respond to questions from Interested Parties, to the extent such questions can be answered immediately; and (c) Interested Parties shall identify any areas of potential Preliminary Challenges, to the extent they have identified them at the time of the meeting.

14.1.9.4.2.3 Interested Parties shall have up to one hundred thirty (130) days after each annual Publication Date (unless such period is extended with the written consent of NMPC) to serve reasonable information requests on NMPC; provided, however, that the Interested Parties shall make a good faith effort to submit consolidated sets of information requests that limit the number and overlap of questions to the extent practicable. Such information requests may be directed to matters relevant to the accuracy of the Data Inputs included in the Annual Update and the conformance of those Data Inputs with the requirements of the corresponding provisions of the Formula Rate, including: (a) the reasons for any change in a Data Input from the corresponding Data Input in an earlier Annual Update; (b) the reasons for any change in a Data Input based on actual costs from the corresponding Data Input based on a cost projection in an earlier Annual Update; (c) any reports or other materials provided to fulfill the requirements of a state or federal regulatory agency that explain the basis for projected or actual costs reflected in a Data Input; and (d) the impact of any Material Accounting

Change identified in the Annual Update on the charges produced by the Formula Rate.

14.1.9.4.2.4 NMPC shall make a good faith effort to respond to information requests pertaining to the Annual Update within ten (10) business days of receipt of such requests. NMPC may give reasonable priority to responding to requests that satisfy the practicable coordination and consolidation provision of Section 14.1.9.4.2.3, above. NMPC's responses to information requests shall not be entitled to protection as privileged settlement communications; provided, however, that: (a) any communications between NMPC and any Interested Party in connection with efforts to negotiate a resolution of a Preliminary Challenge or Formal Challenge shall be entitled to such protection; (b) if NMPC's response to an information request contains proprietary or trade secret information or critical energy infrastructure information, NMPC and the Interested Party or Parties receiving such information shall enter into a confidentiality agreement materially similar to the model protective order used by the FERC to protect the confidentiality of such information; and (c) nothing herein shall require NMPC to provide information that is protected by the attorney-client privilege, the attorney work product doctrine, or any other legally recognized privilege.

14.1.9.4.3 Resolution of Challenges

14.1.9.4.3.1 NMPC and the Interested Parties shall negotiate in good faith throughout the Review Period to attempt to resolve any Preliminary Challenges.

14.1.9.4.3.2 If NMPC and any Interested Party or Parties have not resolved any Preliminary Challenge to the Annual Update within the Review Period, an

Interested Party shall have an additional twenty-one (21) days (unless such period is extended with the written consent of NMPC to continue efforts to resolve a Preliminary Challenge) to present the subject matter of the Preliminary Challenge to the FERC as a Formal Challenge, which shall be served on NMPC and all other Interested Parties by electronic service on the date of such filing and posted on the NYISO's internet website, however, there shall be no need to make a Formal Challenge or to await conclusion of the time periods in Section 14.1.9.4.2 if the FERC already has initiated a proceeding to investigate the Annual Update. By no later than five (5) business days after the end of the Review Period, NMPC shall apprise Interested Parties of the resolution of all Preliminary Challenges that have been resolved and of the impact of the resolution of all such Preliminary Challenges on the Annual Update. Within an additional fifteen (15) business days, NMPC shall submit a supplement to its Informational Filing to the FERC, with electronic service upon the Interested Parties, reflecting the impact of all successfully resolved Preliminary Challenges.

14.1.9.4.3.3 Any response by NMPC to a Formal Challenge must be submitted to the FERC within twenty-one (21) days of the date of the filing of the Formal Challenge, and shall be posted on the NYISO's Internet website and served on all Interested Parties by electronic service on the date of such filing.

14.1.9.4.3.4 In any proceeding initiated by the FERC concerning the Annual Update or in response to a Formal Challenge, NMPC shall bear the burden of proving that the Data Inputs in that year's Annual Update are correct and conform to the terms of the Formula Rate and refunds or adjustments may be made, in either case with

interest, to charges collected under the Formula Rate if the FERC concludes that the Data Inputs are incorrect or do not conform to the terms of the Formula Rate. In all other respects, any such proceeding shall be governed by the rules and requirements applicable to proceedings under Section 206 of the Federal Power Act.

14.1.9.4.3.5 An Interested Party may propose that resolution of a Preliminary Challenge or Formal Challenge concerning a Material Accounting Change necessitates changes to the Formula Rate to ensure that the resulting charges, including the effect of the Material Accounting Change, are just and reasonable. If NMPC agrees to such a proposed change to the Formula Rate to resolve a Preliminary Challenge, NMPC shall file the change to the Formula Rate with the FERC for approval pursuant to Section 205 of the Federal Power Act. If NMPC does not agree to such a proposed change, the Interested Party may file the proposed change with the FERC for approval pursuant to Section 206 of the Federal Power Act concurrent with its submission of a Formal Challenge; provided that if FERC approves the proposed change, the change to the Formula Rate shall take effect as of the beginning of the Update Year during which the Section 206 filing is made, and refunds or surcharges shall be made, in either case with interest, to charges under the Formula Rate after the beginning of such Update Year to reflect the proposed change.

14.1.9.4.3.6 Nothing herein shall be deemed to limit in any way the right of NMPC to file unilaterally, pursuant to Section 205 of the Federal Power Act and the regulations thereunder, changes to NMPC's Formula Rate (including changes in

connection with any incentive mechanism) or any of its Data Inputs (including, but not limited to, any fixed Data Inputs) or the right of any other party to file for such changes pursuant to Section 206 of the Federal Power Act and the regulations thereunder. All parties reserve all rights to challenge, or take any position in response to, any such filing by any other party.

14.1.9.4.4 Changes to Data Inputs

14.1.9.4.4.1 Any changes to the Data Inputs for an Annual Update, including but not limited to revisions resulting from any FERC proceeding to consider the Annual Update, or as a result of the procedures set forth herein, shall take effect as of the beginning of the Update Year and the impact of such changes shall be incorporated into the charges produced by the Formula Rate (with interest determined in accordance with 18 C.F.R. § 35.19(a)) in the Annual Update for the next effective Update Year. This mechanism shall apply in lieu of mid-Update Year adjustments and any refunds or surcharges, except that, if an error in a Data Input is discovered and agreed upon within the Review Period, the impact of such change shall be incorporated prospectively into the charges produced by the Formula Rate during the remainder of the year preceding the next effective Update Year, in which case the impact reflected in subsequent charges shall be reduced accordingly.

14.1.9.4.4.2 The impact of an error affecting a Data Input on charges collected during the Formula Rate during the five (5) years prior to the Update Year in which the error was first discovered shall be corrected by incorporating the impact of the error on the charges produced by the Formula Rate during the five-year period

into the charges produced by the Formula Rate (with interest determined in accordance with 18 C.F.R. § 35.19(a)) in the Annual Update for the next effective Update Year. Charges collected before the five-year period shall not be subject to correction.