

## **SCHEDULE 24-A**

### **Balancing Authority Cost Recovery Accounting, Revenue Requirement, and Revenue**

#### **Distribution Detail**

#### **I. EXPENSES**

Labor costs associated with implementing the Balancing Authority Agreement may be recovered by each Balancing Authority under Schedule 24. To the extent that a Balancing Authority is able to directly assign labor costs, it shall do so. If direct assignment is not workable, then the Balancing Authority shall determine based upon a time study what portion of labor costs should be allocated and recovered under this Schedule 24. Each Balancing Authority shall account for such labor expenses in a separate sub-account to Account No. 561. This sub-account shall be Account No. 561.BA.<sup>1</sup>

The following are the categories of costs which should be accounted for in the separate sub-account: (1) the costs of shift personnel and supervisors of shift personnel performing the functions as required by Balancing Authority Agreement; (2) the costs of personnel as well as their supervisors performing the after-the-fact check-out required of Balancing Authorities; and (3) the costs of personnel and their supervisors directly supporting the functions required by the Balancing Authority Agreement, including IT support personnel.

Each Balancing Authority's labor costs include salary but not benefits. If personnel and/or supervisors perform functions other than those related to carrying out the terms of the Balancing Authority Agreement, the Balancing Authority shall allocate their time. Balancing Authorities which contract with another entity to provide these services may include the costs of what they pay third parties. If that third party is another Balancing Authority subject to this

Schedule 24, that Balancing Authority must not recover costs under this Schedule 24 associated with the services it provides to that other Balancing Authority.

## **II. COST RECOVERY MECHANISM**

The expenses detailed in Section I shall be collected under the following mechanism. Beginning on June 1, 2006, the amounts to be collected shall be calculated based upon calendar year 2005 or fiscal year 2005 data. The delay until June 1, 2006 is to allow each Balancing Authority to set up accounting systems to properly account for these amounts before they are collected. For each subsequent year beginning on June 1 of that year, the costs to be collected shall be calculated based on the prior calendar year's or fiscal year's data. For example, the amounts accounted for in the sub-account to Account No. 561, as stated in Section I for calendar year 2005, shall be recoverable beginning on June 1, 2006. As provided in Schedule 24, these costs shall be billed and collected in the same manner as the costs recovered under Schedule 17.

This means that the prior calendar year's or fiscal year's expenses divided by twelve (12) will be divided by the same denominator used in the Schedule 17 formula to determine a monthly charge, which will be applied to the same monthly billing determinants as the Schedule 17 charge. The costs and revenues under this Schedule 24 shall be accounted for separately.

For the first rate period in which a Balancing Authority's costs appear in the rate calculation, typically beginning on June 1, 2006 and ending on May 31, 2007, a transitional rate mechanism shall be used to reflect the April 1, 2005 startup of the Transmission Provider's markets. Under this mechanism, only expenses booked to Account No. 561.BA beginning on April 1, 2005 and ending on December 31, 2005, or the end of the fiscal year, shall be recovered in the charges under this cost recovery mechanism. The nine months of expenses shall be

divided by nine to determine the monthly amount to be incorporated in the formula for a Balancing Authority's reporting expenses for a calendar year. Other Balancing Authorities shall divide by the number of months in the fiscal year after April 1, 2005 to determine the monthly amount to be incorporated in the formula.

### **III. REVENUE DISTRIBUTION**

The revenues recovered under the cost recovery mechanisms set forth in Section II shall be distributed as follows:

$$\text{BAREV} = (\text{BALAB} / \text{TOTALBALAB}) \times \text{TOTALREV}$$

BAREV means the revenues distributed to a particular Balancing Authority for a month.

BALAB means the calendar year or fiscal year labor costs of the Balancing Authority to which the revenues are to be distributed. The year used shall be the 12-month period used in deriving the rates which produced the revenues. The labor costs shall be the labor costs accounted for in accordance with Section I and submitted to the Transmission Provider pursuant to Section V.

TOTALBALAB means the total of all Balancing Authority calendar year or fiscal year labor costs. The year used shall be the 12-month period used in deriving the rates which produced the revenues. The labor costs shall be the labor costs accounted for in accordance with Section I and submitted to the Transmission Provider pursuant to Section V.

TOTALREV means the total revenues received by the Transmission Provider pursuant to rates charged under Section II for the month.

### **IV. OTHER COSTS**

Other costs associated with implementing the Balancing Authority Agreement also are recoverable under this Schedule 24-A including those costs specified in Schedule 24 that are not

specified in Section I. However, before recovering any such costs that are not specified in Section I, each Balancing Authority desiring recovery shall submit a filing with the Commission that (a) justifies the proposed charges, (b) shows that there is not duplicative recovery of these costs, and (c) sets forth the proposed accounting. Each such Balancing Authority also may propose a rate design different than that reflected in Section II. Nothing herein shall prevent any entity from challenging any such filing, including the rate design.

A Balancing Authority making a filing for recovery of costs other than the labor costs specified in Section I shall be responsible for making the appropriate filing(s) with the Commission not later than May 31 of the year following the incurrence of such other costs, or if May 31 falls on a Saturday, Sunday or Federal Holiday, then on the next Business Day. The Balancing Authority shall timely notify the Transmission Provider that the filing was submitted to the Commission by providing an electronic copy of the filing to the Market Settlements and Legal Departments of the Transmission Provider, by means described in the BPM for Market Settlements, no later than June 16 of that year, unless such date falls on a Saturday, Sunday, or holiday observed by the Transmission Provider, in which case the deadline shall be the next Business Day that is not a holiday observed by the Transmission Provider. The Transmission Provider will not make any determination or assertions concerning whether the costs submitted to the Commission are just and reasonable (such determinations will be made by the Commission). The filing Balancing Authority shall timely notify the Transmission Provider of any Commission order that authorizes recovery of costs by providing an electronic copy of the filing to the Market Settlements and Legal Departments of the Transmission Provider, by means described in the BPM for Market Settlements, within seven (7) Business Days after issuance of

the order.

## **V. COST SUBMISSION AND REVIEW PROCESS**

Not later than May 1 of each year, each Balancing Authority shall, by means described in the BPM for Market Settlements, submit its booked labor costs per Section I under Account No. 561 together with summary supporting documentation to the Transmission Provider. The Transmission Provider will post this information. Upon reasonable request of the Transmission Provider, each Balancing Authority shall submit further supporting documentation to the Transmission Provider.

<sup>1</sup> Duke Energy Vermillion, LLC (“DEV”), will account for these labor expenses as follows: DEV will segregate the amount of such labor costs from the total amount paid to its third party provider of balancing authority services or will otherwise segregate such labor costs in the event DEV self-provides such services. Such labor costs will be segregated in sub-accounts in Account No. 0506200. If DEV uses a third party provider of balancing authority services, it will segregate the labor expenses in a sub-account entitled “contract labor.” If DEV self-provides these labor services, it will segregate them in a sub-account entitled “labor.”