

ATTACHMENT N

RECOVERY OF COSTS ASSOCIATED WITH NEW FACILITIES **RESULTING FROM REQUESTS FOR TRANSMISSION SERVICE**

This Attachment N sets forth the charges for Direct Assignment Facilities and Network Upgrades, which are needed to accommodate requests for Firm Point-To-Point or Network Integration Transmission Service, or new designation of a Network Resource(s), except for ITC Service, which shall be governed by the applicable ITC Rate Schedule. These charges are in addition to the base transmission charges which would be applicable under Schedules 7, 8, or 9.

A. Direct Assignment Facilities

The costs of Direct Assignment Facilities shall be paid by the Transmission Customer as detailed in Section C herein. Such costs shall be specified in a Service Agreement to be filed with the Commission.

B. Network Upgrades Needed to Accommodate Transmission Service

1. Roll-In of New Transmission Service Facility Costs Into Rates

a. The cost assignment provisions in Section B.2 shall apply to facilities constructed by each Transmission Owner until such time as that Transmission Owner is able to fully recover its revenue requirements as calculated in Section C by rolling-in (*i.e.*, include with its other transmission facilities in deriving rates) such facilities in the federal and state regulated rates. Once the Transmission Owner is allowed to recover fully its revenue requirements by including the facilities in rates, the Transmission Provider shall cease charging its applicable

Transmission Customers or Transmission Owners pursuant to the provision in Section B.2. The plant amounts to be rolled-in shall be reduced to reflect any return of capital under the assignment provisions in Section B.2. The Transmission Provider and the Transmission Owner shall not be required to make any filings before state commissions, but shall provide the necessary data to aid any party seeking the roll-in of such new facilities. If one or more regulatory agencies, but not all agencies with authority over the recovery of the revenue requirements of the new facility, allow the roll-in of the new facilities, then the amount assigned under Section B.2 shall be reduced on a prospective basis to reflect such roll-in.

b. Notwithstanding the provisions in Section 1.a, each Transmission Owner may elect to have all of the Network Upgrade facilities it constructs on its system rolled-in in its zonal rate and any average Transmission Provider rate in lieu of the direct assignment under Section A, provided such election by a Transmission Owner must be made a non-discriminatory and consistent basis.

2. Cost Assignment Provisions If Requirements For Rolling-In Are Not Satisfied

a. Requests for Firm Point-To-Point Transmission Service

Each Transmission Customer that submits a request for Firm Point-To-Point Transmission Service which causes the construction of a Network Upgrade shall pay for the costs of the facility as detailed in Section C herein.

b. Requests or Designations by Network Customers

Each Network Customer that submits a request under Module B of this Tariff for network service or a new designation of a Network Resource(s) under this Tariff which causes the construction of a Network Upgrade shall pay for the costs of the facility as detailed in Section C

herein.

- c. Network Upgrades To Serve New Designation For Bundled Load Or Load Growth

Each Transmission Owner or any affiliate or division of such owner serving bundled load not under this Tariff and served by the Transmission System that makes a new or changed designation of Network Resource(s) which causes the construction of a Network Upgrade shall pay for the costs of the facility as detailed in Section C below.

C. Revenue Requirement Calculation

The following formula shall be used in deriving the charges:

$$C = \frac{A \times B}{12}$$

Where

A is the fixed charge rate for the applicable Transmission Owners.

B is the cost incurred by the Transmission Owner in constructing or having constructed the facility or portion of the facility for which it is responsible.

C is the monthly dollar assessment.

The fixed charge rates used in calculating the charges under this Attachment N for both Direct Assignment Facilities and Network Upgrades needed to accommodate Transmission Service shall be developed from the formula attached at Attachment N-1.

If more than one Transmission Owner builds the facility, the total annual charge shall equal D, the sum of C calculated for the portion of the facility for which each Transmission Owner is responsible. The monthly charge shall equal D divided by 12.

The charges to be paid by Transmission Customers and/or loads under this Attachment N shall be set forth in Service Agreements filed with the Commission. The Transmission Provider may file such Service Agreements unexecuted.

D. Network Upgrades Not Covered By Section B.2a, or b

For Network Upgrades, which are not directly assigned pursuant to Section B.2 and which the Transmission Provider requires to be constructed, all costs of the Network Upgrades shall be allocated according to the provisions of Attachment FF of this Tariff.

E. Treatment of Revenues

Each Transmission Owner constructing all or part of Direct Assignment or Network Upgrade Facilities under Sections A or B.2 subject to this Attachment N shall receive its portion of the revenues received from the customer or load. Each Transmission Owner's portion for each year shall equal that Transmission Owner's fixed charge rate detailed above times the costs incurred by that Transmission Owner for the construction of the Direct Assignment Facilities or Network Upgrade facility or any part thereof. If facility costs are rolled-in to transmission rates under this Tariff the Transmission Owner shall receive revenues pursuant to the provisions of Appendix C of the ISO Agreement.

F. Deferral Mechanism

Transmission Owners including their affiliates or divisions for bundled load assigned costs under this Attachment N may elect to defer recovery of those amounts and to receive carrying costs on the entire deferral at the rate in the Commission's regulations (18 C.F.R. § 35.19a) until such time as the Transmission Owner is able to recover such costs. The deferred amounts shall be recorded in Account No. 186.

G. Treatment of the Costs of Network Upgrades That Are Not Completed

If a proposed Network Upgrade was included in a Transmission Provider-approved transmission plan, required by the Transmission Provider, or otherwise accepted or approved by the Transmission Provider, the Transmission Owner(s) that incurred those costs shall be reimbursed for all such reasonably incurred costs by the Transmission Provider. These costs shall include, but are not limited to: the costs associated with attempting to obtain all necessary approvals for the project and studies and any construction costs. The Transmission Provider shall develop a mechanism to recover these costs which will be filed with the Commission. The Transmission Provider shall be allowed to fully recover its payments under this provision.

H. Merchant Transmission Lines

The provisions in this Attachment N apply as well to transmission lines built by entities other than the Transmission Owners and seek to encourage such development by providing for full transmission revenue requirement recovery together with incentives.