

SCHEDULE 33 - METC

Formula Rate Template Protocols for Blackstart Resource Service

These Formula Rate Template Protocols will be used by any Blackstart Resource owner electing to use Schedule 33-METC after entering into a Blackstart Resource Service Agreement under Attachment NN-METC. It is expressly understood that no generator owner may seek to recover any amounts under this Schedule 33-METC for any generating unit unless the generating unit is blackstart capable at the time the Attachment NN-METC is entered into, or, alternatively, if not so capable, no Net Incremental Plant Investment incurred in making such generating unit blackstart capable is recoverable under this Schedule 33-METC.

These Formula Rate Template Protocols, together with the Notes to the Formula Rate Template must be followed in completing Schedule 33-METC. For purposes of these Protocols, and for all line item entries in the Formula Rate Template to be completed by the Blackstart Resource owner, the following shall apply:

I. Definitions

1. **Agreement** means the *pro forma* agreement in Attachment NN-METC.
2. **Annual Revenue Requirement** is the amount of revenue to be received by the Blackstart Resource owner calculated in accordance with the Formula Rate.
3. **Blackstart Capable** means a generating unit that can go from a shutdown condition to an operating condition delivering electric power without assistance from the electric system.
4. **Blackstart Resource** is defined in the “Glossary of Terms Used in NERC Reliability Standards” as updated from time to time by the North American Electric Reliability Corp. (NERC).
5. **Blackstart Resource Service** is provided pursuant to Schedule 33 of the MISO Tariff, including this Schedule 33-METC in accordance with the terms and conditions of Attachment NN-METC.
6. **CEII** means Critical Energy Infrastructure Information as provided in 18 C.F.R. § 388.113 and 388.113 of the Commission’s regulations.
7. **Formula Rate** shall consist of this Formula Rate Template Protocols and the spreadsheet-format Formula Rate Template.
8. **Formula Rate Template** shall consist of the spreadsheet-format and Workpapers.

9. **NERC CIP Requirements** means the Critical Infrastructure Protection (CIP) standards approved by NERC.
10. **Net Dependable Generating Capacity** has the meaning in Note C of the Formula Rate Template.
11. **Net Incremental Plant Investment** is described in Section II.1.C.
12. **Rate Period** means the period beginning June 1 of each year and ending May 31 of the succeeding year.
13. **True Up** shall mean the difference between the Schedule 33-METC revenue requirement calculated from the previous Rate Period and the related revenues received during such period. Irrespective of whether the True Up amount is positive or negative, no interest shall accrue on this amount.
14. **Workpapers** shall mean sufficient information, including the appropriate FERC Uniform System of Account (USoA) to which any expense incurred by the Blackstart Resource owner is attributable, whether a capital account or expense account, to support the amount set forth on any line item entry of the Formula Rate Template. All Workpapers shall identify the line items to which they apply and shall be identified sequentially in a reasonable manner. Further, to the extent that any amounts included in any line item entry are included in any amounts reported on FERC Form No. 1, the Blackstart Resource owner's FERC Form No. 1 shall be footnoted to show the amounts set forth in such FERC Form No. 1 line item that are collected under Schedule 33-METC. Any cost items that do not cite to the FERC USoA shall be appropriately cited to another source.

II. Annual Revenue Requirement

The cost to be charged by the Blackstart Resource owner annually under the pro forma Agreement in Attachment NN-METC electing to use this Schedule 33-METC and the Annual Revenue Requirement to be paid under this Schedule 33-METC shall be determined using the following formula and as described in MISO Schedule 33. For all Blackstart Resources governed by Schedule 33-METC, the following shall apply:

$$\text{Annual Revenue Requirement} = \text{Fixed Costs} + \text{Variable Costs} + \text{Training/Compliance Costs} + \text{True Up}$$

For those Blackstart Resource owners using Schedule 33-METC, the amounts determined in accordance with the provisions set forth below, shall be provided by the Blackstart Resource owner at the time the pro forma Agreement is entered into and filed with the Commission in a Section 205 filing, and thereafter in annual updates submitted to MISO, by May 1 of each year.

Specifically, on or before May 1 of each year, the Blackstart Resource owner shall make an

informational filing at the Commission with its populated Formula Rate Template and Workpapers in native format with all formulas and links intact. METC will post the public version of the informational filing on METC's page of the MISO OASIS, with CEII and NERC CIP information redacted for the purpose of protecting the identity and location of the Blackstart Resource. The posting will reference the relevant docket number for the informational filing.

Interested Parties shall have until June 15 to serve reasonable information and document requests on the Blackstart Resource owner. If June 15 falls on a weekend or a holiday recognized by FERC, the deadline for submitting all information and document requests shall be extended to the next business day. Reasonable information and document requests include, but are not limited to, requests for information concerning any input to the formula rate calculations or other information necessary for Interested Parties to replicate the calculation of the projected net revenue requirement, including prior year true up costs calculated under Section II.D.

The Blackstart Resource owner shall use best efforts to respond to information and document requests within fifteen (15) business days of receipt of such requests. The Blackstart Resource owner shall respond to all information and document requests by no later than July 1. If July 1 falls on a weekend or a holiday recognized by FERC, the deadline for submitting all information and document requests shall be extended to the next business day. Any disputes regarding the Blackstart Resource owner's revenue requirement must first be addressed in accordance with the Informal Dispute Resolution Procedures of Attachment HH, section II, of the MISO Tariff and must be requested by August 1.

If the dispute is not resolved through the Informal Dispute Resolution Procedures, a formal challenge may be filed at FERC in the same docket as the informational filing. Attachment HH will not apply to any formal challenge, including the formal mediation and arbitration provisions of Attachment HH). Any formal challenge must be filed by December 1 or within 30 days of the parties reaching an impasse in the Informal Dispute Resolution process. In any proceeding initiated by FERC concerning the True Up or in response to a formal challenge, the Blackstart Resource owner shall bear the burden, consistent with section 205 of the Federal Power Act, of proving that it has correctly applied the terms of the formula rate consistent with these protocols, and that it followed the applicable requirements and procedures in this Schedule 33-METC.

In accordance with Schedule 33, MISO will update Schedule 33 rates only once a year on June 1. MISO will not revise Schedule 33 rates or apply Schedule 33 rates retroactively due to corrections, disputes or failure to provide the reviewed and approved revenue requirements to MISO by May 1 of each year. Such amounts not included by MISO shall be included in the next subsequent true up pursuant to the True Up provisions in the Formula Rate Template.

The amounts determined as set forth below shall be used by MISO to determine the rates and charges to be collected by MISO under Schedule 33 and Schedule 33-METC of the MISO Tariff, from all Transmission Customers using METC's transmission facilities to receive transmission service under the Tariff.

The Blackstart Resource Service Allocation Factor (line 2), the Net Dependable Generating Capacity (line 3), the capitalization (lines 17-19), and the depreciation rates (Workpaper H, column D) shall be fixed during the term of the Blackstart Resource Service Agreement and may not be changed without a section 205 or 206 filing.

In determining the Annual Revenue Requirement, the following shall apply:

1. Fixed Costs:

- A. The Total Fixed Cost component of the Annual Revenue Requirement consists of the sum of (1) Existing Generator Investment plus (2) any Net Incremental Plant Investment, determined, as follows:

- 1.Fixed costs for Existing Generator Investment (lines 1 through 4 of the Formula Rate Template):

Cost of New Entry (CONE) X 2% of Net Dependable Generating Capacity of each BSRU (CONE * MW * 0.02) where:

CONE = the value computed by MISO in accordance with the MISO Tariff and filed with the Commission in effect at the time an Attachment NN-METC is filed. The definition is contained in the MISO Tariff, Module A, section 1.C. The CONE shall be fixed for the duration of the Blackstart Resource Service Agreement. For hydroelectric units, the value shall be one percent (1%) of CONE. This item cannot be changed without a section 205 or 206 filing.

MW = the Net Dependable Generating Capacity of all Blackstart Resource units under a Blackstart Resource Service Agreement

- 2.Net Incremental Plant Investment for the following items (lines 11-16 of the Formula Rate Template):

- a. On-site fuel storage and handling systems
- b. Capital costs incurred for any mandatory reliability standard compliance, including but not limited to compliance with critical infrastructure protection improvements, modifications or additions to the Blackstart Resource necessitated by such compliance.
- c. Fuel Stock Inventory, expressly required for Blackstart Resource Service as set forth in Attachment A to Attachment NN - METC.
- d. Materials and Supplies Inventory, reasonably necessary for the provision of Blackstart Resource Service.

The revenue requirement for Net Incremental Plant Investment will be calculated as follows:

The total Net Incremental Plant revenue requirement = Total Incremental Rate Base * costs of capital¹ + incremental taxes + incremental depreciation expense where:

Incremental Rate Base = incremental plant investment (less provision for accumulated incremental depreciation²):

Incremental Income Taxes = (Composite Tax Rate/(1-Composite Tax Rate)) x (Rate Base) x (Rate of Return - WCLTD)

Composite Tax Rate = The sum of the Federal Income Tax Rate and the State Income Tax Rate, taking into account the deductibility of State Income Taxes in the Federal Income Tax calculation. The State Income Tax Rate shall be the income tax rate for the state in which the Blackstart Resource is physically located.

Incremental Depreciation Expense is the amount associated with the investment found on Line 7, booked to FERC Account 403, and as reflected in an applicable footnote, as required in Order No. 715. If the Blackstart Resource owner is not a public utility, it shall in an FPA Section 205 filing propose depreciation rates for each class of asset used in the provision of Blackstart Resource Service.

- B. The Blackstart Resource owner shall include in the initial Blackstart Resource Formula Rate Template and thereafter provide to MISO by May 1 of each year, sufficient information reflecting the capital cost of any Net Incremental Plant Investment for all equipment installed on or directly associated with the ability of the Blackstart Resource or Resources to provide Blackstart service governed by the relevant Blackstart Service Agreement, including any changes to such amounts from a prior period.

¹ Blackstart Resource owners shall use a 47.36/52.64 debt-to-equity capital structure and return on common equity of 9.00% as inputs to be used in the Formula Rate Template. Blackstart Resource owners shall support the debt cost and preferred stock costs, if any, as inputs to be used in the Formula Rate Template in the initial Section 205 filing.

² For Blackstart Resource owners that already have Commission-approved depreciation rates, such depreciation rates may be used in the Formula Rate Template. The depreciation rates may thereafter only be changed through a section 205 or section 206 filing. For Blackstart Resource owners that do not currently have Commission-approved depreciation rates, suitable support must be provided for the proposed depreciation rates. The terms on Notes F and M to the Formula Rate Template shall apply.

- C. Any Net Incremental Plant Investment made by the Blackstart Resource owner for each such

capital investment and any additional amounts incurred by the Blackstart Resource owner since the last adjustment to the annual revenue requirement for the Fixed Costs under this Agreement shall be sum of all Net Incremental Plant Investment in each of the categories set forth in II.1.A.2 (a through d). For purposes of determining the costs to be treated as Net Incremental Plant Investment the amounts recorded as of December 31 of each year in Accounts 101 through 105 of the FERC's USoA (excluding Account 105.A) shall be treated as capital investment under this Schedule 33-METC.³

2. Variable Costs:

A. In determining the Variable cost component of the Annual Revenue Requirement, the Blackstart Resource owner shall be entitled to recover all of its actual costs incurred in providing Blackstart Resource Service under the relevant Blackstart Resource Service Agreement. Variable costs shall include only the actual amounts incurred by the Blackstart Resource owner for the following categories of costs attributable to Blackstart Resource Service, as set forth below:

1. Fuel Cost for fuel consumed for testing and maintenance
2. Operating and Maintenance Expenses
 - a. Direct Labor (see Note O)
 - b. Indirect Labor (supervisory) (see Note P)
 - c. Consumables (see Note Q)
3. Taxes Other Than Income Taxes Applicable to Blackstart Resource Service
 - a. Gross receipts taxes (see Note R)
 - b. Payroll taxes (see Note S)
 - c. Real Estate and property taxes (see Note T)

³ If the Blackstart Resource owner is not a public utility regulated by the FERC or by any state regulatory agency having jurisdiction over rates and charges, then the amount to be used for the capital component of the fixed charges shall be based upon the Uniform System of Accounts of the FERC in which the plant investment costs would be classified if the Blackstart Resource owner were regulated by the FERC.

B. Fuel costs shall be the actual cost of the amount of fuel acquired for the Blackstart Resource (as set forth in the Agreement) for Blackstart Resource purposes and the actual cost incurred to replace such fuel to maintain such amount at the level determined to be required for the Blackstart Resource if such fuel was consumed 1) because of the limited useful life of the fuel; 2) as a result of testing of the Blackstart Resource as required under this Agreement; or 3) incurred in rendering Blackstart Resource service under this Agreement.

1. In addition, if the Blackstart Resource is dual-fuel capable, or if METC determines that it is necessary for such Blackstart Resource to become dual-fuel

capable while a Blackstart Resource Agreement utilizing the Formula Rate under this Schedule 33-METC is in effect, then actual fuel costs shall include the cost of acquiring any secure, firm supply of such alternate fuel incurred by the Blackstart Resource owner, including any demand charge, fixed charge or other cost paid by the Blackstart Resource owner to a third party to secure the receipt and delivery of the alternate fuel supply, including firm transportation charges under any FERC-jurisdictional interstate pipeline transportation tariff for that portion of the demand, fixed or firm charges associated with the fuel requirements for providing Blackstart Resource service from the Blackstart Resources.

2. Fuel costs shall be determined by initially adding all of the costs incurred by the Blackstart Resource owner originally under this Agreement, and then determining any changes to such amounts incurred since the previous determination of fuel costs.
- C. The Blackstart Resource owner shall be entitled to recover all costs incurred in maintaining and testing the Blackstart Resources governed by this Agreement to ensure that such Blackstart Resources are capable of providing Blackstart Resource Service. For the purposes of determining the maintenance and testing costs to be recovered, the amounts incurred solely for the purpose of maintaining the Blackstart capabilities and in maintaining those items of equipment, facilities or systems directly associated with providing Blackstart Resource capability shall be included and recovered as part of the Annual Revenue Requirement.
1. The maintenance costs shall include all costs incurred by the Blackstart Resource owner in maintaining the Blackstart Resource capability of the Blackstart Resource or Resources, including all labor costs (direct and indirect), including a component for benefits, plus the costs of all consumable materials, including by way of example, filters and other similar devices or materials.
 2. Such other maintenance costs as are includable in Accounts 510-514 and 551-554 of the FERC's USoA.
- D. The aggregate testing costs shall include the costs incurred initially by the Blackstart Resource owner, and thereafter the costs incurred by the Blackstart Resource owner each year, in accordance with Notes V and W of the Formula Rate Template.

3. Training and Compliance:

In determining the training and compliance component of the Annual Revenue Requirement, the Blackstart Resource owner shall be entitled to recover all costs incurred in providing training to those employees that are engaged in the operation of the Blackstart Resource to provide Blackstart Resource Service, including training on the mandatory reliability standards requirements applicable to Blackstart Resources, including CIP requirements, and such other employees of Blackstart Resource owner as are necessary to ensure compliance with the requirements of the mandatory reliability standards applicable to Blackstart Resources.

Additionally, the Blackstart Resource owner shall be entitled to recover all costs associated with testing the Blackstart Resource to insure its availability and to comply with the mandatory reliability standards (not including fuel costs which have been included in determining the fixed fuel costs for the Fixed Cost component of the Annual Revenue Requirement). The Blackstart Resource owner also shall be entitled to recover all costs associated with establishing and implementing a compliance program to the extent necessary to comply with mandatory reliability standards applicable to Blackstart Resources.

- A. In determining the amount to be charged for training costs, the Blackstart Resource owner shall:
 - 1. Determine the number of employees to whom such training is to be provided.
 - 2. Determine the average hourly cost for such training, including all direct (wage rate per hour) and indirect (fringe benefits) costs for such training.
 - 3. The Blackstart Resource owner shall upon request provide a list of all categories of employees, including supervisory employees to whom such training is or shall be provided, and the number of employees in each such category.
 - 4. Include those recurring annual expenses incurred by the Blackstart Resource owner to ensure that personnel are competent and proficient in their NERC responsibilities to carry out Blackstart Resource Service, in accordance with section 3 of Schedule 33-METC. This item may include the reasonable cost of developing such training programs, incurred during the Rate Period.
- B. In determining the amount to be charged for testing costs, the Blackstart Resource owner shall:
 - 1. Determine the number of employees required to provide such testing; and
 - 2. Determine the average hourly cost for such testing, including all direct (wage rate per hour) and indirect (fringe benefits) costs for such hour of testing.

4. True Up:

The amounts to be collected by the Blackstart Resource owner shall be collected by MISO, under the provisions of Schedule 33 of the MISO Tariff, from all Transmission Customers receiving transmission service in METC's transmission pricing zone. MISO shall determine the rate to be charged to Transmission Customers using METC's transmission facilities to receive transmission service in accordance with Schedule 33.

In the event that the amounts collected by MISO from Transmission Customers and paid to the Blackstart Resource owner are insufficient to recover the Blackstart Resource owner's costs and the total Annual Revenue Requirement paid to the Blackstart Resource owner is less than the Annual Revenue Requirement determined as set forth above and in the Formula Rate Template for any Rate Period, then the Blackstart Resource owner shall be entitled to add to the Annual Revenue Requirement determined for the next succeeding Rate Period that amount of any prior Annual Revenue Requirement that was not received from MISO in payment of the Blackstart Resource Annual Revenue Requirement determined under this Agreement. No interest shall

accrue on this amount.

In the event that the amounts collected by MISO from Transmission Customers and paid to the Blackstart Resource owner are in excess of the total Annual Revenue Requirement to be paid to the Blackstart Resource owner in any Rate Period, then the amount over-collected by the Blackstart Resource owner shall be subtracted from the Annual Revenue Requirement determined for the next succeeding Rate Period, and the Annual Revenue Requirement reduced by the amount over-collected. No interest shall accrue on this amount.

III. Removal from METC's System Restoration Plan

In the event that the Blackstart Resource(s) governed by a Blackstart Resource Service Agreement that utilizes this Schedule 33-METC is removed by METC from its System Restoration Plan in accordance with the fulfillment of METC's obligations under the mandatory reliability standards, Blackstart Resource owner may collect any unrecovered Net Incremental Plant Investment that has not been recovered. Such unrecovered amounts shall be determined as of the date of removal of the Blackstart Resource from METC's System Restoration Plan. The Blackstart Resource owner shall be entitled to recover such amounts over a period of ten years following the removal of the Blackstart Resource from METC's System Restoration Plan (see Workpaper T).

IV. Guidelines for the Sufficiency of Cost Justification

A. Blackstart Resource owners that are public utilities

Cost items in the Formula Rate Template shall cite to the FERC USoA, and employ account numbers where applicable. Where USoA accounts are cited as the source of the cost item, a reference to the FERC Form No. 1 (page, line and column, as appropriate) shall be made.

All inputs in the Formula Rate shall be supported in Workpapers attached to the Formula Rate Template. Since Order No. 715 requires footnotes to be added to the FERC Form No. 1 in cases where the inputs to the Formula Rate Template vary from the FERC Form No. 1, a Work Paper reconciling the Formula Rate Template calculation to the amounts in the FERC Form No. 1 shall be supplied.

As a general matter, if an amount in the Formula Rate Template is a fraction of the amount reported in the FERC Form No. 1, the basis for the assignment or allocation of such an amount to the provision of Blackstart Resource Service shall be explained in the appropriate Work Paper.

Cost items that are specifically included to comply with NERC or CIP standards should include citation to such mandatory reliability requirement, as they may exist from time to time.

In the event the Blackstart Resource owner is amortizing unrecovered Net Incremental Investment, such owner shall show the annual amount recovered for each year of the period, not

to exceed ten (10) years.

The Blackstart Resource owner should include a statement indicating that the item cannot be used elsewhere for any other purpose.

B. Blackstart Resource owners that are not public utilities

To the extent reasonably possible, descriptions of individual cost elements shall follow the terminology of the USoA.

Where cost items share functionality between capacity and energy sales either through a purchased power agreement or through the MISO energy markets, and Blackstart Resource Service, the Blackstart Resource owner shall explain such bases of assignment or allocation to Blackstart Resource Service in an appropriate Work Paper.

Cost items that are specifically included to comply with NERC or CIP standards should include citation to such mandatory reliability requirement, as they may exist from time to time.

In the event the Blackstart Resource owner is amortizing unrecovered Net Incremental Investment, such owner shall show the annual amount recovered for each year of the period, not to exceed ten (10) years.