

ATTACHMENT CC

CROSS-BORDER ALLOCATION PROJECTS REVENUE REQUIREMENT CALCULATIONS

1. General:

Schedule 25 and the JOA allocate costs of Network Upgrades to PJM associated with Cross-Border Allocation Projects as that term is defined in Schedule 25. This Attachment CC sets forth the method for calculating the charges relating to such allocated costs. The term Network Upgrades used herein means Network Upgrades for which charges are calculated under this Attachment CC. The terms JOA and PJM are as defined in Schedule 25.

2. Determination of Network Upgrade Charge (“NUC”):

- (a) Cross-Border Allocation Projects are identified pursuant to Sections 9.3 and 9.4 of the JOA. The NUC for each eligible project shall be its adjusted annual revenue requirement as computed in Section 3 below. In conjunction with providing its annual Attachment O, each Transmission Owner/ITC shall furnish to the Transmission Provider (1) its annual NUC for each Network Upgrade subject to this Attachment CC, as calculated in Section 3 below, and (2) its twelve monthly transmission system peaks determined in accordance with Attachment O.

- (b) The Transmission Provider shall calculate the charge for facilities allocated to PJM by applying the applicable NUC calculated under Section 3 to the applicable investment for the Transmission Owner/ITC for the portion of transmission facilities allocated to PJM. The annual charge to PJM shall be the sum of all individual Transmission Owner/ITC charges. The monthly charge shall be the annual charge divided by twelve.
- (c) For purposes of preparing Attachment CC, each Transmission Owner and/or ITC must utilize the same test period that is utilized in the preparation of its Attachment O.
- (d) Projects included in Attachment CC must be in-service prior to or during the test period indicated in (c) above. If the Transmission Owner and/or ITC receives FERC approval to include specific Cross Border projects that are recorded in construction work in progress (CWIP) but not yet in-service in the annual revenue requirement calculation, those projects may be included in Attachment CC provided the Transmission Owner and/or ITC supplies the Transmission Provider with evidence of FERC approval.
- (e) In order to prevent over recovery of Attachment O revenue, the revenue requirement calculated pursuant to Attachment

CC (Attachment CC template, Page 2, Line 3, Column 10) will be subtracted by each Transmission Owner and ITC from their respective Attachment O revenue requirement.

3. Calculation of the NUC:

(a) The NUC shall be allocated as follows:

(i) Annual Allocation Factors shall be calculated for the following five (5) cost of service elements, expressed as a percentage, using the formulae included in this Attachment CC which utilizes select entries from the currently effective Attachment O:

- a. Operation and Maintenance Expense
- b. General and Common Depreciation Expense
- c. Taxes Other Than Income Taxes
- d. Income Taxes
- e. Return

- (ii) Subsections (iii) through (ix) describe the calculation of the Annual Allocation Factors using references to the Attachment O, FERC Form 1, formula rate. Table 1 of Attachment CC provides the cross-references to RUS Form 12 and EIA Form 412 versions of Attachment O to calculate the Annual Allocation Factors for publicly-owned Transmission Owners.
- (iii) The Operation and Maintenance Annual Allocation Factor shall be determined by dividing the amount included on Attachment O, Page 3, Line 8, Column 5 by the amount of Gross Transmission Plant In-Service included on Attachment O, Page 2, Line 2, Column 5. The Gross Transmission Plant In-Service shall include any CWIP included in Rate Base, if applicable.
- (iv) The General and Common Depreciation Expense Annual Allocation Factor shall be determined by dividing the amount included on Attachment O, Page 3, Lines 10 & 11, Column 5 by the amount of Gross Transmission Plant In-Service included on Attachment O, Page 2, Line 2, Column 5. The Gross Transmission Plant In-Service shall include any CWIP included in Rate Base, if applicable.

- (v) The Taxes Other Than Income Taxes Annual Allocation Factor shall be determined by dividing the amount included on Attachment O, Page 3, Line 20, Column 5 by the amount of Gross Transmission plant In-Service included on Attachment O, Page 2, Line 2, Column 5. The Gross Transmission Plant In-Service shall include any CWIP included in Rate Base, if applicable.
- (vi) The Annual Allocation Factor for Expense shall be the sum of (iii), (iv), and (v) above.
- (vii) The Income Tax Annual Allocation Factor shall be determined by dividing the amount included on Attachment O, Page 3, Line 27, Column 5 by the amount included for Net Transmission Plant In-Service on Attachment O, Page 2, Line 14, Column 5. The Net Transmission Plant In-Service shall include any CWIP included in Rate Base if applicable. This component shall be zero for publicly owned Transmission Owners.
- (viii) The Return Annual Allocation Factor shall be determined by dividing the amount included on Attachment O, Page 3, Line 28, Column 5 by the amount of Net Transmission Plant In-Service included on Attachment O, Page 2, Line 14, Column 5. The Net Transmission Plant In-Service shall include any CWIP included in Rate Base, if applicable.

- (ix) The Annual Allocation Factor for Return shall be the sum of (vii) and (viii) above.

- (x) The NUC to be used in Schedule 25 for each individual project subject to this Attachment CC shall be the sum of the project's Annual Expense Charge plus the project's Annual Return Charge plus the Project's Depreciation Expense plus any applicable True-Up Adjustment, where
 - a. Annual Expense Charge equals the project's Gross Plant multiplied by the Annual Allocation Factor For Expense calculated in (vi) above;

 - b. Annual Return Charge equals the project's Net Plant multiplied by the Annual Allocation Factor for Return calculated in (ix) above;

 - c. Depreciation Expense equals the actual value booked, or projected to be booked for forward-looking rate periods, for the project and included in Attachment O, Page 3, Line 12, Column 5;

 - d. True-Up Adjustment equals any applicable Attachment CC true-up amount calculated under a FERC-

accepted mechanism for a particular Transmission Owner; and

- e. The project's Gross Plant and Net Plant values shall be the respective balances for the facilities comprising the project as incorporated in the Gross Plant values from Attachment O as identified in (iii), (iv), and (v) above and Net Plant values from Attachment O as identified in (vii) and (viii) above. These balances shall reflect any retirements or subsequent like kind replacements associated with the ongoing maintenance of the facilities identified in the project.

- (xi) Each individual project shall be identified separately as a sub-row of Line 1 on Page 2 of the Attachment CC Rate Formula Template attached, to be identified as Line 1a, 1b, etc. The Transmission Owner shall add additional sub-rows to Line 1 as needed to accommodate additional projects.

(Note: An example of the operation of this NUC mechanism is appended to this Attachment CC after the Attachment CC rate formula template.)

4. TREATMENT OF REVENUES

Revenues received under this Attachment CC by each Owner shall be recorded in Account No. 456.

Formula Rate calculation Rate Formula Template Attachment CC
Utilizing Attachment O Data For the 12 months ended 12/31/___

Company Name

Page 1 of 2

To be completed in conjunction with Attachment O.

Line No.	(1)	(2) Attachment O Page, Line, Col.	(3) Transmission	(4) Allocator
1	Gross Transmission Plant – Total	Attach O, Page 2, Line 2, Col. 5 (Note A)	0	
2	Net Transmission Plant – Total	Attach O, Page 2, Line 14, Col. 5 (Note B)	0	
	O&M EXPENSE			
3	Total O&M Allocated to Transmission	Attach O, Page 3, Line 8, Col 5	0	
4	Annual Allocation Factor for O&M	(Line 3 divided by Line 1, Col. 3)	0.00%	0.00%
	GENERAL AND COMMON (G&C) DEPRECIATION EXPENSE			
5	Total G&C Depreciation Expense	Attach O, Page 3, Lines 10 & 11, Col. 5 (Note H)	0	
6	Annual Allocation Factor for G&C Depreciation Expense	(Line 5 divided by Line 1, Col. 3)	0.00%	0.00%
	TAXES OTHER THAN INCOME TAXES			
7	Total Other Taxes	Attach O, Page 3, Line 20, Col. 5	0	
8	Annual Allocation Factor for Other Taxes	(Line 7 divided by Line 1, Col. 3)	0.00%	0.00%
9	Annual Allocation Factor for Expense	Sum of Lines 4, 6 & 8		0.00%
	INCOME TAXES			
10	Total Income Taxes	Attach O, Page 3, Line 27, Col. 5	0	
11	Annual Allocation Factor for Income Taxes	(Line 10 divided by Line 2, Col. 3)	0.00%	0.00%
	RETURN			
12	Return on Rate Base	Attach O, Page 3, Line 28, Col. 5	0	
13	Annual Allocation Factor for Return on Rate Base	(Line 12 divided by Line 2, Col. 3)	0.00%	0.00%
14	Annual Allocation Factor for Return	Sum of Lines 11 & 13		0.00%

Effective On: December 20, 2013

Formula Rate calculation Rate Formula Template Attachment CC
Utilizing Attachment O Data For the 12 months ended 12/31/___

Company Name

Page 2 of 2

Cross-Border Network Upgrade Charge (NUC) Calculation by Project

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Line No.	Project Name	MTEP Project Number	Project Gross Plant	Annual Allocation Factor for Expense	Annual Expense Charge	Project Net Plant	Annual Allocation Factor for Return	Annual Return Charge	Project Depreciation Expense	Annual Revenue Requirement	True-Up Adjustment	Network Upgrade Charge
			(Note C)	(Page 1, Line 9)	(Col. 3 * Col. 4)	(Note D)	(Page 1, Line 14)	(Col. 6 * Col. 7)	(Note E)	(Sum Col. 5, 8 & 9)	(Note F)	Sum Col. 10 & 11 (Note G)
Cross Border Projects												
1a	Project 1	P1	\$0	0.00%	\$0	\$0	0.00%	\$0	\$0	\$0	\$0	\$0
1b	Project 2	P2	\$0	0.00%	\$0	\$0	0.00%	\$0	\$0	\$0	\$0	\$0
1c	Project 3	P3	\$0	0.00%	\$0	\$0	0.00%	\$0	\$0	\$0	\$0	\$0
2	Annual Total									\$0	\$0	\$0
3	Rev. Req. Adj for Attachment O									\$0		

Note
Letter

- A prefunded Gross Transmission Plant is that identified on Page 2, Line 2 of Attachment O and includes any sub lines 2a or 2b etc. and is inclusive of any CWIP included in rate base when authorized by FERC order less any AFUDC, if applicable.
- B Net Transmission Plant is that identified on Page 2, Line 14 of Attachment O and includes any sub lines 14a or 14b etc. and is inclusive of any CWIP included in rate base when authorized by FERC order less any prefunded AFUDC, if applicable.
- C Project Gross Plant is the total capital investment for the project calculated in the same method as the gross plant value in Line 1 and includes CWIP in rate base less any prefunded AFUDC, if applicable. This value includes subsequent capital investments required to maintain the facilities to their original capabilities.
- D Project Net Plant is the Project Gross Plant Identified in Column 3 less the associated Accumulated Depreciation.
- E Project Depreciation Expense is the actual value booked for the project and included in the Depreciation Expense in Attachment O, Page 3, Line 12.
- F True-Up Adjustment is included pursuant to a FERC approved methodology if applicable.
- G The Network Upgrade Charge is the value to be used in Schedule 25.
- H The Total General and Common Depreciation Expense excludes any depreciation expense directly associated with a project and thereby included in Page 2, Column 9.

Formula Rate calculation
Rate Formula Template
Utilizing Attachment O Data
Attachment CC
For the 12 months ended 12/31/___
Company Name

Page 1 of 2

To be completed in conjunction with Attachment O.

Line No.	(1)	(2) Attachment O Page, Line, Col.	(3) Transmission	(4) Allocator
1	Gross Transmission Plant – Total	Attach O, Page 2, Line 2, Col. 5 (Note A)	1,865,000,000	
2	Net Transmission Plant – Total	Attach O, Page 2, Line 14, Col. 5 (Note B)	1,305,500,000	
	O&M EXPENSE			
3	Total O&M Allocated to Transmission	Attach O, Page 3, Line 8, Col 5	52,989,310	
4	Annual Allocation Factor for O&M	(Line 3 divided by Line 1, Col. 3)	2.84%	2.84%
	GENERAL AND COMMON (G&C) DEPRECIATION EXPENSE			
5	Total G&C Depreciation Expense	Attach O, Page 3, Lines 10 & 11, Col. 5 (Note H)	3,247,214	
6	Annual Allocation Factor for G&C Depreciation Expense	(Line 5 divided by Line 1, Col. 3)	0.17%	0.17%
	TAXES OTHER THAN INCOME TAXES			
7	Total Other Taxes	Attach O, Page 3, Line 20, Col. 5	12,975,857	
8	Annual Allocation Factor for Other Taxes	(Line 7 divided by Line 1, Col. 3)	3.71%	3.71%
9	Annual Allocation Factor for Expense	Sum of Lines 4, 6 & 8		3.71%
	INCOME TAXES			
10	Total Income Taxes	Attach O, Page 3, Line 27, Col. 5	47,594,197	
11	Annual Allocation Factor for Income Taxes	(Line 10 divided by Line 2, Col. 3)	3.65%	3.65%
	RETURN			
12	Return on Rate Base	Attach O, Page 3, Line 28, Col. 5	100,209,722	
13	Annual Allocation Factor for Return on Rate Base	(Line 12 divided by Line 2, Col. 3)	7.68%	7.68%
14	Annual Allocation Factor for Return	Sum of Lines 11 & 13		11.32%

Effective On: December 20, 2013

Formula Rate calculation Rate Formula Template Attachment CC
Utilizing Attachment O Data For the 12 months ended 12/31/___

Company Name

Page 2 of 2

Cross-Border Network Upgrade Charge (NUC) Calculation by Project

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Line No.	Project Name	MTEP Project Number	Project Gross Plant	Annual Allocation Factor for Expense	Annual Expense Charge	Project Net Plant	Annual Allocation Factor for Return	Annual Return Charge	Project Depreciation Expense	Annual Revenue Requirement	True-Up Adjustment	Network Upgrade Charge
			(Note C)	(Page 1, Line 9)	(Col. 3 * Col. 4)	(Note D)	(Page 1, Line 14)	(Col. 6 * Col. 7)	(Note E)	(Sum Col. 5, 8 & 9)	(Note F)	Sum Col. 10 & 11 (Note G)
Cross Border Projects												
1a	Project 1	P1	\$20,000,000	3.71%	\$742,000	\$19,500,000	11.32%	\$2,207,400	\$800,000	\$3,749,400	\$200,000	\$3,949,400
1b	Project 2	P2	\$10,000,000	3.71%	\$371,000	\$8,000,000	11.32%	\$905,600	\$200,000	\$1,476,600	\$60,000	\$1,536,600
1c	Project 3	P3	\$15,000,000	3.71%	\$556,500	\$15,000,000	11.32%	\$1,698,000	\$0	\$2,254,500	\$(150,000)	\$2,104,500
2	Annual Total									\$7,480,500	\$110,000	\$7,590,000
3	Rev. Req. Adj for Attachment O									\$7,480,500		

Note
Letter

- A Gross Transmission Plant is that identified on Page 2, Line 2 of Attachment O and includes any sub lines 2a or 2b etc. and is inclusive of any CWIP included in rate base when authorized by FERC order less any prefunded AFUDC, if applicable.
- B Net Transmission Plant is that identified on Page 2, Line 14 of Attachment O and includes any sub lines 14a or 14b etc. and is inclusive of any CWIP included in rate base when authorized by FERC order less any prefunded AFUDC, if applicable.
- C Project Gross Plant is the total capital investment for the project calculated in the same method as the gross plant value in Line 1 and includes CWIP in rate base less any prefunded AFUDC, if applicable. This value includes subsequent capital investments required to maintain the facilities to their original capabilities.
- D Project Net Plant is the Project Gross Plant Identified in Column 3 less the associated Accumulated Depreciation.
- E Project Depreciation Expense is the actual value booked for the project and included in the Depreciation Expense in Attachment O, Page 3, Line 12.
- F True-Up Adjustment is included pursuant to a FERC approved methodology if applicable.
- G The Network Upgrade Charge is the value to be used in Schedule 25.
- H The Total General and Common Depreciation Expense excludes any depreciation expense directly associated with a project and thereby included in Page 2, Column 9.

Table 1

Cross Reference to Attachment O for Completion of Attachment CC

	<u>Attachment CC</u>	<u>FERC Form 1</u>	<u>EIA Form 412 Non-Levelized</u>	<u>EIA Form 412 Cash Flow</u>	<u>RUS Form 12 Non-Levelized</u>	<u>RUS Form 12 Cash Flow</u>
Gross Transmission Plant	Page 1, Line 1, Col. 3	Page 2, Line 2, Col. 5	Page 2, Line 2, Col. 5	Page 3, Line 2, Col. 5	Page 2, Line 2, Col. 5	Page 3, Line 2, Col. 5
Net Transmission Plant*	Page 1, Line 2, Col. 3	Page 2, Line 14, Col. 5	Page 2, Line 14, Col. 5	Page 3, Line 2, Col. 5	Page 2, Line 14, Col. 5	Page 3, Line 2, Col. 5
O&M Expense	Page 1, Line 3, Col. 3	Page 3, Line 8, Col. 5	Page 3, Line 8, Col. 5	Page 2, Line 8, Col. 5	Page 3, Line 8, Col. 5	Page 2, Line 8, Col. 5
General and Common Depreciation Expense	Page 1, Line 5, Col. 3	P. 3, Line 10&11, Col. 5	Page 3, Lines 10 & 11, Col. 5	N/A	Page 3, Lines 10 & 11, Col. 5	N/A
Taxes Other Than Income Taxes	Page 1, Line 7, Col. 3	Page 3, Line 20, Col. 5	Page 3, Line 20, Col. 5	Page 2, Line 19, Col. 5	Page 3, Line 20, Col. 5	Page 2, Line 19, Col. 5
Total Income Taxes	Page 1, Line 10, Col. 3	Page 3, Line 27, Col. 5	Page 3, Line 27, Col. 5	N/A	Page 3, Line 27, Col. 5	N/A
Return on Rate Base	Page 1, Line 12, Col. 3	Page 3, Line 28, Col. 5	Page 3, Line 28, Col. 5	Page 2, Line 11, Col. 5 & Page 2, Line 21, Col. 5	Page 3, Line 28, Col. 5	Page 2, Line 11, Col. 5 & Page 2, Line 21, Col. 5

Note: *The Net Transmission Plant for Transmission Owners using an Attachment O based on either EIA Form 412 Cash Flow or RUS Form 12 Cash Flow shall use their Gross Transmission Plant from Page 2, Line 2, Column 5 for a Net Transmission Plant value. These two Attachment Os do not allow for the recovery of depreciation expense nor do they decrement rate base for accumulated depreciation, therefore to maintain a consistent methodology between Attachment O and Attachment CC no depreciation expense would be recovered under Attachment CC nor would any accumulated depreciation be included in the calculation of the Net Transmission Plant balances.