

ATTACHMENT ZZ

NERC Recommendation or Essential Action Charge

1. Recovery of NERC Recommendation or Essential Action Costs By NERC Transmission Owner Registered Entities (“TO-REs”)

Transmission Owners that are Registered Entities registered under the NERC Functional Model as a transmission owner and for which a NERC Recommendation or Essential Action is applicable to such TO-RE, shall be eligible for the cost recovery described in Schedule 45. TO-REs have the option to make a one time election per project to recover costs for NERC Recommendation or Essential Actions under Schedule 45 rather than through their Attachment O. This Attachment ZZ sets forth the method for calculating and collecting the charges associated with a NERC Recommendation or Essential Action to be recovered under Schedule 45 and for distributing the revenues associated with such Schedule 45 charges. This Attachment ZZ applies to those NERC Recommendation or Essential Action projects that the TO-RE elects to recover under Schedule 45 instead of through Attachment O. The charges under this Attachment ZZ shall be in addition to any other transmission charges subject to this Tariff.

1.1 Definitions: Unless otherwise defined in this Attachment ZZ, capitalized terms have the meaning as set forth in the definitions in Module A of this Tariff.

1.1.1 NERC Recommendation or Essential Action: Two industry actions identified in the NERC Rules of Procedure, or as modified pursuant to the NERC Rules of Procedure, related to transmission as follows:

(a) Recommendation – Specific action to be taken by TO-REs specific to a NERC Level 2 (Recommendation). Recommendations require a response from TO-REs as defined in the alert; or

(b) Essential Action – Specific actions deemed by NERC to be “essential” for TO-REs to take to ensure the reliability of the Bulk Electric System. Essential Actions require NERC Board of Trustees’ approval prior to issuance. Like Recommendations, Essential Actions also require TO-REs to respond as defined in the alert.

1.1.2 NERC Recommendation or Essential Action Charge (“NREAC”): The resulting Attachment ZZ revenue requirement for each NERC Recommendation or Essential Action project, as described in Section 3.x of this Attachment ZZ, used in determining the transmission rate to be charged to Transmission Customers under Schedule 45.

1.1.3 NERC Functional Model: Defines the set of functions that must be performed to ensure the reliability of the Bulk Electric System. It also explains the relationship between and among the entities responsible for performing the tasks within each function.

1.1.4 NERC Rules of Procedure: The rules and procedures developed by NERC and approved by the Commission. These rules include the process by which a responsible entity, who is to perform a set of functions to ensure the reliability of the Bulk Electric System, must register as a Registered Entity.

1.1.5 Registered Entity: The entity registered under the NERC Functional Model and NERC Rules of Procedure for the purpose of compliance with NERC Reliability Standards and responsible for carrying out the tasks within a NERC function without regard to whether a task(s) is performed by another entity pursuant to the terms of its governing documents.

1.2 Costs To Be Recovered: Pursuant to Schedule 45, those TO-REs that elect to use Schedule 45 shall recover their transmission-related costs incurred as a result of implementing and/or complying with a specific NERC Recommendation or Essential Action.

1.3 Accounting: Each TO-RE shall maintain account(s) that allow the specific project costs related to a NERC Recommendation or Essential Action, to be recovered, to be readily identified and audited.

2. Determination of NREAC:

(a) The Transmission Provider shall identify in this Attachment ZZ all Network Upgrades that are NERC Recommendation or Essential Action projects eligible under Attachment FF that form the basis of the NREAC. Such designations shall be the same as those made for the relevant Network Upgrades in the MTEP. The NREAC 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 TO-RE who chooses to designate projects as NERC Recommendation or Essential Action projects shall furnish to the Transmission Provider: (1) its NREAC for each NERC Recommendation or Essential Action project subject to this Attachment ZZ as calculated below; and (2) its twelve (12) monthly transmission system peaks determined in accordance with Attachment O.

(b) The Transmission Provider shall apportion the NREAC from (a) above in accordance with the applicable Attachment FF.

- (c) For purposes of preparing Attachment ZZ, each TO-RE must utilize the same test period that is utilized in the preparation of its Attachment O.
- (d) Projects included in Attachment ZZ must be in-service prior to or during the test period indicated in (c) above. If the TO-RE receives FERC approval to include specific NERC Recommendation or Essential Action projects that are recorded in construction work in progress (CWIP) but not yet in-service in the annual revenue requirement calculation, and the Transmission Provider includes such NERC Recommendation or Essential Action projects on Appendix A of the MISO Transmission Expansion Plan, those projects may be included in Attachment ZZ provided the TO-RE 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 ZZ (Attachment ZZ template, Page 2, Line 3) will be subtracted by each TO-RE from their respective Attachment O revenue requirement.
- (f) The NERC Recommendation or Essential Action project annual revenue requirement apportioned to a Transmission Pricing Zone shall be the sum of all TO-REs' NREACs for the Transmission Pricing Zone. The Transmission Provider shall calculate rates to be collected pursuant to Schedule 45 for TO-REs that elect to use Schedule 45 by taking the sum of the NREACs from the previous sentence and dividing by the current rate divisor from Attachment O, page 1, Line 15 in kW multiplied by 1000 to calculate an annual rate per MW.

The per-unit rate will be calculated as:

The monthly rate per MW will be the annual rate divided by 12.

The weekly rate per MW will be the annual rate divided by 52.

The On-Peak daily rate per MW will be the annual rate divided by 260 (capped at weekly rate).

The On-Peak hourly rate per MW will be the annual Rate divided by 4,160 (capped at weekly and daily rates).

The Off-Peak daily rate per MW will be the annual rate divided by 365.

The Off-Peak hourly rate per MW will be annual rate divided by 8,760.

(g) Drive-through and drive-out Transmission Service shall be charged a rate that is (1) the sum of all TO-REs NREACs apportioned to Transmission Pricing Zones divided by (2) the sum of the twelve (12) monthly transmission system peaks from Section 2(a)(2) above for all Transmission Pricing Zones.

3. Calculation of the NREAC:

(a) The NREAC 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 ZZ 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 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 TO-REs.
- 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 Attachments O, Page 3, Line 27, Column 5 by the amount included for the Net Transmission Plant In-Service 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 TO-REs.
- 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 NREAC to be used in Schedule 45 for each individual project subject to this Attachment ZZ 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. Only TO-REs that have received Commission approval to use a forward-looking test period to determine Attachment O rates may use projected values;
 - d. True-Up Adjustment equals any applicable Attachment ZZ true-up amount calculated under the FERC-accepted Attachment GG mechanism for the applicable TO-RE; 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 ZZ template attached, to be identified as line 1a, 1b, etc. The TO-RE shall add additional sub-rows to line 1 as needed to accommodate additional projects.

(b) Nothing contained in this Attachment ZZ shall limit the right of TO-REs under section 205 of the Federal Power Act and consistent with the ISO Agreement to file with the Commission individually and unilaterally to recover the cost of a NERC Recommendation or Essential Action project in a manner other than that specified in this Attachment ZZ, including, but not limited to recover rate incentives not specified herein.

Formula Rate calculation

Rate Formula Template

Utilizing Attachment O Data

MISO Generic Company

Attachment ZZ

For the 12 months ended 12/31/___

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To be completed in conjunction with Attachment O.
(inputs from Attachment O are rounded to whole dollars)

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(1)		(2)	(3)	(4)
		Attachment O		
Line		Page, Line, Col.	Transmission	Allocator
No.				
1	Gross Transmission Plant - Total	Attach O, p 2, line 2 col 5 (Note A)	0	
2	Net Transmission Plant - Total	Attach O, p 2, line 14 and 23b col 5 (Note B)	0	
	O&M EXPENSE			
3	Total O&M Allocated to Transmission	Attach O, p 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, p 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, p 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 line 4, 6, and 8		0.00%
	INCOME TAXES			
10	Total Income Taxes	Attach O, p 3, line 27 col 5	0	
11	Annual Allocation Factor for Income Taxes	(line 10 divided by line 2 col 3)	0	0
	RETURN			
12	Return on Rate Base	Attach O, p 3, line 28 col 5	0	

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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 line 11 and 13	0.00%	

Formula Rate calculation

Rate Formula Template
Utilizing Attachment O Data
MISO Generic Company

Attachment ZZ
For 12 months ended 12/31/____
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NERC Recommendation or Essential Action Charge (NREAC) 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	NREAC
(Page 1 line 9) (Note C)					(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)
1a	Project 1	P1	\$ -	0.00%	\$0.00	\$ -	0.00%	\$0.00	\$0	\$0.00	\$ -	0
1b	Project 2	P2	\$ -	0.00%	\$0.00	\$ -	0.00%	\$0.00	\$0	\$0.00	\$ -	0
1c	Project 3	P3	\$ -	0.00%	\$0.00	\$ -	0.00%	\$0.00	\$0	\$0.00	\$ -	0
2	Annual Totals									0	0	0
3	Rev. Req. Adj For Attachment O									\$0		

Note

Letter	
A	Gross Transmission Plant is that identified on page 2 line 2 of Attachment O and is inclusive of any CWIP included in rate base when authorized by FERC order less any prefunded AFUDC, if applicable.

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B	Net Transmission Plant is that identified on page 2 line 14 of Attachment O 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 Attachment GG methodology if applicable.
G	The NREAC is the value to be used in Schedule 45.
H	The Total General and Common Depreciation Expense excludes any depreciation expense directly associated with a project and thereby included on page 2, column 9.

Table 1

Table 1

Cross Reference to Attachment O for Completion of Attachment ZZ

	<u>Attachment ZZ</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 2, 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	page 3, lines 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 3, line 19, col 5
Total Income Taxes	page 1, line 10, col 3	page 3, line 27, col 5	page 2, 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 2, line 28, col 5	page 2, line 11, col 5 and page 2, line 21, col 5	page 3, line 28, col 5	page 2, line 11, col 5 and page 2, line 21, col 5

Note: *The Net Transmission Plant for TO-REs using an Attachment O based on either EIA Form 412 Cash Flow or RUS Form 12 Cash Flow shall use their Gross Transmission Plan 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 ZZ no depreciation expense would be recovered under Attachment ZZ nor would any accumulated depreciation be included in the calculation of the Net Transmission Plant balances.

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** The Return on Rate Base for Southern Minnesota Municipal Power Agency's EIA Form 412 Cash Flow Attachment O shall use page 2, line 12, col 5 and page 2, line 22, col 5.

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ATTACHMENT ZZ - ALLETE, Inc.

NERC Recommendation or Essential Action

On December 4, 2009, in Docket No. ER10-190-000, FERC granted ALLETE, Inc.'s request to bifurcate ALLETE's: (1) Alternating Current Transmission Assets (ALLETE AC System) subject to the MISO's operational control under the ISO Agreement; and (2) High-Voltage Direct-Current Transmission Assets subject to the MISO's administration under ALLETE's and the MISO's Agency Agreement (ALLETE DC System) accepted by FERC in Docket No ER09-1727. This Attachment ZZ-ALLETE implements a separate NERC Recommendation or Essential Action Charge ("NREAC") for both the ALLETE AC System and the ALLETE DC System.

1. Recovery of NERC Recommendation or Essential Action Costs by NERC Transmission Owner Registered Entities ("TO-REs"):

ALLETE is a Registered Entity registered under the NERC Functional Model as a transmission owner and for which a NERC Recommendation or Essential Action is applicable to such TO-RE, shall be eligible for the cost recovery described in Schedule 45. ALLETE has the option to recover costs for NERC Recommendation or Essential Actions under Schedule 45 or through their Attachment O-ALLETE. This Attachment ZZ-ALLETE sets forth the method for calculating and collecting the charges associated with the costs related to a NERC Recommendation or Essential Action to be recovered under Schedule 45 and for distributing the revenues associated with such Schedule 45 charges for both the ALLETE AC and the ALLETE DC Systems.

1.1 Definitions: Unless otherwise defined in this Attachment ZZ-ALLETE, capitalized terms have the meaning as set forth in the definitions in Module A and Attachment ZZ of this Tariff.

2. Determination of NREAC

- (a) The Transmission Provider shall identify in this Attachment ZZ-ALLETE all Network Upgrades that are NERC Recommendation or Essential Action projects eligible under Attachment FF that form the basis of the NREAC for both the ALLETE AC System and the ALLETTE DC System. Such designations shall be the same as those made for the relevant Network Upgrades in the MTEP. The NREAC 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, if ALLETE chooses to designate projects as NERC Recommendation or Essential Action projects ALLETE shall furnish to the Transmission Provider: (1) its NREAC for each NERC Recommendation or Essential Action project subject to this Attachment ZZ-ALLETE as calculated below; and (2) its twelve (12) monthly transmission system peaks determined in accordance with Attachment O-ALLETE.
- (b) The Transmission Provider shall apportion the NREAC from (a) above in accordance with the applicable Attachment FF.
- (c) For purposes of preparing Attachment ZZ-ALLETE, ALLETE must utilize the same test period that is utilized in the preparation of its Attachment O.

- (d) Projects included in Attachment ZZ-ALLETE must be in-service prior to or during the test period indicated in (c) above. If the ALLETE receives FERC approval to include specific NERC Recommendation or Essential Actions that are recorded in construction work in progress (CWIP) but not yet in-service in the annual revenue requirement calculation, and the Transmission Provider includes such NERC Recommendation or Essential Actions on Appendix A of the MISO Transmission Expansion Plan, those projects may be included in Attachment ZZ-ALLETE provided the ALLETE supplies the Transmission Provider with evidence of FERC approval.
- (e) In order to prevent over-recovery of Attachment O-ALLETE revenue, the revenue requirement calculated pursuant to Attachment ZZ-ALLETE (Attachment ZZ template, Page 2, Line 5, Column 10) will be subtracted from ALLETE's Attachment O revenue requirement.
- (f) The NERC Recommendation or Essential Action project annual revenue requirement apportioned to a Transmission Pricing Zone shall be the sum of all TO-REs' NREACs for the Transmission Pricing Zone. The Transmission Provider shall calculate rates to be collected pursuant to Schedule 45 for each Transmission Pricing Zone that elects to use Schedule 45 by taking the sum of the NREACs from the previous sentence and dividing by the current rate divisor from Attachment O, page 1, Line 15 in kW multiplied by 1000 to calculate an annual rate per MW.

The per-unit rate will be calculated as:

The monthly rate per MW will be the annual rate divided by 12.

The weekly rate per MW will be the annual rate divided by 52.

The On-Peak daily rate per MW will be the annual rate divided by 260 (capped at weekly rate).

The On-Peak hourly rate per MW will be the annual Rate divided by 4,160 (capped at weekly and daily rates).

The Off-Peak daily rate per MW will be the annual rate divided by 365.

The Off-Peak hourly rate per MW will be annual rate divided by 8,760.

(g) Drive-through and drive-out Transmission Service shall be charged a rate that is (1) the sum of all TO-REs NREACs apportioned to Transmission Pricing Zones divided by (2) the sum of the twelve (12) monthly transmission system peaks from Attachment ZZ Section 2(a)(2) for all pricing zones.

3. Calculation of the NREAC:

(a) The NREAC 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 ZZ-ALLETE which utilizes select entries from the currently effective Attachment O-ALLETE:

- 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-ALLETE, FERC Form 1, formula rate.
- iii. The Operation and Maintenance Annual Allocation Factor for the ALLETE AC System shall be determined by dividing the amount included on Attachment O-ALLETE, Page 3, Line 8, Column 7 by the amount of Gross Transmission Plant In-Service included on Attachment O, Page 2, Line 2, Column 7. The Gross Transmission Plant In-Service shall include any CWIP included in Rate Base, if applicable.

The Operation and Maintenance Annual Allocation Factor the ALLETE DC System shall be determined by dividing the amount included on Attachment O, Page 3, Line 8, Column 9 by the amount of Gross Transmission Plant In-Service included on Attachment O, Page 2, Line 2, Column 9. The Gross Transmission Plant In-Service shall include any CWIP including in Rate Base, if applicable.
- iv. The General and Common Depreciation Expense Annual Allocation Factor for the ALLETE AC System shall be determined by dividing the amount included on Attachment O-ALLETE, Page 3, Lines 10 & 11, Column 7

by the amount of Gross Transmission Plant In-Service included on Attachment O-ALLETE, Page 2, Line 2, Column 7. The Gross Transmission Plant In-Service shall include any CWIP included in Rate Base, if applicable.

The General and Common Depreciation Expense Annual Allocation Factor for the ALLETE DC System shall be determined by dividing the amount included on Attachment O-ALLETE, Page 3, Lines 10 & 11, Column 9 by the amount of Gross Transmission Plant In-Service included on Attachment O-ALLETE, Page 2, Line 2, Column 9. 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 for the ALLETE AC System shall be determined by dividing the amount included on Attachment O-ALLETE, Page 3, Line 20, Column 7 by the amount of Gross Transmission Plant In-Service included on Attachment O, Page 2, Line 2, Column 7. The Gross Transmission Plant In-Service shall include any CWIP included in Rate Base, if applicable.

The Taxes Other Than Income Taxes Annual Allocation Factor for the ALLETE DC System shall be determined by dividing the amount included on Attachment O-ALLETE, Page 3, Line 20, Column 9 by the amount of Gross

Transmission Plant In-Service included on Attachment O-ALLETE, Page 2, Line 2, Column 9. The Gross Transmission Plant In-Service shall include any CWIP included in Rate Base, if applicable.

- vi. The ALLETE AC System Annual Allocation Factor for Expense shall be the sum of the AC System portion of (iii), (iv), and (v) above. The ALLETE DC System Annual Allocation Factor for Expense shall be the sum of the DC System portion of (iii), (iv), and (v) above.
- vii. The Income Tax Annual Allocation Factor for the ALLETE AC System shall be determined by dividing the amount included on Attachment O-ALLETE, Page 3, Line 27, Column 7 by the amount included for the Net Transmission Plant In-Service Attachment O-ALLETE, Page 2, Line 14, Column 7. The Net Transmission Plant In-Service shall include any CWIP included in Rate Base, if applicable.

The Income Tax Annual Allocation Factor for the ALLETE DC System shall be determined by dividing the amount included on Attachment O-ALLETE, Page 3, Line 27, Column 9 by the amount included for the Net Transmission Plant In-Service Attachment O-ALLETE, Page 2, Line 14, Column 9. The Net Transmission Plant In-Service shall include any CWIP included in Rate Base, if applicable.
- viii. The Return Annual Allocation Factor for the ALLETE AC System shall be determined by dividing the amount included on Attachment O-ALLETE, Page 3, Line 28, Column 7 by the amount of Net Transmission Plant In-

Service included on Attachment O-ALLETE, Page 2, Line 14, Column 7. The Net Transmission Plant In-Service shall include any CWIP included in Rate Base, if applicable.

The Return Annual Allocation Factor for the ALLETE DC System shall be determined by dividing the amount included on Attachment O-ALLETE, Page 3, Line 28, Column 9 by the amount of Net Transmission Plant In-Service included on Attachment O-ALLETE, Page 2, Line 14, Column 9. The Net Transmission Plant In-Service shall include any CWIP included in Rate Base, if applicable

- ix. The Annual Allocation Factor for Return for the ALLETE AC system shall be the sum of the AC portion of (vii) and (viii) above. The Annual Allocation Factor for Return of the ALLETE DC system shall be the sum of the DC portion of (vii) and (viii) above.
- x. The NREAC to be used in Schedule 45 for each individual project, whether it is an ALLETE AC System asset or ALLETE DC System asset subject to this Attachment ZZ-ALLETE 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 for an ALLETE AC System asset equals the project's Gross Plant multiplied by the ALLETE AC Annual Allocation Factor for Expense calculated in (vi) above. Annual Expense

Charge for an ALLETE DC System asset equals the project's Gross Plant multiplied by the ALLETE DC Annual Allocation Factor for Expense calculated in (vi) above.

- b. Annual Return Charge for an ALLETE AC System asset equals the project's Net Plant multiplied by the ALLETE AC System Annual Allocation Factor for Return calculated in (ix) above. Annual Return Charge for an ALLETE DC System asset equals the project's Net Plant multiplied by the ALLETE DC System Annual Allocation Factor for Return calculated in (ix) above.
- c. Depreciation Expense for the ALLETE AC System equals the actual value booked, or projected to be booked for forward-looking rate periods, for the project and included in Attachment O-ALLETE, Page 3, Line 12, column 7.

Depreciation Expense for the ALLETE DC System equals the actual value booked, or projected to be booked for forward-looking rate periods, for the project and included in Attachment O-ALLETE, Page 3, Line 12, column 9.
- d. True-Up Adjustment equals any applicable Attachment ZZ-ALLETE true-up amount calculated under the FERC-accepted Attachment GG mechanism for ALLETE; 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-ALLETE as identified in (iii), (iv) and (v) above and Net Plant values from Attachment O-ALLETE as identified in (vii) and (viii) above.
 - xi. Each individual AC project shall be identified separately as a sub-row of line 1 on page 2 of the Attachment ZZ-ALLETE template attached, to be identified as line 1a, 1b, etc. ALLETE shall add additional sub-rows to line 1 as needed to accommodate additional projects. Each individual DC project shall be identified separately as a sub-row of line 3 on page 2 of the Attachment ZZ-ALLETE template attached, to be identified as line 3a, 3b, etc. ALLETE shall add additional sub-rows to line 3 as needed to accommodate additional projects.
- (b) Nothing contained in this Attachment ZZ-ALLETE shall limit the right of ALLETE under Section 205 of the Federal Power Act and consistent with the ISO Agreement to file with the Commission individually and unilaterally to recover the cost of a NERC Recommendation or Essential Action project in a manner other than that specified in this Attachment ZZ-ALLETE, including, but not limited to recover rate incentives not specified herein.

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Attachment ZZ - ALLETE								
	Formula Rate calculation		Rate Formula Template Utilizing Attachment O Data					For the 12 months ended 12/31/___
								Page 1 of 2
			Allete, Inc. dba Minnesota Power					
	To be completed in conjunction with Attachment O - ALLETE. (inputs from Attachment O are rounded to whole dollars)							
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
		Attachment O Page, Line, Col.		Transmission	AC System	AC System Allocator	DC System	DC System Allocator
Line No.								
1	Gross Transmission Plant- Total	Attach O, p 2, line 2 col 5, 7, 9 (Note A)		0	0		0	
2	Net Transmission Plant - Total	Attach O, p 2, line 14 col 5, 7, 9 (Note B)		0	0		0	
	O&M EXPENSE							
3	Total O&M Allocated to Transmission	Attach O, p 3, line 8 col 5, 7, 9		0	0		0	
4	Annual Allocation Factor for O&M	(For AC System line 3 col 5 divided by line 1 col 5 or For DC System line 3 col 7 divided by line 1 col 7)			0.00%		0.00%	
	GENERAL AND COMMON (G&C) DEPRECIATION EXPENSE							
5	Total G&C Depreciation Expense	Attach O, p 3, line 10 & 11, col 5, 7, 9 (Note H)		0	0		0	
6	Annual Allocation Factor for G&C Depreciation Expense	(For AC System line 5 col 5 divided by line 1 col 5 or For DC System line 5 col 7 divided by line 1 col 7)			0.00%		0.00%	
	TAXES OTHER THAN INCOME TAXES							
7	Total Other Taxes	Attach O, p 3, line 20 col 5, 7, 9		0	0		0	

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8	Annual Allocation Factor for Other Taxes	(For AC System line 7 col 5 divided by line 1 col 5 or For DC System line 7col 7 divided by line 1 col 7)				0.00%		0.00%	
9	Annual Allocation Factor for Expenses	(For AC System Sum line 4 col 5 plus line 6 col 5 plus line 8 col 5 or For DC System Sum line 4 col 7 plus line 6 col 7 plus line 8 col 7)					0.00%		0.00%
	INCOME TAXES								
10	Total Income Taxes	Attach O, p 3, line 27 col 5, 7, 9		0		0		0	
11	Annual Allocation Factor for Income Tax	(For AC System line 10 col 5 divided by line 2 col 5 or For DC System line 10 col 7 divided by line 2 col 7)				0.00%		0.00%	
	RETURN								
12	Return on Rate Base	Attach O, p 3, line 28 col 5, 7, 9		0		0		0	
13	Annual Allocation Factor for Return on Rate Base	(For AC System line 12 col 5 divided by line 2 col 5 or For DC System line 12 col 7 divided by line 2 col 7)				0.00%		0.00%	
14	Annual Allocation Factor for Return	(For AC System Sum line 11 col 5 plus line 13 col 5 or For DC System Sum line 11 col 7 plus by line 13 col 7)					0.00%		0.00%

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Attachment ZZ - ALLETE												
Formula Rate calculation				Rate Formula Template Utilizing Attachment O Data NERC Recommendation or Essential Action Charge (NREAC) Calculation By Project Allete, Inc. dba Minnesota Power				For the 12 months ended 12/31/___				
	(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 Require ments	True-Up Adjustment	NREAC
AC System Projects			(Note C)	(Page 1, Line 9, Col 6)	(Col 3 * Col 4)	(Note D)	(Page 1, Line 14, Col 6)	(Col 6 * Col 7)	(Note E)	Sum Cols 5,8 & 9	(Note F)	(Note G)
1a 1b 1c			\$0	0.00%	\$0.00	–	0.00%	\$0.00	–	– –		– –
2	Annual AC System Totals									\$0	\$0	\$0
DC System Projects			(Note C)	(Page 1, Line 9, Col 8)	(Col 3 * Col 4)	(Note D)	(Page 1, Line 14, Col 8)	(Col 6 * Col 7)	(Note E)	Sum Cols 5,8 & 9	(Note F)	(Note G)
3a 3b 3c			\$0 \$0 \$0	0.00% 0.00% 0.00%	\$0 \$0 \$0	\$0 \$0 \$0	0.00% 0.00% 0.00%	\$0 \$0 \$0	\$0 \$0 \$0	\$0 \$0 \$0	\$0 \$0 \$0	\$0 \$0 \$0
4	Annual DC System Totals									–	–	–
5	Revenue Req Adj for Attach O									–	–	–
Note												
A	Gross Transmission Plant that is identified on Page 2 line 2 col 5, 7, 9 of Attachment O - ALLETE 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 that is identified on Page 2 line 14 Cols 5, 7, 9 of Attachment O - ALLETE and is inclusive of CWIP and Unamortized Balance of Abandoned Plant 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 is inclusive of CWIP in rate base when authorized by FERC Order 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 and is inclusive of CWIP and Unamortized Balance of Abandoned Plant in rate base when authorized by FERC Order less any prefunded AFUDC, if applicable..											

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E	Project Depreciation Expense is the actual value booked for the project included in Depreciation Expense in Attachment O - ALLETE (page 3, line 12)
F	True Up Adjustment is included pursuant to the Attachment GG-ALLETE FERC approved methodology.
G	The NREAC is the value to be used in Schedule 45
H	The Total and General Common Depreciation excludes depreciation expense directly associated with a project and thereby included on Page 2, Columns 5, 7, 9.

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