

## **SCHEDULE 45**

### **Cost Recovery of NERC Recommendation or Essential Action**

**1. Applicability:** Transmission Owners that are Registered Entities registered under the NERC Functional Model as a transmission owner (“TO-RE”) and for which a NERC Recommendation or Essential Action is applicable to such TO-RE function, shall be eligible for the cost recovery described in this Schedule 45. Transmission Owners have the option to make a one time election per project to recover costs for NERC Recommendation or Essential Action under this Schedule 45 rather than through their Attachment O.

**2. Definitions:** Unless otherwise defined in this Schedule 45, capitalized terms have the meaning as set forth in the definitions in Module A of this Tariff.

**2.1 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 recommended 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.

**2.2 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 Attachment ZZ, used in determining the transmission rate to be charged to Transmission Customers under this Schedule 45.

**2.3 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.

**2.4 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.

**2.5 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.

**3. Cost Recovery:** The Transmission Customer shall compensate the Transmission Provider the current NREAC for Reserved Capacity at the sum of the applicable charges set forth below in addition to all other charges for Transmission Service for which the Transmission Customer is responsible under this Tariff. The rates are calculated using the formula included in Attachment ZZ of this Tariff.

**4. Transmission Pricing Zone Rates:** The Transmission Customer shall pay the zonal rate as calculated under Attachment ZZ, per kW of Reserved Capacity, based on the Transmission Pricing Zone where the load is located for Transmission Service (1) where the generation source is outside the Transmission Provider Region and the load is located within the Transmission Provider Region and (2) where both the generation source and the load are located within the Transmission Provider Region. The Network Customer shall pay the monthly rate as calculated under Attachment ZZ for the Transmission Pricing Zone where the load is located based on its Network Load determined in accordance with Section 34.2 of Module B of this Tariff. The rate for each Transmission Pricing Zone will be determined in accordance with the provisions of Attachment ZZ. If a Transmission Customer has Load in separate Transmission Pricing Zones, the Transmission Customer shall pay the rate for each Transmission Pricing Zone in which its Load is located (i.e. the rate for each Transmission Pricing Zone shall be multiplied by the customer's monthly Load in that Transmission Pricing Zone and the sum of the calculation for each applicable Transmission Pricing Zone shall be the total charges paid by the Transmission Customer).

The Transmission Pricing Zones are the same zones as set forth in Schedule 9 of this Tariff. Additional zones may be added if additional Transmission Owners transfer control of their facilities to the Transmission Provider. Such additional zones may be added only if consistent with the requirements of Schedules 7, 8, and 9 of this Tariff.

**5. NREAC Out and Through Rate:** The Transmission Customer shall pay the rate specified under Attachment ZZ for Transmission Service (1) where the generation source is located within the Transmission Provider Region and the load is located outside of the Transmission Provider Region; and (2) where both the generation source and the load are located outside of the Transmission Provider Region.

**6. Rates to the PJM Interconnection, LLC:** In accordance with the Commission's November 18, 2004 Order in Docket Nos. ER05-6, EL04-135, EL02-111 and EL03-212, *Midwest Independent Transmission System Operator, Inc.* 109 FERC ¶ 61,168 (2004), the charge under Section 5 above for Points of Delivery at the border of the Transmission Provider Region for reservations pursuant to requests made on or after November 17, 2003, for service commencing on or after April 1, 2004, shall not apply to transactions to serve load within the area served under the open access transmission tariff on file with the Commission of the PJM Interconnection, LLC where transmission service is taken under the PJM Interconnection, LLC open access transmission tariff. Beginning April 1, 2006, the charge under Section 5 above for Points of Delivery at the border of the Transmission Provider Region shall not apply to all transactions to serve loads within the area served under the open access transmission tariff on file with the Commission of PJM Interconnection, LLC, where transmission service is taken under the PJM Interconnection, LLC open access transmission tariff.

**7. Rate Caps:** The total demand charge in any week, pursuant to a reservation for Daily delivery, shall not exceed the weekly rate times the highest amount in kW of Reserved Capacity in any day during such week. The total demand charge in any day, pursuant to a reservation for Hourly delivery, shall not exceed the daily rate times the highest amount in kW of Reserved Capacity in any hour during such day. In addition, the total demand charge in any week, pursuant

to a reservation for Hourly or Daily delivery, shall not exceed the weekly rate above times the highest amount in kilowatts of Reserved Capacity in any hour during such week.

**8. Credit for Charges During Transmission Loading Relief (TLR) Events:** In the event that the Transmission Provider initiates Curtailment of confirmed Point-To-Point Transmission Service on the Transmission System due to a TLR event in accordance with NERC Reliability Standards and NAESB WEQ Business Practice Standards, credit will be given to the Transmission Customer(s) that are actually requested to curtail their energy schedules associated with the confirmed Point-To-Point Transmission Service. No credits will be given for: (1) TLR events external to the Transmission System; (2) Non-Firm Secondary Point-To-Point Transmission Service under a Firm Point-To-Point reservation; or, (3) Next-Hour Transmission Service. Under no circumstances shall the amount credited exceed the amount the customer was actually curtailed nor will credit be given for any hours other than those in which the Curtailment was requested.

**9. Transmission Pricing Zone Specific Rates and Revenue Requirements:** For TO-REs electing to utilize Attachment ZZ, the formula in Attachment ZZ shall be used to establish NREACs for each applicable Transmission Pricing Zone unless the Commission allows a modification to the formula, a new formula, or different rates to be used for a Transmission Pricing Zone. The Transmission Pricing Zone zonal rate shall be calculated using the same divisor as is used for the calculation of the Schedule 9 rates.

**10. Joint Transmission Pricing Zone Rate Development:** NREACs where there is more than one TO-RE within a Transmission Pricing Zone will be the same for all Transmission Customers within that Transmission Pricing Zone. Except as indicated, the zonal NREAC shall reflect the sum of the NERC Recommendation or Essential Action-related revenue requirements for those transmission facilities located within the Transmission Pricing Zone and related to each TO-RE within that Transmission Pricing Zone as calculated under Attachment ZZ divided by the same divisor as is used for the calculation of rates in Schedule 9.

**11. Compliance With Agreements:** If the Commission has allowed agreements to become effective that require a waiver of any of the charges under this Schedule 45, then such charges shall be waived.

**12. Revenue Distribution:** All revenues collected by the Transmission Provider as part of this Schedule 45 shall be distributed 100% to each TO-RE in proportion to their annual pro-rata share of the total Attachment ZZ revenue requirement for the Transmission Pricing Zone or Zones associated with the NERC Recommendation or Essential Action.

**13. True-Up:** To the extent a TO-RE uses a forward-looking Attachment O formula rate, the TO-RE shall use procedures with respect to its NREAC costs and revenues to calculate a NREAC True-Up, for receiving under-recoveries and returning over-recoveries to Transmission Customers, consistent with its Attachment GG true-up procedures.