

HOW COMPANY RATES WORK THROUGH THE TOA, THE RTO WEST TARIFF AND THE PAYMENT AGENT AGREEMENT

1. The Participating Transmission Owner ("PTO") will include in its tariff filing its allocated Company Rate costs (which will not include any transfer charges to other PTOs or cost sharing for new Transmission Facilities). The PTO also will include in its tariff filing its billing determinants.
2. The RTO West Tariff will contain a formula pass-through of each PTO's Company Rate revenue requirements to the PTO's Company loads. The formula will call for a load-based charge based on the billing determinants of the applicable PTO.
3. The numerator of the load-based Company Rate charge will be adjusted in the RTO West Tariff formula for (a) net transfer charges (or RTO access charges in lieu of transfer charges) to be paid or received by the applicable PTO, (b) any cost sharing amount applicable to the PTO with respect to newly-constructed Transmission Facilities, as initially determined by the RTO from the initial scheduled amounts established by an RTO West cost allocation process (with such amount as initially determined to be subject to change during the Company Rate period only through an RTO West Tariff change), (c) revenues from the sale of non-exempt firm transmission rights ("FTR") and recallable transmission rights ("RTR") as allocated to such PTO offset transfer charges paid with respect to pre-RTO short-term firm and non-firm transmission service or to replace the PTO's lost transfer charge revenues from long-term transmission sales for which FTRs have ceased to be provided, (d) any other non-exempt FTR revenues received by the applicable PTO. The RTO West Tariff will determine whether the various transfer or access charges will be applied on a current basis or on a lagged basis, but must include all such charges, and if lagged, the earnings thereon.
4. The RTO West Tariff rate to individual transmission dependent utilities served under such Company Rate also will include as an additional charge any transfer charges, pursuant to an RTO West Tariff schedule, for pre-RTO short-term firm and non-firm transmission service.
5. The Company Charge expressly will be tarified by RTO West on behalf of the PTOs, with payments thereunder to be made to the Payment Agent for the various PTOs.
6. RTO West also will charge and collect on behalf of each PTO (a) all transfer charges or access charges due from non-PTO transmission customers that are not receiving load service pursuant to a Company Rate, (b) all revenues for initial sales of non-exempt FTRs and RTRs made prior to the pre-schedule day and (c) any allowed Stranded Costs.
7. RTO West will tariff and collect on its own behalf, pursuant to its own cost allocation formula (a) its uplift charge (including the costs of intra-zonal congestion clearing), (b) charges for Ancillary Services the RTO has sold as a provider of last resort,

and (c) all revenues for sale of FTRs and RTRs sold on and after the applicable pre-schedule day.

8. The Payment Agent shall (a) receive all applicable Company Rate payments and non-exempt FTR and RTR revenue payments for Transmission Service,¹ (b) make transfers among the PTO “lockboxes” each month pursuant to the RTO schedule of transfer charges, (c) make transfers among the PTO "lockboxes" each month pursuant to the RTO schedule any cost sharing amount with respect to newly-constructed Transmission Facilities and (d) remit the remaining funds to the PTO. The uplift charge and the Ancillary Services charges will be remitted to and will be retained by RTO West.

¹ Revenues from FTRs and RTRs that are not sold prior to the pre-schedule day will be paid directly to the RTO and will be distributed as set out in the accompanying allocation paper.