

RTO West Tariff

Definitions

Ancillary Services: Those services that are necessary to support the transmission of energy from resources to loads while maintaining reliable operation of the Transmission System in accordance with Good Utility Practice. *[NOTE: from SMD tariff]*

Company Load: The portion of the Executing Transmission Owner's Interconnected Load associated with (1) Load Service Obligation (converted or non-converted) plus, (2) network contracts converted to RTO West Transmission Services other than Non-Converted Transmission Service, (3) Incremental Load Service beyond any Transmission Services provided under Non-Converted Transmission Service or converted Transmission Services for which a Transfer Charge is paid. *[NOTE: from TOA[Need to address new service within RTO West either here or in a separate subsection.]*

Direct Assignment Facilities: Facilities or portions of facilities that are constructed for the sole use/benefit of a particular Customer requesting service under the Tariff. Direct Assignment Facilities shall be specified in the Service Agreement that governs service to the Customer and shall be subject to Commission approval. *[NOTE: from SMD tariff]*

Incremental Load Service: Additional use of Transmission Services beyond the capacity paid for by conversion of a Pre-Existing Transmission Agreement. This is intended to include additional use resulting from load growth to the extent such growth is not covered by the converted agreement. If the converted agreement was for network-type service, the Company Rate will apply to the incremental increase. If the converted agreement was for point-to-point-type service and included a flexible demand base which includes load growth, the Transfer Charges will be increased to cover the load growth. **[If the entity obtaining Incremental Load Service is not a load, the incremental increase in service will be subject to the applicable Company Rate.]** New service requests **[or changes to firm capacity reservations or capacity additions not expressly authorized by the Pre-Existing Transmission Agreement for point-to-point service under the OATT]** will be subject to conversion to RTO West Transmission Use Service by the Participating Transmission Owner or RTO West and any service granted will be subject to applicable rates and charges for that service.

Load Service Obligation: Transmission service to loads with respect to which the Executing Transmission Owner has a legal obligation to provide such transmission service. For purposes of cataloguing transmission rights, transmission used to satisfy obligations under a General Transfer Agreement or similar contractual obligation of Bonneville's shall be considered a Load Service Obligation of the party delivering energy to load and returning energy to its counterparty. For purposes of contract conversion, loads served by General Transfer Agreements are Company Loads of Bonneville, and

general transfer agreements under which Bonneville contracts with a Participating Transmission Owner to provide delivered energy on behalf of the Participating Transmission Owner are Company Loads of the Participating Transmission Owner. [NOTE: from TOA] **[STILL UNDER CONSIDERATION** - Need to consider in light of jurisdictional shift of transmission to FERC. If transmission service obligation is a state law obligation for IOUs, does this definition work with federal assumption of jurisdiction over transmission assets? Some think this is not an issue because the state obligation is an obligation to do whatever is necessary to serve end use load and whether a service such as transmission is jurisdictional to the state is not the issue. Could definition be more precise?] [Does this definition include DSIs with only PTP contracts and should it, given the special provision for fixed demand type contracts?]

[CLARIFICATION NEEDED? Need to make sure that a customer doesn't get stuck paying both 1.2.1 and 1.2.2 charges by virtue of the foregoing definition because this definition currently puts certain PTPs in both categories. The problem crops up when a PTP contract is held by the load]. **RESPONSE** – With regard to PTP contracts, under some circumstances the customer may be required to pay charges under both categories. See the draft chart of allocations attached.

Pre-Existing Transmission Agreements And Obligations: Those Transmission Agreements and Load Service Obligations, including those with the Merchant Function of the Executing Transmission Owner, in effect immediately before the Transmission Service Commencement Date. [NOTE: from TOA]

Transfer Charges: Those charges to be paid to or received from other entities in connection with the suspension and conversion of Pre-Existing Transmission Agreements And Obligations for point-to-point-type service. The Transfer Charge shall equal the amount of money (or the internal credit) that the Executing Transmission Owner received for services provided under the Pre-Existing Transmission Agreements And Obligations during the Reference Period, adjusted, if applicable, for unit costs as set forth in Exhibit H (Schedule 2) to this Tariff. As Transfer Charges are established by other Participating Transmission Owners, RTO West shall set forth such Transfer Charges in Exhibit H (Schedule 2) and provide the Executing Transmission Owner with a revised copy of such Exhibit H (Schedule 2). Transfer Charges for a Participating Transmission Owner may include amounts receivable from the Participating Transmission Owner's Merchant Function. [NOTE: from TOA.

STILL UNDER CONSIDERATION - **[CONCEPTUAL QUESTION:** Confirm whether market design contemplates that transfers will be permitted to move power around within RTO West from a generator to a market hub (not directly to a load). Assuming the answer is yes, did Stage 2 deal assume generator or marketer moving power is not responsible for embedded costs but only congestion losses and ancillary services and GMC. Concern: Is this a disincentive for a load within the region that has only a PTP contract(s) to convert that PTP contract(s) and avoid paying a Company Rate because the generators or marketers can send to Mid C without charge and he can move the power from Mid C under his non-converted PTP.]

STILL UNDER CONSIDERATION - [NEED TO ADDRESS ISLANDS within RTO West]

Rates and Charges

[NOTE: This draft does not include planning and expansion charges. We do not know how they fit at this time.]

All sums payable pursuant to this tariff shall be paid to and collected by the Paying Agent on behalf of the Transmission Owner or other appropriate party entitled to the benefit of such payment, all in accordance with the Paying Agent Agreement.

1. Rates and Charges Applicable to Each Transmission Service.

1.1 Non-Converted Transmission Service to a Participation Transmission Owner. Participating Transmission Owners that are Transmission Customers shall pay RTO West the following charges:

1.1.1 Real Power Losses Charges will continue to be collected by the Participating Transmission Owner pursuant to the applicable Non-Converted Transmission Agreement. The Participating Transmission Owner will provide all energy or money collected to RTO West for use in the overall loss-recovery mechanism.

1.1.2 Congestion Charges only to the extent that a PTO has agreed to pay Congestion Charges as part of its obligation to provide Congestion Management Assets in order to cover some or all redispatch needed in connection with the PTOs catalogued transmission rights. **STILL UNDER CONSIDERATION - [Question confirm Stage 2 deal that RTO's remedy in the event of real time inadequacy of CM Assets is limited to rerunning the adequacy test on time schedule agreed upon, uplifting any past congestion costs and prospectively changing the CM Asset requirement. If uplift was anticipated is uplift to total amount to GMC or does the amount reflect any offset of funds in the Replacement Revenue Pool?]**

1.1.3 Ancillary Services Charges pursuant to Section 3 if a Participation Transmission Owner does not elect Self-Provision;

1.1.4 Grid Management Charge pursuant to Section 2.6

This Tariff does not address rates and charges for services under Non-Converted Transmission Agreements paid by customers (including, without limitation, other Participating Transmission Owners) of Participating Transmission Owners .

[NOTE – Regarding the foregoing point, see revised definition of

Incremental Load Service.]

1.2 Transmission Use Service. The charges applicable to Transmission Use Service varies depending upon (1) the type of Pre-Existing Transmission Agreement (PTP-type or network) for converted service or (2), for new service, whether the load served is located within or without the RTO West Control Area , as set forth below:

STILL UNDER CONSIDERATION - [Question: Does “Loads Pay” literally mean that they are the financially responsible party or is it merely a means of measuring the appropriate amount to be paid?][Also, can there be more than one contract holder responsible to pay the rates for the same load? (not intended to impact parties ability to do “side deals”)]

STILL UNDER REVIEW - [Check tariffs with License Plate pricing and determine whether they have a developed a construct similar to the one that was suggested by some who desire that any eligible customer be able to hold the contract for some or all service to a Company Load.]

1.2.1 New Transmission Use Service to Loads Within the RTO West Control Area. New Transmission Use Service to loads within the RTO West Control Area shall pay RTO West the following rates and charges:

1.2.1.1 Company Rate pursuant to Section 2.1.

1.2.1.1.1 If a Participating Transmission Owner acting on behalf of Company Loads is wheeling on another Participating Transmission Owner’s system, the resulting Transfer Charge for such use will be included as part of the paying Participating Transmission Owner’s Company Rate calculation.

1.2.1.1.2 A Transmission Customer, other than a Participating Transmission Owner, purchasing new Transmission Use Service for a load within the RTO West Control Area may also be receiving service through conversion of a Pre-Existing Transmission Agreement for point-to-point-type service. In that case, the Transmission Customer will pay both a Company Rate for the new incremental Transmission Use Service and a Transfer Charge for the pre-existing converted point-to-point-type service contract.*[NOTE: Confirmed that transfer charges that provide access to an external access point are included in the company rate calculation and when paid exempt*

*the company load from paying the external access fee to the extent it has CTR or FTO to that point. See Pricing White Paper page 13.]***FOREGOING NOTE STILL UNDER REVIEW**

- 1.2.1.2 Real Power Losses Charge** pursuant to Section 2.3.
 - 1.2.1.3 Congestion Charges** pursuant to Section 2.5, to the extent not covered by Catalogued Transmission Rights or Financial Transmission Options.
 - 1.2.1.4 Ancillary Services Charges** pursuant to Section 3.
 - 1.2.1.5 Backstop Cost Recovery Fee** (if one is adopted by RTO West and to the extent applicable) pursuant to Section 2.4.3.
 - 1.2.1.6 Grid Management Charge** pursuant to Section 2.6.
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- 1.2.2 New Transmission Use Service to Loads Outside the RTO West Control Area.** New Transmission Use Service to loads outside the RTO West Control Area shall pay RTO West the following rates and charges:
 - 1.2.2.1 Real Power Losses Charge** pursuant to Section 2.3.
 - 1.2.2.2 Congestion Charges** pursuant to Section 2.5, to the extent not covered by Catalogued Transmission Rights or Financial Transmission Options.
 - 1.2.2.3 Ancillary Services Charges** pursuant to Section 3.
 - 1.2.2.4 External Interface Access Fee** pursuant to Section 2.4.1.
 - 1.2.2.5 Backstop Cost Recovery Fee** (if one is adopted by RTO West and to the extent applicable) pursuant to Section 2.4.3.
 - 1.2.2.6 Grid Management Charge** pursuant to Section 2.6.
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- 1.2.3 Transmission Use Service Derived From Conversion of Point-To-Point-type Contracts.** [STILL UNDER REVIEW - Are there any pre-existing contracts that are network type but fixed demand, that is provide for no load growth?] Transmission Use Service derived from conversion of point-to-point-type contracts shall pay RTO West the following rates and charges:.
 - 1.2.3.1 Company Rate** pursuant to Section 2.1, only if the Transmission Customer is not a Participating Transmission Owner and is purchasing new service that is in addition to rights held by the Transmission Customer as the result of conversion of a Pre-Existing Transmission Agreement. In such case, the Transmission Customer will pay both a Company Rate for the incremental Transmission Use Service and a Transfer Charge for the converted point-to-

point-type service contract.

1.2.3.2 Transfer Charge pursuant to Section 2.2. The Transfer Charge will not include charges for losses because the Transmission Customer will be paying the RTO separately for Real Power Losses, pursuant to Section 1.2.3.3 below.

1.2.3.3 Real Power Losses Charge pursuant to Section 2.3.

1.2.3.4 Congestion Charges pursuant to Section 2.5, to the extent not covered by Cataloged Transmission Rights or Financial Transmission Options.

1.2.3.5 Ancillary Services Charges pursuant to Section 3.

1.2.3.6 External Interface Access Fee (to the extent applicable) pursuant to Section 2.2, or in the alternative a Transfer Charge (to the extent applicable) pursuant to Section 2.4. **STILL UNDER REVIEW - [Question:** Pricing Paper suggests that a customer who converts a 100MW PTP between any points within RTO West to FTO's must pay the EIAF when the customer transmits up to 100MW to an external point –if the underlying contract did not name an external point. Does this customer contribute twice to the embedded costs of the system? Is this appropriate. (We assume this rule put in to avoid cost shifting.)]

1.2.3.7 Backstop Cost Recovery Fee (if one is adopted and to the extent applicable) pursuant to Section 2.4.3.

1.2.3.8 Grid Management Charge pursuant to Section 2.6.

1.2.4 Transmission Use Service Derived from Conversion of Network-type Contracts. Transmission Use Service derived from conversion of network-type contracts shall pay RTO West the following rates and charges:

1.2.4.1 Company Rates pursuant to Section 2.1

1.2.4.2 Real Power Losses Charge pursuant to Section 2.3.

1.2.4.3 Congestion Charges pursuant to Section 2.5, to the extent not covered by Cataloged Transmission Rights or Financial Transmission Options.

1.2.4.4 Ancillary Services Charges pursuant to Section 3.

1.2.4.5 External Interface Access Fee pursuant to Section 2.2.

1.2.4.6 Backstop Recovery Fee (if one is adopted and to the extent applicable) pursuant to Section 2.4.3.

1.2.4.7 Grid Management Charge pursuant to Section 2.6.

2. Description of Rates and Charges

2.1 Company Rate. A charge to access the RTO West Transmission System [Islands?] calculated pursuant to Exhibit G of the RTO West Transmission

Operating Agreement which is restated herein as Schedule 1. [*NOTE: We need to define which Company Rate applies to each load.*]

2.2 Transfer Charge. A payment for service under a converted Pre-Existing Transmission Agreement that is based on the transmission service charges paid by a PTO's transmission service customer under the Pre-Existing Transmission Agreement and calculated pursuant to Exhibit H of the RTO West Transmission Operating Agreement which is restated herein as Schedule 2.

2.3 Real Power Losses Charge. Real Power Losses are associated with all Transmission Services. RTO West is not obligated to provide Real Power Losses. [*NOTE: The work of the Market Design workgroup may require this section to be revised.*]

2.4 External Interface Access Fee, Replacement Revenue Pool, and Backstop Recovery Mechanism. [*NOTE: Consider consolidating and streamlining Sections 2.4.1 and 2.4.3, and placing Section 2.4.2 in a separate portion of the Tariff.*]

2.4.1 External Interface Access Fee. Transmission Customers scheduling energy from a point within or through RTO West for delivery at an External Interface Point must have External Interface Access, which may be obtained by: (1) taking Non-Converted Transmission Service to serve Non-Converted Transmission Agreements that provided access to an External Interface Point; (2) conversion of a Pre-Existing Transmission Agreement And Obligation that provided access to an External Interface Point; or (3) payment of the External Interface Access Fee to RTO West, pursuant to Exhibit I of the RTO West Transmission Operating Agreement which is restated herein as Schedule 3

2.4.2 Replacement Revenue Pool. Revenues from External Interface Access Fees and surplus revenues from the congestion management system shall be allocated to the Executing Transmission Owners pursuant to Exhibit I of the RTO West Transmission Operating Agreement which is restated herein as Schedule 3.

2.4.3 Backstop Cost Recovery Fee. When a sustained under- or over-collection of the Revenue Recovery Target occurs, RTO West shall develop an appropriate charge, the Backstop Cost Recovery Fee, or adjustment pursuant to Exhibit I of the RTO West Transmission Operating Agreement which is restated herein as Schedule 3.

2.5 Congestion Charges. <Need details from Market Design Workgroup>

2.6 Grid Management Charge. RTO West shall recover its administrative and operating costs, including the costs associated with the development and formation of RTO West, from all schedules submitted to RTO West through a dollar-per-megawatt-hour (“\$/MWh”) charge pursuant to Exhibit J of the RTO West Transmission Operating Agreement which is restated herein as Schedule 4.

2.7 Planning and Expansion Charges: <Need proposal from RTO West >

- 2.7.1 Direct Assignment Facilities
- 2.7.2 Study Costs
- 2.7.3 Etc.

3. Ancillary Services Charges: <Need details from Market Design Workgroup>

SCHEDULE 1

EXHIBIT G

RTO WEST TRANSMISSION OPERATING AGREEMENT
(2002)

COMPANY RATES

The Company Rate to be included in RTO West's charges to the Executing Transmission Owner's Company Loads [**Company Loads Issue Flag**] during the Company Rate Period shall be calculated pursuant to the following formula:

$$\begin{aligned} \text{Company Rate} = & \left[\left(\text{Company Costs} + \text{Revenues from Transfer Charges} - \text{Costs} \right. \right. \\ & \left. \left. \text{incurred for Transfer Charges} - \text{Revenues from Non-converted} \right. \right. \\ & \left. \left. \text{Transmission Agreements} + \text{Costs of Non-converted} \right. \right. \\ & \left. \left. \text{Transmission Agreements} \right) \right] / \left(\text{Company Billing Determinants} \right) \\ & + \left[\left(\text{Transmission Facility Cost Sharing Payments} - \text{Allocated} \right. \right. \\ & \left. \left. \text{Merchant Function External Interface Access Fee Revenue} - \right. \right. \\ & \left. \left. \text{Replacement Revenue Pool Allocation (if applicable)} + \text{TOA} \right. \right. \\ & \left. \left. \text{Costs Allocation} \right) \right] / \left(\text{ETO Interconnected Load Billing} \right. \\ & \left. \left. \text{Determinants} \right) \end{aligned}$$

STILL UNDER CONSIDERATION - [Do we need to clarify what a PTO files prior to setting the Company Rate by RTO West][See Section 16 of TOA for discussion of this issue]

The terms in the formula that are not Transmission Operating Agreement defined terms are defined as follows:

Allocated Merchant Function External Interface Access Fee Revenue means revenues from an Executing Transmission Owner's affiliated merchant for use of External Interface Points located on the facilities owned by an Executing Transmission Owner. These revenues are not included in the Replacement Revenue Pool, but are credited directly to the Executing Transmission Owner to lower revenue requirements.

Revenue from Non-Converted Transmission Agreements means the payments from Pre-Existing Transmission Agreements that do not convert to RTO West Transmission Use Service that are made to the Executing Transmission Owner provider as provided by those agreements.

Cost of Non-converted Transmission Agreements are payments made by an Executing

Transmission Owner for transmission purchased from other transmission providers, which are included in Company Rates as part of the elimination of pancaking.

Replacement Revenue Pool Allocation means the allocated share of revenues collected from External Interface Access Fees, surplus revenues from Congestion Management, and revenues from the Backstop Recovery Mechanism, if triggered as described in Exhibit I.

TOA Costs Allocation means an Executing Transmission Owner's allocated share of TOA Costs.

SCHEDULE 2

EXHIBIT H
RTO WEST TRANSMISSION OPERATING AGREEMENT
(2002)

ANNUAL TRANSFER CHARGE AMOUNTS

The Executing Transmission Owner agrees that for purposes of calculating Company Rates, the Transfer Charges set forth herein and applicable to the Executing Transmission Owner shall be applied by RTO West for the associated agreements that are converted to RTO West Transmission Service, other than Non-Converted Transmission Service, for the term of the Pre-Existing Transmission Agreements. This Exhibit H will be revised any time additional Pre-Existing Transmission Agreements with a term of one (1) year or longer are converted to Transmission Service other than Non-Converted Transmission Service. Transfer Charges for such agreements will be based on the [amount of money the Participating Transmission Owner received for services under the Pre-Existing Transmission Agreement and Obligation during the Reference Period, adjusted, if applicable, for unit costs as set forth in this Schedule][NOTE: The foregoing text is taken from the definition of Transfer Charge in the TOA] most recent contract information, including the current Executing Transmission Owner transmission rate applicable to that agreement.[Need to conform the preceding sentence with definition of Transfer Charge][SEE ABOVE] Conversion of a network agreement serving an Executing Transmission Owner's Interconnected Load will not result in a Transfer Charge, because the Interconnected Load will pay the Executing Transmission Owner's Company Rate after conversion.

Transfer Payments Between Participating Transmission Owners

If the Executing Transmission Owner has a Pre-Existing Transmission Agreement with another Participating Transmission Owner that

- (1) is necessary to meet its own load service obligations within RTO West,
- (2) expires during the Company Rate period and
- (3) provides for rollover rights, pursuant to the agreement or the Participating Transmission Owner's Open Access Transmission Tariff,

then upon expiration of the agreement, the agreement shall be automatically extended through the remaining term of the Company Rate Period, and the Executing Transmission Owner shall

- (i) continue to receive service pursuant to the agreement, and
- (ii) pay the Participating Transmission Owner's applicable contract charge for non-converted pre-existing open access transmission tariff agreements. This provision will not apply if and when the Executing Transmission Owner no longer needs the service under the agreement to meet its own load service obligations within RTO West.

STILL UNDER REVIEW - [Assumption – That if a PTO experiences partial load reduction, the extended contract will reflect the new reduced load and payment will be adjusted appropriately] [Is this also true if new resources are acquired to serve load?]

If the Executing Transmission Owner voluntarily converts a Pre-Existing Transmission Agreement with another Participating Transmission Owner (so that is subject to a Transfer Charge for at least the remaining duration of the Company Rate Period), the provisions that apply generally to conversion of Pre-Existing Transmission Agreements shall apply to such conversion. **STILL UNDER REVIEW** - [Compared to treatment of non-converted contracts, is this a disincentive to convert? Should we adjust?]

If (1) a pre-Order 888 contract has pricing provisions different from the Open Access Transmission Tariff, (2) the Executing Transmission Owner customer extended the service beyond the expiration date in the contract pursuant to a Rollover Right and (3) the Rollover Right did not include a right to continuation of the non-Open Access Transmission Tariff pricing provisions, then the Executing Transmission Owner shall adjust the contract charges or Transfer Charges for service after the original expiration date to be consistent with its Open Access Transmission Tariff.

Executing Transmission Owner — Bonneville

A. Transfer Charges receivable from:

- (1) Transmission Customer A
 - (a) Long-Term Wheeling Revenues: (list agreement, duration and amount) **[Note: Amounts listed will include the total of all such long-term wheeling revenues received from the Transmission Customer and from its affiliates.]**
- (2) Transmission Customer B, etc.

B. Bonneville does/does not elect for the Transfer Charge adjustment provisions of this Exhibit H to apply to all Transfer Charges set forth above (other than those Transfer Charges identified above as nonadjustable under applicable Pre-Existing Transmission Agreements).

[Repeat the same listings for every potential Executing Transmission Owner with Transfer Charge rights or obligations, including Canadian entities and Electric Utilities served under Company Rates of Executing Transmission Owners.]

Transfer Charge Adjustment

If an Executing Transmission Owner has elected not to apply the Transfer Charge Adjustment, its Transfer Charge entitlements as shown above throughout the Company Rate Period shall be the amounts as stated in this Exhibit H. If an Executing Transmission Owner has elected to apply the Transfer Charge Adjustment, upon any filing of a Company Cost change (after the initial Company Cost filing), RTO West shall

determine, consistent with the Executing Transmission Owner's statutory ratemaking process **STILL UNDER CONSIDERATION** - [**Assumption** – RTO West initiates this determination with a filing at FERC? (Michael E)] and using a prospective, two-year test period, the increase or decrease in such Executing Transmission Owner's unit transmission costs based upon the filed (i) Company Costs, (ii) adjustments and (iii) load data used to calculate its Company Rate pursuant to the formula in Exhibit G to the Transmission Operating Agreement. Such unit-cost percentage increase or decrease shall be filed with FERC for acceptance or approval if applicable and applied to adjust all Transfer Charges specified in this Exhibit H as owed to such Executing Transmission Owner, other than those Transfer Charges identified above as non-adjustable under applicable Pre-Existing Transmission Agreements.

SCHEDULE 3

EXHIBIT I

RTO WEST TRANSMISSION OPERATING AGREEMENT
(2002)

EXTERNAL INTERFACE ACCESS FEE,
REPLACEMENT REVENUE POOL AND
BACKSTOP RECOVERY MECHANISM

An RTO West Transmission Customer scheduling from a point within or through the RTO West Transmission System to an External Interface Point must have External Interface Access that it can obtain in one of three ways: (1) purchase from RTO West by payment of the External Interface Access Fee, (2) receive upon conversion of a Pre-Existing Transmission Agreement that provided access to an External Interface Point or (3) be a Executing Transmission Owner taking Non-Converted Transmission Service from Pre-Existing Transmission Agreements And Obligations that provided access to an External Interface Point. The External Interface Points are listed in this Exhibit I.

Revenues from External Interface Access Fees and surplus revenue produced by the congestion management system will be combined to form the Replacement Revenue Pool, which shall be allocated to the Executing Transmission Owners to replace (1) historical revenues generated from short-term and nonfirm transmission service and (2) revenues lost after RTO West start-up as a result of expiring long-term contracts. If there is a sustained under- or over-collection of the Revenue Recovery Target, the Backstop Recovery Mechanism will be triggered to adjust revenues flowing into the Replacement Revenue Pool as described below.

I. External Interface Access Fee

The External Interface Access Fee will be calculated based on the average cost of the RTO West Transmission System, i.e., a system-wide “Postage Stamp” rate. The External Interface Access Fee will be discountable by RTO West only to maximize collections of the Replacement Revenue Pool, with all sales at a given External Interface Point for a given time receiving the same discount. Discounting at one External Interface Point does not require discounting at another External Interface Point, and discounting for a given time period does not require discounting for a different time period. External Interface Access may be resold to other RTO West Transmission Customers and, if purchased at full price from RTO West, may be used at any External Interface Point. If purchased at a discount, use will be limited to the External Interface Point to which the discount applied. If External Interface Access is derived from a Pre-Existing Transmission Agreement, its use will be limited to the External Interface Point named in the agreement. Rates for the External Interface Access Fee will be published for Annual, Monthly, Weekly, Daily and Hourly periods (or strips) and shall be calculated as follows:

- A. Annual Service—The rate for Annual Service shall not exceed the sum of all the Executing Transmission Owners Company Costs divided by the 12 CP demand of the RTO West Transmission System, including both internal loads and exports.
- B. Monthly Service—The rate for Monthly Service shall not exceed the rate for Annual Service divided by 12 months.
- C. Weekly Service—The rate for Weekly Service shall not exceed the rate for Annual Service divided by 52 weeks.
- D. Daily Service—The rate for Daily Service shall not exceed the rate for Weekly Service divided by 6 days.
- E. Hourly Service—The rate for Hourly Service shall not exceed the rate for Daily Service divided by 16 peak hours.

II. Replacement Revenue Pool

The Replacement Revenue Pool is made up of revenues from External Interface Access Fees and from the surplus revenues produced by the Congestion Management System, i.e., revenues from FTO Auctions and the net revenues from over and under collection of congestion clearing activities. External Interface Access Fee revenues from a Executing Transmission Owner's merchant function for use of External Interface Points located on the transmission facilities owned by that Executing Transmission Owner are credited directly to the Executing Transmission Owner to revenue requirements, as specified in Exhibit G. These revenues are not included in the Replacement Revenue Pool.

If the Backstop Recovery Mechanism is triggered by under-collection, as described below, the revenues from additional charges instituted to correct a shortfall will become part of the Replacement Revenue Pool.

A. Revenue Recovery Target—The Revenue Recovery Target is a fixed dollar amount equal to the average of the sum of non-firm and short-term revenues collected by each Executing Transmission Owner from entities other than that Executing Transmission Owner's affiliates for a set of calendar years beginning with 1999 and running until the last full calendar year that immediately precedes RTO West's commencement of operations (the Reference Period). The Revenue Recovery Target will be adjusted for lost revenues resulting from long-term contracts that expire during the Company Rate Period by an amount equal to the revenue from the expiring contract during the last year of the Reference Period. A complete year of revenue from an agreement will be included as the last full calendar year revenue if the agreement had a service commencement date after January 1 in the last year of the Reference Period or in any year following the last year of the Reference Period.

B. Annual Recovery Differential—The Annual Recovery Differential will be equal to the annual collections by the Replacement Revenue Pool minus the Revenue Recovery Target.

C. Replacement Revenue Pool Allocation—Each year, RTO West will allocate the annual collections flowing into the Replacement Recovery Pool, with over- and under-collections flowing through to Executing Transmission Owners. Each Executing Transmission Owner shall receive a share of the Replacement Revenue Pool equal to the annual balance in Replacement Revenue Pool times an allocator equal to the Executing Transmission Owner’s revenues included in the Revenue Recovery Target divided by total Revenue Recovery Target.

III. Backstop Recovery Mechanism

A. Backstop Recovery Mechanism Triggers—When a sustained under or over collection of the Revenue Recovery Target occurs, the Backstop Recovery Mechanism will be triggered. The Backstop Recovery Mechanism will be triggered by an under-recovery, if the cumulative sum of the Annual Recovery Differentials is negative and the absolute value of the cumulative sum exceeds the absolute value of the difference between the lowest annual short-term and nonfirm revenue in the Reference Period and the average annual short-term and nonfirm revenue in the Reference Period. The Backstop Recovery Mechanism will be triggered by an over-recovery, if the cumulative sum of the Annual Recovery Differentials is positive and the cumulative sum exceeds the difference between the highest annual short-term and nonfirm revenue in the Reference Period and the average annual short-term and nonfirm revenue in the Reference Period.

B. Correction of Sustained Under- or Over-Recovery—If the Backstop Recovery Mechanism is triggered by under-recovery, RTO West will develop an appropriate charge or charges to correct the cumulative shortfall and recover the Revenue Recovery Target on a prospective basis. If the Backstop Recovery Mechanism is triggered by over collection, RTO West will propose an appropriate mechanism for adjusting the cumulative over collection and recover the Revenue Recovery Target on a prospective basis. The actual design and application of a Backstop Cost Recovery fee will be left to RTO West if the backstop mechanism is triggered. In establishing appropriate charges, RTO West will consider possible causal relationships and the minimization of cost shifting and ensure that all customers’ uses contribute to the recovery of the fixed costs of the system.

SCHEDULE 4

EXHIBIT J
GRID MANAGEMENT CHARGE

The Grid Management Charge (GMC) is a formula rate designed to recover certain RTO West administrative and operating costs, as specified below. The GMC will be a dollar-per-megawatt-hour (\$/MWh) charge levied on all schedules submitted to RTO West.

Calculation of GMC

The GMC will be calculated as follows and will be revised periodically as needed, but no less than once every twelve (12) months. (*Note: References to account numbers below are to those used for FERC Form 1.*)

Grid Management Charge = Revenue Requirement / (Loads + Exports)

Where:

*Revenue Requirement = Operating Expenses + Debt Service – Interest Earnings
– Reserve Transfer*

Loads = the total annual energy delivered under Transmission Use Service + total annual energy delivered under Non-Converted Transmission Service

Exports = the total annual energy scheduled out of RTO West under Transmission Use Service or Non-Converted Transmission Service

Where:

Operating Expenses = O&M Expenses plus certain Taxes Other Than Income Taxes (Account 408.1); provided that any taxes subject to allocation under section 25.20 of the Transmission Operating Agreements between RTO West and Initial Participating Transmission Owners shall not be included in Operating Expenses for calculation of GMC.

O&M Expenses = Transmission O&M Expenses (Accounts 560-574) plus Customer Accounting Expenses (Accounts 901-905) plus Customer Service and Information Expenses (Accounts 906-910) plus Sales Expenses (Accounts 911-917) plus Administrative & General Expenses (Accounts 920-935); provided that costs properly allocated to the management of congestion by RTO West shall not be included in O&M Expenses for calculation of the GMC.

Debt Service = for any fiscal year, scheduled principal and interest payments,

sinking fund payments related to balloon maturates, repayment of commercial paper notes, net payments required pursuant to a payment obligation or payments due on any RTO West notes. This amount includes the current year accrued principal and interest payments; provided that costs properly allocated to the management of congestion by RTO West shall not be included in Debt Service for calculation of the GMC.

Interest Earnings = Interest earnings on Operating and Capital Reserve balances (Account 419). Interest on bond or note proceeds specifically designated for capital projects or capitalized interest is excluded; provided that interest costs properly allocated to the management of congestion by RTO West shall not be included in Interest Earnings for calculation of the GMC.

Reserve Transfer = the projected reserve balance for year-end of the prior fiscal year less the Reserve Requirement as adopted by the RTO West Board of Directors and FERC; provided that the cost of reserves properly allocated to the management of congestion by RTO West shall not be included in the Reserve Transfer for calculation of the GMC. If such amount is negative, the amount may be divided by (*e.g., two (2)*) so that the reserve is replenished within a (*e.g., two-(2-)*) year period. (Account 128 subaccounts)

Reserve Requirement = (*e.g., fifteen percent (15%)*) of Annual Operating Expenses; provided that the cost of reserves properly allocated to the management of congestion by RTO West shall not be included in the Reserve Transfer for calculation of the GMC.

Extraordinary expenses or losses that, consistent with generally accepted accounting practices, can be booked to accounts other than the accounts listed above shall not be included in such accounts for calculation of the GMC. No costs other than costs specified in this Exhibit shall be included in the calculation of the GMC.