

Cross Border Economic Projects

How Will the Money Flow?

July 24, 2008

Transmission Settlements

Cross Border Economic Projects

- How will the money flow?
 - Midwest ISO TO builds a Cross Border Economic Project
 - How will PJM be charged for the costs?
 - How will the TO be compensated?
 - PJM TO Builds a Cross Border Economic Project
 - How will Midwest ISO entities be billed?

Economic Cross Border Projects

- Options
 - One option is to apply the current tariff provisions for Cross Border Reliability Projects to Economic Projects
 - Attachment CC
 - Schedule 25

Cross Border Reliability Projects

- **Attachment CC**

- Sets forth the method for calculating the charges allocable to PJM relating to Projects constructed by Midwest ISO TOs/ITCs

- **Schedule 25 Governs**

- How PJM will be charged
- How the Midwest ISO TOs/ITCs will be compensated
- How the Midwest ISO entities will be billed

Attachment CC

- Sets forth the method to calculate the charges allocable to PJM relating to Cross Border Reliability Projects constructed by Midwest ISO Entities
- By 4/30 each year Midwest ISO TOs/ITCs supply
 - Gross plant investment for Cross Border projects placed in service as of 12/31 of the previous calendar year
 - Fixed carrying charge (similar to Attachment GG)
 - 12 monthly transmission system peaks
- Midwest ISO calculates revenue requirement
 - Apply fixed carrying charge to the portion of gross plant investment allocable to PJM
 - Monthly charge = annual charge divided by 12
 - TOs record revenues in Account No. 456

Schedule 25

- Cross Border Reliability Projects constructed by Midwest ISO TOs/ITCs
 - How will PJM be charged?
 - The Midwest ISO will monthly bill PJM for the revenue requirements calculated under Attach CC
 - The monthly revenue requirements charged to PJM will be set forth on Schedule 25-1 with appropriate filings submitted to FERC to reflect such
 - How will Midwest ISO TOs/ITCs be compensated?
 - Revenues collected from PJM will be allocated based on the ratio of each TOs/ITCs Cross Border Reliability Project revenue requirement to the total revenue requirement

Schedule 25 (cont.)

- Cross Border Reliability Projects constructed by PJM TOs
 - How will Midwest ISO Entities be billed?
 - Based on the allocation of the relative contribution of the load in each of the affected pricing zones to the loading on the constrained facility giving rise to the Cross Border Project
 - Midwest ISO will prepare a schedule showing the allocation to affected entities
 - Affected Midwest ISO entities will be provided a comment period
 - File with FERC
 - Charges will be set forth on Schedule 25-2

Schedule 25 (cont.)

- Other cost allocation methods?
 - The group may want to consider other cost allocation methods to apply to Economic Projects

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Questions / Comments / Discussion