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1.40 Service Agreement: The initial agreement and any amendments or supplements thereto entered into by the Transmission Customer and the Transmission Provider for service under the Tariff.

1.41 Service Commencement Date: The date the Transmission Provider begins to provide service pursuant to the terms of an executed Service Agreement, or the date the Transmission Provider begins to provide service in accordance with Section 15.3 or Section 29.1 under the Tariff.

1.41a Service Year: The twelve-month period beginning June 1 of a year and ending May 31 of the following year in which the Transmission Customer is receiving service under the Tariff.

1.42 Short-Term Firm Point-To-Point Transmission Service: Firm Point-To-Point Transmission Service under Part II of the Tariff with a term of less than one year.

1.43 System Impact Study: An assessment by the Transmission Provider of (i) the adequacy of the Transmission System to accommodate a request for either Firm Point-To-Point Transmission Service or Network Integration Transmission Service and (ii) whether any additional costs may be incurred in order to provide transmission service.

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1.43a Tariff: The Transmission Provider's Open Access Transmission Service Tariff.

1.44 Third-Party Sale: Any sale for resale in interstate commerce to a Power Purchaser that is not designated as part of Network Load under the Network Integration Transmission Service.

1.45 Transmission Customer: Any Eligible Customer (or its Designated Agent) that (i) executes a Service Agreement,

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Transmission Provider's OASIS to post transmission capacity available for resale.

24 Metering and Power Factor Correction at Receipt and Delivery Points(s)

24.1 Transmission Customer Obligations: Unless otherwise agreed, the Transmission Customer shall be responsible for installing and maintaining compatible metering and communications equipment to accurately account for the capacity and energy being transmitted under Part II of the Tariff and to communicate the information to the Transmission Provider. Such equipment shall remain the property of the Transmission Customer.

24.2 Transmission Provider Access to Metering Data: The Transmission Provider shall have access to metering data, which may reasonably be required to facilitate measurements and billing under the Service Agreement.

24.3 Power Factor: Unless otherwise agreed, the Transmission Customer is required to maintain a power factor within the same range as the Transmission Provider pursuant to Good Utility Practices. The power factor requirements are specified in the Service Agreement where applicable.

25 Compensation for Transmission Service

The Transmission Customers taking Point-To-Point Transmission Service shall pay the Transmission Provider for any Direct

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Assignment Facilities, Ancillary Services and applicable study costs, consistent with Commission Policy along with the following:

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25.1 Rates and Charges: Rates for Firm and Non-Firm Point-To-Point Transmission Service are provided in the Schedules appended to the Tariff: Firm Point-To-Point Transmission Service (Schedule 7); and Non- Firm Point-To-

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Practice, also may Curtail Network Integration Transmission Service in order to (i) limit the extent or damage of the adverse condition(s) or disturbance(s), (ii) prevent damage to generating or transmission facilities, or (iii) expedite restoration of service. The Transmission Provider will give the Network Customer as much advance notice as is practicable in the event of such Curtailment. Any Curtailment of Network Integration Transmission Service will be not unduly discriminatory relative to the Transmission Provider's use of the Transmission System on behalf of its Native Load Customers. The Transmission Provider shall specify the rate treatment and all related terms and conditions applicable in the event that the Network Customer fails to respond to established Load Shedding and Curtailment procedures.

34 Rates and Charges

The Network Customer shall pay the Transmission Provider for any Direct Assignment Facilities, Ancillary Services, and applicable study costs, consistent with Commission policy, along with the following:

34.1 Monthly Demand Charge: The Network Customer shall pay a monthly Demand Charge per Schedule 9, which shall be determined by multiplying its Load Ratio Share times one twelfth (1/12)

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of the Transmission Provider's Annual Formula Revenue Requirements specified in Appendix A of Schedule 9.

34.2 Determination of Network Customer's Monthly Network Load: The Network Customer's monthly Network Load is its hourly load (including its designated Network Load not physically interconnected with the Transmission Provider under Section 31.3) coincident with the Transmission Provider's Monthly Transmission System Peak.

34.3 Determination of Transmission Provider's Monthly Transmission System Load: The Transmission Provider's monthly Transmission System load is the Transmission Provider's Monthly Transmission System Peak minus the coincident peak usage of all Firm Point-To-Point Transmission Service customers pursuant to Part II of this Tariff plus the Reserved Capacity of all Firm Point-To-Point Transmission Service customers.

34.4 Redispatch Charge: The Network Customer shall pay a Load Ratio Share of any redispatch costs allocated between the Network Customer and the Transmission Provider pursuant to Section 33. To the extent that the Transmission Provider incurs an obligation to the Network Customer for redispatch costs in accordance with Section 33, such amounts shall be credited against the Network Customer's bill for the applicable month.

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SCHEDULE 7

Firm Point-To-Point Transmission Service

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I. Each month, the Transmission Provider shall bill the Transmission Customer for Firm Transmission Service and the Transmission Customer shall be obligated to pay the Transmission Provider the charges as set forth in this schedule, as applicable.

Deleted: The Transmission Customer shall compensate the Transmission Provider each month for Reserved Capacity at the sum of the applicable charges set forth below:

A. Transmission Charge

1) **Long-Term Firm Point-To-Point Transmission Service**: There shall be a monthly Transmission Charge for each month of the year, which shall be the product of:

(a) the Transmission Provider's Formula Rate (expressed in $ per kilowatt-year), divided by twelve (12) months, and

(b) the Reserved Capacity per year (expressed in kilowatts).

2) **Monthly service**: The Transmission Charge shall be the product of:

(a) the Transmission Provider's Formula Rate (expressed in $ per kilowatt-year), divided by twelve (12) months, and

(b) the Reserved Capacity per month (expressed in kilowatts).

3) **Weekly service**: The Transmission Charge shall be the product of:

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(a) the Transmission Provider's Formula Rate (expressed in $ per kilowatt-year), divided by fifty-two (52) weeks, and

(b) the Reserved Capacity per week (expressed in kilowatts).

4) **Daily service**:

(a) For service on Monday through Saurday, the Transmission Charge shall be the product of:

(i) the Transmission Provider's Formula Rate (expressed in $ per kilowatt-year), divided by fifty-two (52) weeks, divided by six (6) days, and

(ii) the Reserved Capacity per day (expressed in kilowatts).

(b) For service on Sunday and WECC defined holidays, the Transmission Charge shall be the product of:

(i) the Transmission Provider's Formula Rate (expressed in $ per kilowatt-year), divided by fifty-two (52) weeks, divided by seven (7) days, and

(ii) the Reserved Capacity per day (expressed in kilowatts).

The total demand charge in any week, pursuant to a reservation for Daily service, shall not exceed the rate specified in section (3) above times the highest amount in kilowatts of Reserved Capacity in any day during such week.

5) **Discounts:** Three principal requirements apply to discounts for transmission service as follows:

(a) any offer of a discount made by the Transmission Provider must be announced to all Eligible Customers solely by posting on the OASIS,

(b) any customer-initiated requests for discounts (including requests for use by one's wholesale merchant or an affiliate's use) must occur solely by posting on the OASIS, and

(c) once a discount is negotiated, details must be immediately posted on the OASIS.

For any discount agreed upon for service on a path, from point(s) of receipt to point(s) of delivery, the Transmission Provider must offer the same discounted transmission service rate for the same time period to all Eligible Customers on all unconstrained transmission paths that go to the same point(s) of delivery on the Transmission System.

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2) **Monthly delivery:** $0.97/KW of Reserved Capacity per month.¶
3) **Weekly delivery:** $0.22/KW of Reserved Capacity per week.¶
4) **Daily delivery:** $0.04/KW of Reserved Capacity per day for service on Monday through Saturday.¶
5) **Daily delivery:** $0.03/kW of Reserved Capacity per day for service on Sunday and WSCC defined holidays.¶

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B. The Transmission Provider's Formula Rate

The Transmission Provider's Formula Rate for Firm Point-To-Point Transmission Service shall be determined in accordance with the rate formula specified in Appendix A of this schedule.

C. Tax Rates and Taxes

The Transmission Provider's Formula Rates set forth in this schedule in effect during a Service Year shall be based on the local, state and federal tax rates and taxes in effect during the Service Year. If, at any time, additional or new taxes are imposed on the Transmission Provider or existing tax rates are removed, the Transmission Provider's Formula Rate will be appropriately modified and filed with the Commission in accordance with Part 35 of the Commission's regulations.

II. In addition to the applicable charges set forth in Parts I and II of the Tariff, and as otherwise specified in the Service Agreement, the Transmission Customer shall pay the Transmission Provider each month the following additional charges for Firm Point-To-Point Transmission Service provided during such month.

A. Taxes and Fees Charge

If any governmental authority requires the payment of any fee or assessment or imposes any form of tax with respect to payments made for Firm Point-To-Point Transmission

Service provided under this Tariff, which is not specifically provided for in any of the charge or rate provisions under this Tariff, including any applicable interest charged on any deficiency assessment made by the taxing authority, together with any further tax on such payments, the obligation to make payment for any such fee, assessment, or tax shall be borne by the Transmission Customer. The Transmission Provider will make a separate filing with the Commission for recovery of any such costs in accordance with Part 35 of the Commission's regulations.

B. Regulatory Expenses Charge

The Transmission Provider shall have the right at any time, unilaterally to make a Section 205 filing for recovery of regulatory expenses and/or other costs associated with this Tariff and the Service Agreements.

C. Other

The Transmission Provider shall have the right, at any time, unilaterally to file for a change in any of the provisions of this schedule in accordance with Section 205 of the Federal Power Act and the Commission's implementing regulations.

SCHEDULE 7

Appendix A

FORMULA RATE FOR FIRM POINT-TO-POINT TRANSMISSION SERVICE

The Transmission Provider's Formula Rate for Firm Point-To-Point Transmission Service ("Formula Rate") is an annual rate determined from the following formula:

$$\text{Formula Rate}_1 = (A_n - B_n) / E_n$$

Where:

- $_1$ equals the Service Year
- $_n$ equals the calendar year preceding the Service Year that commences immediately after such calendar year (e.g. for the June 1, 2006 – May 31, 2007 Service Year ("$_1$"), $_n$ shall be calendar year 2005).
- **A** is the annual Total Transmission Revenue Requirement (expressed in dollars) as described in Attachment H.
- **B** is the revenues received (expressed in dollars) from the provision of transmission and other related services as recorded in FERC Accounts 454 and 456 to the extent that such transactions are not included in the determination of load (E).
- **E** is the average of the Transmission Provider's twelve Monthly Transmission System Loads (expressed in kilowatts) under this Tariff.

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SCHEDULE 8

Non-Firm Point-To-Point Transmission Service

I. The Transmission Provider shall bill the Transmission Customer for Non-Firm Transmission Service and the Transmission Customer shall be obligated to pay the Transmission Provider the charges agreed upon by the Parties, up to the charges as set forth in this schedule, as applicable.

A. Transmission Charge

1) **Monthly service**: The Transmission Charge shall be the product of:

(a) the Transmission Provider's Formula Rate (expressed in $ per kilowatt-year), divided by twelve (12) months, and

(b) the Reserved Capacity per month (expressed in kilowatts).

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2) **Weekly service**: The Transmission Charge shall be the product of:

(a) the Transmission Provider's Formula Rate (expressed in $ per kilowatt-year), divided by fifty-two (52) weeks, and

(b) the Reserved Capacity per week (expressed in kilowatts).

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3) **Daily service:**

(a) For daily service on Monday through Saturday, the Transmission Charge shall be the product of:

(i) the Transmission Provider's Formula Rate (expressed in $ per kilowatt-year), divided by fifty-two (52) weeks, divided by six (6) days, and

(ii) the Reserved Capacity per day (expressed in kilowatts).

(b) For daily service on Sunday and WECC defined holidays, the Transmission Charge shall be the product of:

(i) the Transmission Provider's Formula Rate (expressed in $ per kilowatt-year), divided by fifty-two (52) weeks, divided by seven (7) days, and

(ii) the Reserved Capacity per day (expressed in kilowatts).

The total demand charge in any week, pursuant to a reservation for daily service, shall not exceed the rate specified in section (2) above times the highest amount in kilowatts of Reserved Capacity in any day during such week.

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Deleted: $0.04/KW of Reserved Capacity per day for service on Monday through Saturday.¶
4) **Daily delivery:**

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4) Hourly service:

(a) For service provided from 0700 to 2300 Prevailing Mountain Time Monday through Saturday (excluding WECC defined holidays), the Transmission Charge shall be the product of:

(i) the Transmission Provider's Formula Rate (expressed in $ per kilowatt-year), divided by 4896, and

(ii) the Reserved Capacity per hour (expressed in kilowatts).

(b) For service provided other hours, the Transmission Charge shall be the product of:

(i) the Transmission Provider's Formula Rate (expressed in $ per kilowatt-year), divided by 8760, and

(ii) the Reserved Capacity per hour (expressed in kilowatts).

The total demand charge in any day, pursuant to a reservation for hourly service, shall not exceed the rate specified in section 3(a) above times the highest amount in kilowatts of Reserved Capacity in any hour during such day for

Monday through Saturday service, or in section 3(b) above times the highest amount in kilowatts of Reserved Capacity in any hour during such day for Sunday or holiday service.

In addition, the total demand charge in any week, pursuant to a reservation for Hourly or Daily service, shall not exceed the rate specified in section (2) above times the highest amount in kilowatts of Reserved Capacity in any hour during such week.

5) **Discounts:** Three principal requirements apply to discounts for transmission service as follows:

(a) any offer of a discount made by the Transmission Provider must be announced to all Eligible Customers solely by posting on the OASIS,

(b) any customer-initiated requests for discounts (including requests for use by one's wholesale merchant or an affiliate's use) must occur solely by posting on the OASIS, and

(c) once a discount is negotiated, details must be immediately posted on the OASIS.

For any discount agreed upon for service on a path, from point(s) of receipt to points(s) of delivery, the Transmission Provider must offer the same discounted transmission service rate for the same time period to all Eligible Customers on all unconstrained transmission paths that go to the same point(s) of delivery on the Transmission System.

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B. Idaho Power Company's Formula Rate

The Transmission Provider's Formula Rate for Non-Firm Point-To-Point Transmission Service shall be determined in accordance with the rate formula specified in Appendix A of this schedule.

C. Tax Rates and Taxes

The Transmission Provider's Formula Rates set forth in this schedule in effect during a Service Year shall be based on the local, state and federal tax rates and taxes in effect during the Service Year. If, at any time, additional or new taxes are imposed on the Transmission Provider or existing tax rates are removed, the Transmission Provider's Formula Rate will be appropriately modified and filed with the Commission in accordance with Part 35 of the Commission's regulations.

II. In addition to the applicable charges set forth in Parts I and II of this Tariff, and as otherwise specified in the Service Agreement, the Transmission Customer shall pay the Transmission Provider each month the following additional charges for Non-Firm Point-To-Point Transmission Service provided during such month.

- Taxes and Fees Charge
- Regulatory Expenses Charge
- Other

A. Taxes and Fees Charge

If any governmental authority requires the payment of any fee or assessment or imposes any form of tax with respect to payments made for Non-Firm Point-To-Point Transmission Service provided under this Tariff, which is not specifically provided for in any of the charge or rate provisions under this Tariff, including any applicable interest charged on any deficiency assessment made by the taxing authority, together with any further tax on such payments, the obligation to make payment for any such fee, assessment, or tax shall be borne by the Transmission Customer. The Transmission Provider will make a separate filing with the Commission for recovery of any such costs in accordance with Part 35 of the Commission's regulations.

B. Regulatory Expenses Charge

The Transmission Provider shall have the right, at any time, unilaterally to make a Section 205 filing for recovery of regulatory expenses and/or costs associated with the administration of this Tariff and the Service Agreements.

C. Other

The Transmission Provider shall have the right, at any time, unilaterally to file for a change in any of the provisions of this schedule in accordance with Section 205 of the Federal Power Act and the Commission's implementing regulations.

SCHEDULE 8

Appendix A

FORMULA RATE FOR NON FIRM POINT-TO-POINT TRANSMISSION SERVICE

The Transmission Provider's Formula Rate for Non Firm Point-To-Point Transmission Service ("Formula Rate") is an annual rate determined from the following formula:

$$\text{Formula Rate}_1 = (A_n - B_n) / E_n$$

Where:

- $_1$ equals the Service Year
- $_n$ equals the calendar year preceding the Service Year that commences immediately after such calendar year (e.g. for the June 1, 2006-May 31, 2007 Service Year ("$_1$"), $_n$ shall be calendar year 2005).
- **A** is the annual Total Transmission Revenue Requirement (expressed in dollars) as described in Attachment H,
- **B** is the revenues received (expressed in dollars) from the provision of transmission and other related services as recorded in FERC Accounts 454 and 456 to the extent that such transactions are not included in the determination of load (E).
- **E** is the average of the Transmission Provider's twelve Monthly Transmission System Loads (expressed in kilowatts) under the tariff.

SCHEDULE 9

Charge Provisions For Network Integration Transmission Service

I. Network Transmission Customers will pay the following charges for Network Integration Transmission Service.

A. Monthly Demand Charge

The Monthly Demand Charge will be determined in accordance with Section 34 of this Tariff.

B. Tax Rates and Taxes

The Formula Requirements set forth in this schedule in effect during a Service Year shall be based on the local, state and federal tax rates and taxes in effect during the Service Year. If, at any time, additional or new taxes are imposed on the Transmission Provider or existing tax rates are removed, the Transmission Provider's Formula Rate will be appropriately modified and filed with the Commission in accordance with Part 35 of the Commission's regulations.

II. In addition to the applicable charges set forth in Parts I and III of this Tariff, and as otherwise specified in the Service Agreement, the Transmission Customer shall pay to the Transmission Provider each month the following additional charges for Network Integration Transmission Service provided during such month:

- Taxes and Fees Charge
- Regulatory Expenses Charge
- Other

A. Taxes and Fees Charge

If any governmental authority requires the payment of any fee or assessment or imposes any form of tax with respect to payments made for service provided under this Tariff, not specifically provided for in any of the charge or rate provisions under this Tariff, including any applicable interest charged on any deficiency assessment made by the taxing authority, together with any further tax on such payments, the obligation to make payment for any such fee, assessment, or tax shall be borne by the Transmission Customer. The Transmission Provider will make a separate filing with the Commission for recovery of any such costs in accordance with Part 35 of the Commission's regulations.

B. Regulatory Expenses Charge

The Transmission Provider shall have the right, at any time, unilaterally to make a Section 205 filing for recovery of regulatory expenses and/or other costs associated with this Tariff and the Service Agreements.

C. Other

The Transmission Provider shall have the right, at any time, unilaterally to file for a change in any of the provisions of this schedule in accordance with Section 205 of the Federal Power Act and the Commission's implementing regulations.

SCHEDULE 9

Appendix A

ANNUAL FORMULA REVENUE REQUIREMENTS FOR

NETWORK TRANSMISSION SERVICE

The Transmission Provider's Formula Revenue Requirements for Network Integration Transmission Service is determined as follows:

$$\text{Formula Revenue Requirements}_1 = A_n - B_n$$

Where:

- $_1$ equals the Service Year
- $_n$ equals the calendar year preceding the Service Year that commences immediately after such calendar year (e.g. for the June 1, 2006 – May 31, 2007 Service Year ("$_1$"), $_n$ shall be calendar year 2005).
- **A** is the annual Total Transmission Revenue Requirement (expressed in dollars) as described in Attachment H.
- **B** is the revenues received (expressed in dollars) from the provision of transmission and other related services as recorded in FERC Accounts 454 and 456 to the extent that such transactions are not included in the determination of load.

ATTACHMENT H

Total Transmission Revenue Requirement

1.0 Methodology

This formula sets forth the method that the Transmission Provider will use to determine its annual Total Transmission Revenue Requirement. The Total Transmission Revenue Requirement reflects the Transmission Provider's total cost to own, operate and maintain the transmission facilities used for providing Open Access Transmission Service to transmission customers under this Tariff.

The Total Transmission Revenue Requirement will be an annual formula rate calculation, effective for an initial term commencing on the effective date established by the Commission and ending on May 31 of the following year. The calculation will be based on the previous calendar year's FERC Form 1 data.

2.0 Definitions

Capitalized terms not otherwise defined in Section I of this Tariff have the following definitions:

2.1 Allocation Factors

2.1.1 Transmission Wages and Salaries Allocation Factor shall equal the ratio of the Transmission Provider's Transmission-related direct wages and salaries to the Transmission Provider's total direct wages and salaries excluding administrative and general wages and salaries.

2.1.2 Plant Allocation Factor shall equal the ratio of the sum of total investment in Transmission Plant, Transmission Related General Plant and Transmission Related Intangible Plant to Total Plant in Service.

2.2 Terms

2.2.1 Administrative and General Expense shall equal the Transmission Provider's expenses as recorded in FERC Account Nos. 920-935, excluding FERC Account Nos. 924, 928 and 930.1.

2.2.2 Amortization of Intangible Plant Expense shall equal the Transmission Provider's balance in Account 404 – Amortization of Limited Term Electric Plant.

2.2.3 Amortization of Loss on Reacquired Debt shall equal the Transmission Provider's expenses as recorded in FERC Account No. 428.1.

2.2.4 Amortization of Investment Tax Credits shall equal the Transmission Provider's credits as recorded in FERC Account No. 411.4.

2.2.5 Amortization of Other Utility Plant shall equal the Transmission Provider's Amortization of Other Utility Plant balance in Account 111.

2.2.6 Depreciation Expense for Transmission Plant shall equal the Transmission Provider's transmission expense as recorded in FERC Account No. 403.

2.2.7 General Plant shall equal the Transmission Provider's gross plant balance as recorded in FERC Account Nos. 389-399.

2.2.8 General Plant Depreciation Expense shall equal the Transmission Provider's general plant depreciation expenses as recorded in FERC Account No. 403.

2.2.9 General Plant Depreciation Reserve shall equal the Transmission Provider's general plant reserve balance as recorded in FERC Account No. 108.

2.2.10 Intangible Plant shall equal the Transmission Provider's plant balance as recorded in FERC Account No.'s 301-303.

2.2.11 Other Fees and Charges shall equal the Transmission Provider's balance in FERC Account Nos. 408.1 and 409.1 excluding Payroll Taxes and Property Taxes.

2.2.12 Other Regulatory Assets/Liabilities – FAS 106 shall equal the net of the Transmission Provider's FAS 106 balance as recorded in FERC Account No. 182.3 and the FAS 106 balance as recorded in the Transmission Provider's FERC Account No. 254.

2.2.13 Other Regulatory Assets/Liabilities – FAS 109 shall equal the net of the Transmission Provider's FAS 109 balance in FERC Account No. 182.3 and the FAS 109 balance as recorded in the Transmission Provider's FERC Account No. 254.

2.2.14 Payroll Taxes shall equal those payroll expenses as recorded in the Transmission Provider's FERC Account Nos. 408.1 and 409.1, less the payroll loading reversal.

2.2.15 Plant Held for Future Use shall equal the Transmission Provider's balance in FERC Account No. 105.

2.2.16 Prepayments shall equal the Transmission Provider's prepayment balance as recorded in FERC Account No. 165.

2.2.17 Property Insurance shall equal the Transmission Provider's expenses as recorded in FERC Account No. 924.

2.2.18 Property Taxes shall equal the Transmission Provider's property tax balance in FERC Accounts 408.1 and 409.1

2.2.19 Total Accumulated Deferred Income Taxes shall equal the net of the Transmission Provider's deferred tax balance as recorded in FERC Account Nos. 281-283 and the Transmission Provider's deferred tax balance as recorded in FERC Account No. 190.

2.2.20 Total Loss on Reacquired Debt shall equal the Transmission Provider's balance as recorded in FERC Account 189.

2.2.21 Total Materials and Supplies shall equal the Transmission Provider's balance in FERC Account Nos. 154 and 163.

2.2.22 Total Plant In Service shall equal the Transmission Provider's total gross plant balance as recorded in FERC Account Nos. 301-399.

2.2.23 Total Transmission Depreciation Reserve shall equal the Transmission Provider's Transmission reserve balance as recorded in FERC Account No. 108, excluding the reserve balance for generator step-up facilities.

2.2.24 Transmission Operation and Maintenance Expense shall equal the Transmission Provider's expenses as recorded in FERC Account Nos. 560, 562-564 and 566-573.

2.2.25 Transmission Plant shall equal the Transmission Provider's gross plant balance as recorded in FERC Account Nos. 350-359.

3.0 Total Transmission Revenue Requirement Calculation

The Total Transmission Revenue Requirement shall equal the sum of the Transmission Provider's:

- Return and Associated Income Taxes,
- Transmission Depreciation Expense,
- Transmission Related Amortization of Loss on Reacquired Debt,
- Transmission Related Amortization of Investment Tax Credits,
- Transmission Operation and Maintenance Expense,
- Transmission Related Administrative and General Expense, and
- Transmission Related Taxes Other than Income Taxes.

3.1 Return and Associated Income Taxes shall equal the product of the Transmission Investment Base and the Cost of Capital Rate.

3.1.1 Transmission Investment Base will be the end of year balances of:

- Transmission Plant, plus
- Transmission Related General Plant, plus
- Transmission Related Intangible Plant, plus
- Transmission Related Plant Held for Future Use, less
- Transmission Related Depreciation and Amortization Reserve, less
- Transmission Related Accumulated Deferred Taxes, plus
- Transmission Related Loss on Reacquired Debt, plus
- Other Regulatory Assets/Liabilities, plus
- Transmission Prepayments, plus
- Transmission Related Materials and Supplies, plus
- Transmission Related Cash Working Capital.

3.1.1.1 Transmission Plant will equal the balance of the Transmission Provider's investment in Transmission Plant, excluding the balance in generator step-up facilities.

3.1.1.2 Transmission Related General Plant shall equal the Transmission Provider's balance of investment in General Plant multiplied by the Transmission Wages and Salaries Allocation Factor.

3.1.1.3 Transmission Related Intangible Plant shall equal the Transmission Provider's balance of investment in Intangible Plant multiplied by the Transmission Wages and Salaries Allocation Factor.

3.1.1.4 Transmission Related Plant Held for Future Use shall equal the Transmission Provider's balance of Transmission Plant Held for Future Use, plus general Plant Held for Future Use multiplied by the Transmission Wages and Salaries Allocation Factor.

3.1.1.5 Transmission Related Depreciation and Amortization Reserve shall equal the balance of the Transmission Provider's:

- Total Transmission Depreciation Reserve, excluding the balance in generator step-up facilities, plus

- Transmission Related General Plant Depreciation Reserve and the Transmission Related Amortization of Other Utility Plant.

  (i) Transmission Related General Plant Depreciation Reserve shall equal the product of General Plant Depreciation Reserve and the Transmission Wages and Salaries Allocation Factor.

  (ii) Transmission Related Amortization of Other Utility Plant shall equal the product of Amortization of Other Utility Plant and the Transmission Wages and Salaries Allocation Factor.

3.1.1.6 Transmission Related Accumulated Deferred Taxes shall equal the Transmission Provider's electric balance of Total Accumulated Deferred Income Taxes multiplied by the Plant Allocation Factor.

3.1.1.7 Transmission Related Loss on Reacquired Debt shall equal the Transmission Provider's electric balance of Total Loss on Reacquired Debt multiplied by the Plant Allocation Factor.

3.1.1.8 Transmission Related Other Regulatory Assets/Liabilities shall equal the Transmission Provider's Other Regulatory Assets/Liabilities-FAS 106 multiplied by the Transmission Wages and Salaries Allocation Factor, plus the Transmission Provider's Other Regulatory Assets/Liabilities-FAS 109 multiplied by the Plant Allocation Factor.

3.1.1.9 Transmission Prepayments shall equal the Transmission Provider's electric balance of Prepayments multiplied by the Transmission Wages and Salaries Allocation Factor.

3.1.1.10 Transmission Related Materials and Supplies shall equal the Transmission Provider's balance assigned to transmission as recorded in FERC Account 154; plus the Transmission Related portion of Account 154 assigned to General Plant, determined as the product of the balance assigned to General Plant and the Transmission Wages and Salaries Allocation Factor; plus the Transmission Related portion of Account 163, determined as the balance in Account 163 multiplied by the Transmission Wages and Salaries Allocation Factor.

3.1.1.11 Transmission Related Cash Working Capital shall be a 12.5% allowance (45 days/360 days) of the Transmission Provider's Transmission Operation and Maintenance Expense and Transmission Related Administrative and General Expense.

3.1.2 Cost of Capital Rate will equal the Transmission Provider's:

- Weighted Cost of Capital, plus
- Federal Income Tax, plus
- State Income Tax.

3.1.2.1 Weighted Cost of Capital will be calculated based upon the capital structure at the end of each year and will equal the sum of the Long-term Debt Component, The Preferred Stock Component, and the Return on Equity Component.

(i) The Long-term Debt Component, shall equal the product of the actual weighted average embedded cost to maturity of the Transmission Provider's long-term debt then outstanding and the ratio that long-term debt is to the Transmission Provider's total capital.

(ii) The Preferred Stock Component, shall equal the product of the actual weighted average embedded cost to maturity of the Transmission Provider's preferred stock then outstanding and the ratio that preferred stock is to the Transmission Provider's total capital.

(iii) The Return on Equity Component, shall equal the product of the Transmission Provider's Return on Equity ("ROE") of 11.25% and the ratio that common equity is to the Transmission Provider's total capital. This ROE will remain effective until new ROE provisions are made effective for the Transmission Provider.

3.1.2.2 **Federal Income Tax**, shall equal [(A + [(C+B) / D]) x (FT)] divided by (1-FT) where;

FT is the Federal Income Tax Rate

A is the sum of the preferred stock component and the return on equity component, as determined in Sections 3.1.2.1(ii) and (iii) above.

B is the Transmission Related Amortization of Investment Tax Credits, as determined in Section 3.4 below.

C is the Equity AFUDC component of Transmission Depreciation and Amortization Expense, as defined in Section 3.2 and

D is the Transmission Investment Base, as determined in Section 3.1.1, above.

(a) **State Income Tax**, shall equal

(A + [(C+B) / D] + Federal Income Tax) x (ST) divided by (1-ST)

where;

ST is the State Income Tax Rate,

A is the sum of the preferred stock component and return on equity component determined in Sections 3.1.2.1 (ii) and (iii) above,

B is the Amortization of Investment Tax Credits as determined in Section 3.4 below,

C is the equity AFUDC component of Transmission Depreciation and Amortization Expense, as defined in Section 3.2,

D is the Transmission Investment Base, as determined in Section 3.1.1 above, and

Federal Income Tax is the rate determined in Section 3.1.2(b) above.

3.2 Transmission Depreciation and Amortization Expense shall equal the sum of the Transmission Provider's:

- Depreciation Expense for Transmission Plant, plus
- An allocation of General Plant Depreciation Expense calculated by multiplying General Plant Depreciation expense by the Transmission Wages and Salaries Allocation Factor, plus
- An allocation of Amortization of Intangible Plant Expense calculated by multiplying Amortization of Intangible Plant Expense by the Transmission Wages and Salaries Allocation Factor.

3.3 Transmission Related Amortization of Loss on Reacquired Debt shall equal the Transmission Provider's electric Amortization of Loss on Reacquired Debt multiplied by the Plant Allocation Factor.

3.4 Transmission Related Amortization of Investment Tax Credits shall equal the Transmission Provider's electric Amortization of Investment Tax Credits multiplied by the Plant Allocation Factor.

3.5 Transmission Operation and Maintenance Expense shall equal the Transmission Provider's Transmission Operation and Maintenance Expenses.

3.6 Transmission Related Administrative and General Expenses shall equal the sum of the Transmission Provider's:

- Administrative and General Expenses multiplied by the Transmission Wages and Salaries Allocation Factor,
- Property Insurance multiplied by the Plant Allocation Factor, and
- Expenses included in Account 928 related to FERC Assessments multiplied by the Plant Allocation Factor, plus any other Federal and State transmission related expenses or assessments in Account 928 plus specific transmission related expenses included in Account 930.1

3.7 Transmission Related Taxes Other Than Income Taxes shall equal the sum of the Transmission Provider's:

- Balance of Property Taxes direct assigned to transmission,
- An allocated amount of Property Taxes direct assigned to general plant calculated by multiplying Property Taxes direct assigned to general plant by the Wages and Salaries Allocation Factor,
- An allocated amount of Payroll Taxes calculated by multiplying Payroll Taxes by the Wages and Salaries Allocation factor, and

- An allocated amount of Other Fees and Charges calculated by multiplying Other Fees and Charges by the Plant Allocation Factor.

Deleted: Annual Transmission Revenue Requirement For Network Integration Transmission Service¶
¶
1. The Annual Transmission Revenue Requirement for purposes of the Network Integration Transmission Service shall be $34,064,797.¶
¶
2. The amount in (1) shall be effective until amended by the Transmission Provider or modified by the Commission.¶