Tariff, Part VIII, Subpart M

COST RECOVERY PROTECTION AND AGREEMENT

Tariff, Part VIII, Subpart A, section 400
Definitions E

Firm Transmission Service:

"Firm Transmission Service" shall mean any or a combination of Network Integration Transmission Service, Fractional Network Integration Transmission Service, or Firm Contract Demand Transmission Service taken by an Eligible Customer.

Tariff, Part VIII, Subpart M, section 440
Cost Recovery Protection for Firm Transmission Service

(a) Cost Recovery Assurances: With respect to Eligible Customers that intend to request any form of Firm Transmission Service from Transmission Provider on behalf of an Eligible Load or Large Load, a Transmission Owner shall either:

(i) Enter into a Cost Recovery Agreement in the form found in Tariff, Part IX, Subpart O with the applicable Eligible Customer and Eligible Load or Large Load. The Transmission Owner counterparty shall be the Transmission Owner that owns the transmission facilities with which the Eligible Load or Large Load will interconnect. In the case of an Eligible Load or Large Load that will not directly interconnect with a Transmission Owner, the Transmission Owner counterparty shall be the Transmission Owner to which the applicable Eligible Customer is connected and from whom the Eligible Customer intends to take Firm Transmission Service. The purpose of the Cost Recovery Agreement is to ensure the Eligible Customer takes a minimum level of Firm Transmission Service on behalf of the Eligible Load or Large Load based on the committed load level and the applicable rate for the Firm Transmission Service, or, if not, the Eligible Load or Large Load shall be required to make a shortfall payment representing any difference between the committed minimum level of service and the actual level of service taken.

(ii) Enter into, subject to FERC acceptance, a separate agreement between at least the Transmission Owner and an Eligible Load or Large Load to prevent cost shifting among transmission customers. Such separate agreement will be determined to adequately prevent cost shifts if such agreement, in conjunction with relevant federal and state regulatory requirements, including applicable retail service tariffs, results in minimum Firm Transmission Service and credit standards, or other comparable protections.

An Eligible Customer and/or Eligible Load or Large Load will be required to enter into and execute a Cost Recovery Agreement or an agreement that meets the standards set forth in subsection (a)(ii) in order to proceed past the Soft Close Date associated with the applicable PJM Fast Energization Cycle, and obtain any form of Firm Transmission Service from the Transmission Provider.

(b) Preservation of Legacy Treatment: No Cost Recovery Agreement or separate agreement under subsection (a) above shall be required with respect to Eligible Load or Large Loads covered by existing agreements that meet the criteria set forth in subsection (a)(ii) that have already been filed and are pending acceptance, or that have been accepted by FERC. Any agreement entered into prior to the effective date of this subsection not filed with FERC will not be required to be filed and accepted by FERC; provided, however, in any complaint filed pursuant to Section 206 of the Federal Power Act in which it is claimed that such agreement is not just and reasonable or is unduly discriminatory within the meaning of the Federal Power Act, such agreement shall not be determined to be unjust and unreasonable or unduly discriminatory if it meets the standard set forth in subsection (a)(ii).

(c) Tender and Negotiation of Cost Recovery Agreement: As applicable, consistent with subsections (a) and (b) above, Transmission Owner shall tender a draft of the Cost Recovery Agreement to Eligible Customer within 30 days of the completion of the Transmission Owner's retail load interconnection study.

Upon receipt of the draft Cost Recovery Agreement, Eligible Customer, as well as the Eligible Load or Large Load, shall provide the Transmission Owner with any written comments on the draft Cost Recovery Agreement within seven (7) days. The parties will conduct further negotiations as required, with such negotiations to be completed within twenty-five (25) days of the Transmission Owner's tender of the draft Cost Recovery Agreement.

(d) Execution and Filing of Cost Recovery Agreement: Not later than fourteen (14) days after the end of the negotiation period set forth in subsection (b) above, and in any event no later than the Soft Close Date associated with the next PJM Fast Energization Cycle, Eligible Customer and the Eligible Load or Large Load shall (i) execute the Cost Recovery Agreement and return it to Transmission Owner; and (ii) provide the security specified in the Cost Recovery Agreement.

If the Eligible Load or Large Load fails to execute the Cost Recovery Agreement in the specified time period, Eligible Customer shall not be permitted to proceed through the applicable Fast Energization Cycle.

The Transmission Owner shall file any executed Cost Recovery Agreement, if required, or any unexecuted Cost Recovery Agreement, with FERC within twenty-one (21) days of the other parties executing the Cost Recovery Agreement.

(e) Crediting of Termination Amounts: If the effective date of an Early Termination or Partial Termination, as defined in a Cost Recovery Agreement, occurs prior to the first Service Date specified in such agreement, and the Eligible Load or Large Load that is a party to that agreement is required to make a termination payment, as applicable, such termination payment or other amounts received pursuant to such obligation, including any security drawn on by Transmission Owner, shall be divided amongst the pool of Transmission Owners constructing facilities needed to provide the related transmission service, but which will no longer be constructed, including the Transmission Owner that is a party to the Cost Recovery Agreement, as follows:

(i) Within thirty (30) days of such termination, the Transmission Owner that is party to the Cost Recovery Agreement (referred to herein as the "contracting Transmission Owner") shall notify all other Transmission Owners that have been designated to construct and own Interconnection Reliability Reinforcements necessary to provide Firm Transmission Service to an Eligible Customer on behalf of the terminating Eligible Load or Large Load (referred to herein as the "third party Transmission Owners") of such termination. For purposes of this subsection, third party Transmission Owners shall include all Transmission Owners designated to construct and own Interconnection Reliability Reinforcements identified in the PJM Fast Energization Cycle in which the terminating Eligible Load or Large Load was studied, and for which the contracting Transmission Owner's Zone received a cost responsibility share.

(ii) Each third-party Transmission Owner shall, within thirty (30) days of the deadline for filings its FERC Form 1 that includes all Eligible Costs, provide an account of such Eligible Costs to the contracting Transmission Owner. For purposes of this subsection "Eligible Costs" consist of all expenditures, costs, and cancellation fees incurred or due to commitments made by the third-party Transmission Owner to engineer, design, procure, construct, own, operate, maintain, and service the Interconnection Reliability Reinforcements needed to serve the Eligible Customer taking transmission service on behalf of the Eligible Load or Large Load, but which will

no longer be constructed, which (a) are incurred through the end of the calendar year in which notice of termination was received from the contracting Transmission Owner, and (b) are included in amounts reported in the Transmission Owner's FERC Form 1 covering that calendar year.

Any failure by a third-party Transmission Owner to provide such information within the timeframe above shall bar said Transmission Owner from receiving a portion of amounts paid by Eligible Load or Large Load as set forth below.

(iii) Within thirty (30) days of (a) receiving all Transmission Owner accountings in accordance with subsection (ii) above, and (b) receipt of termination amounts from the Eligible Load or Large Load that is party to the Cost Recovery Agreement, the contracting Transmission Owner shall divide such termination amounts among itself and the pool of third-party Transmission Owners based on each Transmission Owner's *pro rata* share of the total amount of applicable expenditures, costs and cancellation fees, and disburse such amounts to the third-party Transmission Owners accordingly.

For purposes of determining these *pro rata* shares, the contracting Transmission Owner shall be permitted to include Eligible Costs associated not only with its applicable Interconnection Reliability Reinforcements but also any other transmission facilities, including Supplemental Projects and Direct Connection Facilities, that it was constructing in order to provide interconnection or transmission service to the Eligible Load or Large Load, or Eligible Customer taking transmission service on behalf of the Eligible Load or Large Load.

To the extent that additional termination funds are received or collected from the Eligible Load or Large Load after an initial distribution is made under this subsection, contracting Transmission Owner will make additional disbursements using the same methodology within fifteen (15) days of receipt of such amounts.

(iv) Nothing in this subsection (e) is intended or shall be interpreted to prevent any Transmission Owner from seeking cost recovery through an abandoned plant recovery filing made with FERC or through any other proceeding, except insofar as the Transmission Owner has received amounts pursuant to the process set forth in this subsection (e), it shall be prohibited from requesting recovery of such amounts in any future proceeding.

(v) To the extent a Transmission Owner elects to satisfy its obligation under subsection (a) above through a separate agreement as described in subsection (a)(ii), it shall include in such separate agreement reasonably comparable termination payment crediting provisions as set forth in this subsection (e), as determined by FERC.

(vi) Any disputes under this subsection (e) shall be subject to the dispute resolution procedure set forth in Schedule 5 of the Operating Agreement.

Tariff, Part XI. Transmission Services Available for Eligible Customers Taking Service on Behalf of Eligible Loads

Subpart A – Interim Network Integration Transmission Service

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706 Rates and Charges

Eligible Customers taking Interim Network Integration Transmission Service shall pay the charges set forth in this Section 706.

706.1 Monthly Demand Charge

Eligible Customer shall pay a Monthly Demand Charge for Zone Network Load and Non-Zone Network Load, which shall be determined as follows: Eligible Customer's measured demand amount (in MWs) multiplied by the applicable zonal Network Integration Transmission Service rate established pursuant to Section 34.1.

Revenue Crediting. Each month, revenue credits will be applied to the gross monthly Demand Charge to determine the actual charge to the Transmission Customer. Revenue credits shall be calculated based on the sum of a Zone's share of revenues collected during the month from the Non-Firm Contract Demand Charge under Schedule 19. The sum of these revenues will appear as a reduction to the gross monthly rate stated above on a Transmission Customer's bill in that month for service under this schedule.

Subpart [XX] – Fractional Network Integration Transmission Service

70x Rates and Charges

Eligible Customers taking Fractional Network Integration Transmission Service shall pay the charges set forth in this Section 70x.

70x.1 Monthly Demand Charge

Eligible Customer shall pay a Monthly Demand Charge for Zone Network Load and Non-Zone Network Load, which shall be determined as follows: Eligible Customer's measured demand amount (in MWs) multiplied by the applicable zonal Network Integration Transmission Service rate established pursuant to Section 34.1.

Revenue Crediting. Each month, revenue credits will be applied to the gross monthly Demand Charge to determine the actual charge to the Transmission Customer. Revenue credits shall be calculated based on the sum of a Zone's share of revenues collected during the month from the Non-Firm Contract Demand Charge under Schedule 19. The sum of these revenues will appear as a reduction to the gross monthly rate stated above on a Transmission Customer's bill in that month for service under this schedule.

714 Rates and Charges for Firm Contract Demand Transmission Service

Eligible Customers taking Firm Contract Demand Transmission Service on behalf of Eligible Load or Large Load shall pay the charges set forth in this Section 714.

714.1 Monthly Demand Charge

Eligible Customer taking service on behalf of Eligible Load or Large Load shall pay a Monthly Demand Charge based on the Firm Contract Demand Transmission Service amount (MW), as specified in Eligible Customer's Service Agreement, in accordance with Tariff, Schedule 18.

715 Rates and Charges for Non-Firm Contract Demand Transmission Service

Eligible Customers taking Non-Firm Contract Demand Transmission Service shall pay the charges set forth in this Section 715.

715.1 Monthly Demand Charge

Eligible Customer shall pay a discounted reservation rate set as a function of the Zonal Firm Contract Demand Transmission Service rate and the transmission system load factor for a Zone, as specified in Eligible Customer's Service Agreement, in accordance with Tariff, Schedule 19.

SCHEDULE 18
Firm Contract Demand Transmission Service
For Eligible Load and Large Load

1) Eligible Customer taking Firm Contract Demand Transmission Service in a Zone in which Network Integration Transmission Service rates are determined based on formula rates set forth in Attachment H shall pay a Monthly Demand Charge based on the Firm Contract Demand Transmission Service Amount (MW), as specified in Eligible Customer's Service Agreement, which shall be determined as follows:

MDC = FCDTSA X RTZ/12

Where:

MDC is the monthly demand charge

FCDTSA is the Firm Contract Demand Transmission Service Amount (MW), as specified in Eligible Customer's Service Agreement

RTZ is the rate for Network Integration Transmission Service from Attachment H for the Zone in which the Eligible Customer's Eligible Load or Large Load is located, stated in dollars per megawatt per year. For purposes of establishing the RTZ component in the relevant Attachment H, the annual peak of the Zone shall be based on the sum of Network Customer Loads in the Zone and Firm Contract Demand Transmission Service Amounts for all Eligible Customers taking Firm Contract Demand Transmission Service in the Zone for the applicable peak period.

2) Eligible Customers taking Firm Contract Demand Transmission Service in a Zone in which Network Integration Transmission Service rates are not established based on formula rates shall pay a Monthly Demand Charge based on the Firm Contract Demand Transmission Service Amount (MW), as specified in Eligible Customer's Service Agreement, multiplied by a Zonal-specific Firm Contract Demand Transmission Service rate filed with FERC pursuant to Section 205 of the Federal Power Act. Those rates will be posted on Transmission Provider's website.

3) **Revenue Crediting.** Each month, credits will be applied to the Eligible Customer's gross Monthly Demand Charge stated above associated with revenue collected from Non-Firm Contract Demand Transmission Service Charges in accordance with Schedule 19, based on each Eligible Customer's pro rata share of the Zone's annual peak load, from the most recent 12-month period ending October 31. The Eligible Customer's pro rata share shall be based on the ratio of its Firm Contract Demand Transmission Service Amount during the peak period to the sum of Network Customer Loads in the Zone and Firm Contract Demand Transmission Service Amounts for all Eligible Customers taking Firm Contract Demand Transmission Service in the Zone for the applicable peak period. The sum of these revenue credits will appear as a reduction to the gross monthly rate stated above on a Eligible Customer's bill in that month for service under this schedule.

4) **Transmission Enhancement Charges.** In addition to the rates set forth in section (1) of this Schedule and any other applicable charges, the Eligible Customer shall also pay any Transmission Enhancement Charges for which it is designated as a Responsible Customer under Schedule 12 appended to the Tariff.

5) **Determination of Monthly Charges for ComEd Zone**. On a monthly basis, revenue credits shall be calculated based on the sum of ComEd's share of revenues collected during the month from: (i) the PJM Border Rate under Schedule 7; (ii) Network Integration Transmission Service to Non-Zone Network Load under Attachment H-A; (iii) Seams Elimination Charge/Cost Adjustment/Assignment ("SECA") revenues allocable to ComEd under the Tariff; and (iv) any Point-To-Point Transmission Service where the Point of Receipt and the Point of Delivery are both internal to the ComEd Zone. On this basis, the sum of these revenues will appear as a reduction to the gross monthly rate stated above on a Transmission Customer's[1] bill in that month for service under this schedule.

6) **Determination of Monthly Charges for AEP Zone**. On a monthly basis, revenue credits shall be calculated based on the sum of AEP's share of revenues collected during the month from: (i) the PJM Border Rate under Schedule 7; (ii) Network Integration Transmission Service to Non-Zone Network Load under Attachment H-A; and (iii) Firm Point-To-Point Transmission Service where the Point of Delivery is internal to the AEP Zone. The sum of these revenue credits will appear as an adjustment (reduction) to the gross monthly rate stated above on a Eligible Customer's bill in that month for service under this schedule.

7) **Other Supporting Facilities and Taxes.** In addition to the charges set forth in section (1) of this schedule, the Eligible Customer shall pay charges determined on a case-by-case basis for facilities necessary to provide Transmission Service at voltages lower than those shown in Attachment H for the applicable Zone(s) and any amounts necessary to reimburse the Transmission Provider for any amounts payable as sales, excise, "Btu," carbon, value-added or similar taxes (other than taxes based upon or measured by net income) with respect to the amounts payable pursuant to the Tariff.

1/ Transmission Customer is defined as an Eligible Customer that executes a Service Agreement, or requests PJM file an unexecuted Service Agreement, to receive transmission service under the Tariff.

SCHEDULE 19
Non-Firm Contract Demand Service
For Eligible Load and Large Load

1) Eligible Customer taking Non-Firm Contract Demand Transmission Service in a Zone in which Network Integration Transmission Service rates are determined based on formula rates set forth in Attachment H shall pay for such service at a discounted reservation rate calculated by applying the Zone's Annual Load Factor to the applicable Zonal Firm Contract Demand Transmission Service rate as follows:

Monthly Rate ($/MW): Zonal Firm Contract Demand Transmission Rate (RTZ) multiplied by the Zone's Annual Load Factor, and divided by 12, where the Annual Load Factor is calculated as follows: Annual Load Factor = Zonal Annual Energy divided by (Zonal Peak Demand multiplied by 8,760 hours). For purposes of this Schedule, Zonal Annual Energy shall be the total net energy for load measured as net generation plus energy receipts minus energy deliveries for the Zone from the 12-month period ending October 31 preceding the calendar year during which Non-Firm Contract Demand Transmission Service is taken. For purposes of this Schedule, Zonal Peak Demand shall be the Zone's annual peak load from the 12-month period ending October 31 preceding the calendar year during which Non-Firm Contract Demand Transmission Service is taken.

Weekly Rate ($/MW): Zonal Firm Contract Demand Transmission Rate (RTZ) multiplied by the Zone's Annual Load Factor, and divided by 52, where the Annual Load Factor is calculated as follows: Annual Load Factor = Zonal Annual Energy divided by (Zonal Peak Demand multiplied by 8,760 hours).

Daily On-Peak Rate[1] ($/MW): Weekly Rate divided by 5.

Daily Off-Peak Rate[2] ($/MW): Weekly Rate divided by 7.

Hourly On-Peak Rate[3] ($/MWh): Zonal Firm Contract Demand Transmission Rate (RTZ), multiplied by the Zone's Annual Load Factor, and divided by 4,160.

Hourly Off-Peak Rate[4] ($/MWh): Zonal Firm Contract Demand Transmission Rate (RTZ), multiplied by the Zone's Annual Load Factor, divided by 8,760.

1/ Monday–Friday except the following holidays: New Years Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day.

2/ Saturday and Sunday and the following holidays: New Years Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day.

3/ 7:00 a.m. up to the hour ending 11:00 p.m.

4/ 11:00 p.m. up to the hour ending 7:00 a.m.

2) Eligible Customers taking Non-Firm Contract Demand Transmission Service in a Zone in which Network Integration Transmission Service rates are not established based on formula rates shall pay for Non-Firm Contract Demand Transmission Service based on the amount of Non-Firm Contract Demand Transmission Service reserved by the Eligible Customer in MW, multiplied by Zonal-specific Non-Firm Contract Demand Transmission Service rates filed with FERC pursuant to Section 205 of the Federal Power Act. Those rates will be posted on Transmission Provider's website.

3) **Discounts.** Three principal requirements apply to discounts for Non-Firm Contract Demand Transmission Service as follows: (1) any offer of a discount made by the Transmission Provider must be announced to all Eligible Customers solely by posting on the OASIS, (2) 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 OASIS, and (3) once a discount is negotiated, details must be immediately posted on the OASIS. For any discount agreed to by Transmission Provider, Transmission Provider must offer the same discounted transmission service rate for the same time period to all Eligible Customers taking Non-Firm Contract Demand Transmission Service.

4) **Transmission Enhancement Charges.** In addition to the rates set forth in section (1) of this Schedule and any other applicable charges, the Eligible Customer shall also pay any Transmission Enhancement Charges for which it is designated as a Responsible Customer under Schedule 12 appended to the Tariff based on the Non-Firm Contract Demand Transmission Service reserved by the Eligible Customer in MW.

5) **Revenue Crediting.** Revenues collected from Non-Firm Contract Demand Transmission Service Charges shall be credited to Eligible Customers taking Network Integration Transmission Service, Firm Contract Demand Transmission Service, and Firm Point-to-Point Transmission Service based on each Eligible Customer's pro rata share of the Zone's annual peak load based on the most recent 12-month period ending October 31. The Eligible Customer's pro rata share shall be based on the ratio of its Zone Network Load or Firm Contract Demand Transmission Service Amount to the sum of Network Customer Loads in the Zone and Firm Contract Demand Transmission Service Amounts for all Eligible Customers taking Firm Contract Demand Transmission Service in the Zone, for the applicable peak period. The sum of these revenue credits will appear as a reduction to the gross monthly rate for Firm Contract Demand Transmission Service on a Eligible Customer's bill in that month.

6) **Other Supporting Facilities and Taxes.** In addition to the charges set forth in section (1) of this schedule, the Eligible Customer shall pay charges determined on a case-by-case basis for facilities necessary to provide Transmission Service at voltages lower than those shown in Attachment H for the applicable Zone(s) and any amounts necessary to reimburse the Transmission Provider for any amounts payable as sales, excise, "Btu," carbon, value-added or similar taxes (other than taxes based upon or measured by net income) with respect to the amounts payable pursuant to the Tariff.

SCHEDULE 20
Financial Penalty Charge for
Unreserved Use by Eligible Load and Large Load

An Eligible Customer taking Firm Contract Demand Transmission Service, Non-Firm Contract Demand Transmission Service, Interim Network Integration Transmission Service, or Fractional Network Integration Transmission Service on behalf of Eligible Load or Large Load shall be subject to financial penalties for its unreserved use of the transmission system.

The financial penalty charge for unreserved use shall include two components: (1) a base penalty charge, which applies to each individual hour in which the reserved transmission service limit is exceeded, and (2) a penalty ratchet, which applies when such exceedances occur repeatedly.

Base Penalty Charge

When an Eligible Customer taking service on behalf of Eligible Load or Large Load exceeds its reserved transmission service limit, a base penalty charge shall be assessed for any hour in which at least one five-minute interval occurs during which the Eligible Customer's telemetered load at the Point of Delivery exceeds its reserved transmission service limit. This five-minute interval is defined as an Exceedance Interval, and such an hour is defined as an Exceedance Hour. The base penalty charge shall apply to each Exceedance Hour.

For an Eligible Customer taking only Firm Contract Demand Transmission Service, the reserved transmission service limit shall equal the Firm Contract Demand Transmission Service minus any curtailed MW.

For an Eligible Customer taking only Non-Firm Contract Demand Transmission Service, the reserved transmission service limit shall equal the approved Non-Firm Contract Demand Transmission Service minus any curtailed MW.

For an Eligible Customer taking Firm Contract Demand and Non-Firm Contract Demand Transmission Services, the reserved transmission service limit shall equal the Firm Contract Demand Transmission Service plus the approved Non-Firm Contract Demand Transmission Service minus any curtailed MW.

For an Eligible Customer taking Interim Network Integration Transmission Service, the reserved transmission service limit shall equal the Interim Network Integration Transmission Service demand minus any curtailed MW.

For an Eligible Customer taking Fractional Network Integration Transmission Service, the reserved transmission service limit shall equal the Fractional Network Integration Transmission Service demand minus any curtailed MW.

Each five-minute interval beginning with the first minute of each hour shall constitute a separate interval and each hour from 0100 through 2400 shall constitute a separate hour for purposes of determining whether one or more exceedances have occurred.

The base penalty charge shall be applied to each Exceedance Hour and shall be calculated as:

Hourly Exceedance MW × Equivalent Hourly Firm Contract Demand ("FCD") rate × number of Exceedance Intervals within the hour

Where:

Hourly Exceedance MW = Maximum telemetered load during the hour – Reserved Transmission Service Limit for the hour

Equivalent Hourly FCD rate = FCD rate / 8,760 hours

Penalty Ratchet

A penalty rachet shall apply when multiple Exceedance Hours occur during a particular time period in order to escalate the penalty charges as the frequency of unreserved transmission use increases.

If more than one Exceedance Hour occurs on the same calendar day, an additional daily penalty shall apply.

If exceedances occur on multiple calendar days within the same calendar week, an additional weekly penalty shall apply.

If exceedances occur in multiple calendar weeks within the same calendar month, an additional monthly penalty shall apply.

If exceedances occur in multiple calendar months within the same calendar year, an additional yearly penalty shall apply.

The penalty ratchet shall be based on an Eligible Customer's exceedance pattern and applies escalating FCD-equivalent rates as the frequency of unreserved transmission use increases. Depending on whether exceedances occur within the same calendar day, calendar week, calendar month, or calendar year, the penalty ratchet shall apply daily, weekly, monthly, or annual penalty charges, respectively, as follows:

Exceedance Pattern	**Penalty Rate Applied**
Multiple Exceedance Hours in a single calendar day	Daily FCD-Equivalent Rate
Multiple Exceedance Days within a calendar week	Weekly FCD-Equivalent Rate
Multiple Exceedance Weeks within a calendar month	Monthly FCD-Equivalent Rate
Multiple Exceedance Months within a calendar year	FCD Annual Rate

Daily Penalty Charge

The Daily Penalty Charge is calculated as:

Maximum Hourly Exceedance MW during the calendar day
× Daily FCD Equivalent Rate
× Number of Exceedance Hours in the calendar day

Weekly Penalty Charge

The Weekly Penalty Charge is calculated as:

Maximum Hourly Exceedance MW during the calendar week
× Weekly FCD Equivalent Rate
× Number of Exceedance Days in the calendar week

Monthly Penalty Charge

The Monthly Penalty Charge is calculated as:

Maximum Hourly Exceedance MW during the calendar month
× Monthly FCD Equivalent Rate
× Number of Exceedance Weeks in the calendar months

Annual Penalty Charge

The Annual Penalty Charge is calculated as:

Maximum Hourly Exceedance MW during the calendar year
× Annual FCD Rate
× Number of Exceedance Months in the calendar year

Revenues collected from Financial Penalty Charges shall be credited to Eligible Customers taking Firm Contract Demand Transmission Service, Non-Firm Contract Demand Transmission Service, Network Integration Transmission Service, Interim Network Integration Transmission Service and Fractional Network Integration Transmission Service. The Transmission Provider shall return revenues collected from Financial Penalty Charges on a monthly and annual basis as bill credits to Eligible Customers taking Firm Contact Demand Service, Non-Firm Contract Demand Transmission Service, Network Integration Transmission Service, Interim Network Integration Transmission Service and Fractional Network Integration Transmission Service, who were not assessed Financial Penalty Charges during the year based on each Eligible Customer's pro rata share of the Zone's annual peak load based on the most recent 12-month period ending October 31. The Eligible Customer's pro rata share shall be based on the ratio of its Zone Network Load, Firm Contract Demand Transmission Service Amount, and Non-Firm Contract Transmission Service Amount to the sum of Network Customer Loads in the Zone and Firm and Non-Firm Contract Demand Transmission Service Amounts for all Eligible Customers taking Firm and Non-Firm Contract Demand Transmission Service in the Zone, for the applicable peak period.

Schedule 12
Transmission Enhancement Charges and
Interconnection Reliability Reinforcement Cost Recovery

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(f) Recovery of Interconnection Reliability Reinforcement Costs.

(i) **Customers Subject to Cost Responsibility for Interconnection Reliability Reinforcements**. For each Fast Energization Process Cycle, the Transmission Provider shall determine cost responsibility for Interconnection Reliability Reinforcements identified and designated for construction pursuant to this section (f) of this Schedule 12. Cost responsibility for Interconnection Reliability Reinforcements in a Fast Energization Cycle shall be assigned to Responsible Customers in Zones containing Transmission Customers taking Firm Transmission Service on behalf of Eligible Loads and Large Loads ("Large Load Zones"). Generator Interconnection Customers in a given Cycle that are parties to a Generator Interconnection Agreement will pay a Generator Reliability Reinforcement Fee established in section (f)(vi) below.

(ii) **Determination of Cost Responsibility and Generator Allocation for Interconnection Reliability Reinforcements.** The Transmission Provider shall determine cost responsibility for Interconnection Reliability Reinforcements and the Generator Reliability Reinforcement Fee based on a proportional impact approach that considers all of the constraints identified in the Fast Energization Process Cycle.

This proportional impact methodology will apply to thermal and non-thermal constraints, and will determine the pro rata share of impacts of Project Developers, Eligible Loads and Large Loads on the aggregate of constraints being alleviated by the portfolio of Interconnection Reliability Reinforcements as further described below and in the PJM Manuals.

The Transmission Provider shall determine each Project Developer, Eligible Load and Large Load's proportional impact as follows:

(A) With respect to thermal, stability and voltage constraints:

(1) The Transmission Provider shall calculate distribution factors, represented as decimal values or percentages, which express the portions of a transfer of energy that will flow across constrained facilities. The set of constrained facilities used in this analysis shall be those identified as having violations requiring mitigation through Interconnection Reliability Reinforcements in the Fast Energization Process Cycle studies, with multiple contingencies on a facility represented by the single most severe contingency on such facility.

(2) For purposes of determining proportional impacts, each calculated distribution factor, if it exceeds the threshold set forth in the PJM Manuals, shall first be multiplied, for each Project Developer, by its MW capacity as studied in the Fast Energization Process, and each Eligible Load or Large Load by the amount in MW of Firm Transmission Service it has requested in the Fast Energization Process.

(3) No allocation relating to a constrained facility shall result unless the calculated impact exceeds the impact thresholds relating to facilities set forth in the PJM Manuals.

(4) For impacts that exceed the threshold, such impacts will be reflected in percentage impact values for each Developer or Eligible Load or Large Load based on its pro rata share of the total impacts on the applicable contingency.

(5) All calculated impacts on constrained facilities above the relevant thresholds, and in the flow direction of the violation, shall be aggregated for each Project Developer, Eligible Load or Large Load using weighted values as further described in the PJM Manuals.

(B) With respect to short-circuit constraints, allocation will be based on contributing fault current impact on the circuit breaker's applicable interrupting rating, as set forth in the PJM Manuals.

(C) The aggregate impact values calculated pursuant to subsection (f)(ii)(A) above shall determine the relative assignment of cost responsibility for Interconnection Reliability Reinforcements and the Generator Reliability Reinforcement Fee subject to the following rules:

(1) The proportional impacts of Transmission Service Requests will be combined on a Zonal basis assigned to the relevant Transmission Owner Zones.

(2) For purposes of this proportional allocation, the entire cost responsibility calculated pursuant to this subsection (f)(ii) will be assigned to Transmission Owner Zones based on their relative weighted impacts. Interconnection Reliability Reinforcement costs representing the relative distribution factor contribution attributable to Generator Interconnection Customers shall be recovered from Generator Interconnection Customers through Generator Reliability Reinforcement Fees as set forth in subsection (f)(vi) below.

(D) The Transmission Provider shall complete the analysis described in this subsection (f)(ii) within 30 days before Transmission Service Agreements and Generator Interconnection Agreements have been executed and the Transmission Provider seeks approval by the PJM Board of the Interconnection Reliability

Reinforcements identified in a Fast Energization Cycle. Within 30 days of the completion of this analysis, the Transmission Provider shall post on the PJM Internet Site the cost responsibility assignments determined pursuant to this section (f).

(iii) **Interconnection Reliability Reinforcements Charge.** The charge established to recover the revenue requirement with respect to an Interconnection Reliability Reinforcement is hereafter referred to as an "Interconnection Reliability Reinforcement Charge." Interconnection Reliability Reinforcement Charges of one or more Transmission Owners for Interconnection Reliability Reinforcements shall be established in accordance with this section (f) of Schedule 12. Transmission Provider shall assess an Interconnection Reliability Reinforcement Charge to Firm Transmission Customers in Zones based on the cost responsibility assignments determined pursuant to subsection (f)(ii) above. The Interconnection Reliability Reinforcement Charge shall recover the applicable Transmission Owner's annual transmission revenue requirement associated with the Interconnection Reliability Reinforcements constructed and owned by that Transmission Owner for a period of 15 years after an Interconnection Reliability Reinforcement enters service. After this period, beginning with the next full calendar year, Transmission Provider will assign responsibility for and recover the remaining costs of the Interconnection Reliability Reinforcement in accordance with sections (a) through (e) of this Schedule 12.

(A) A Transmission Owner's annual transmission revenue requirement associated with an Interconnection Reliability Reinforcement shall be determined pursuant to the formula rate in effect applicable to the Transmission Owner's rates for Network Integration Transmission Service and Firm Contract Demand Transmission Service ("Firm Transmission Service"), including the costs associated with Interconnection Reliability Reinforcements.

(B) Each Interconnection Reliability Reinforcement Charge applicable to Firm Transmission Customers shall be recalculated annually to reflect the annual revisions to the billing determinants used by the Transmission Provider to calculate charges for Firm Transmission Service. The Transmission Provider shall post on its Internet site by October 31 of each calendar year each recalculated Interconnection Reliability Reinforcement Charge that shall be effective during the subsequent calendar year.

(C) Each Interconnection Reliability Reinforcement Charge applicable to customers using Point-To-Point Transmission Service shall be calculated monthly to reflect the billing determinants used by the Transmission Provider to determine charges for customers of Point-To-Point Transmission Service in accordance with Tariff, Part II, section 25.

(iv) Recovery of Interconnection Reliability Reinforcement Charges.

(A) Transmission Customers shall pay the Transmission Provider all applicable Interconnection Reliability Reinforcement Charge as required by this Schedule 12 in addition to all other charges for transmission service for which such Transmission Customers are responsible under the Tariff.

(B) The Transmission Provider shall collect all applicable Interconnection Reliability Reinforcement Charges from each applicable Transmission Customer on a monthly basis. The Transmission Provider shall remit or credit all revenues received from Transmission Customers under this Schedule 12 to the Transmission Owner(s) owning the relevant Interconnection Reliability Reinforcements.

(v) Crediting of Revenue from Interconnection Reliability Reinforcement Charges. In recognition that a Transmission Owner's charges for Firm Transmission Service set forth in Tariff, Attachment H are established based upon the Transmission Owner's total cost of providing FERC-jurisdictional transmission service, including the costs associated with Interconnection Reliability Reinforcements, revenue Interconnection Reliability Reinforcement Charges for a billing month shall be credited pursuant to this Schedule 12 to the Firm Transmission Customers in the Transmission Owner's Zone (including, where applicable, the Transmission Owner) and Transmission Customers purchasing Firm Point-To-Point Transmission Service for delivery in the Transmission Owner's Zone in proportion to their Demand Charges (including any imputed Demand Charges for bundled service to Native Load Customers) for Network Integration Transmission Service and Reserved Capacity for Firm Contract Demand Transmission Service and Firm Point-To-Point Transmission Service; provided that such credits shall be reduced by the amount of any applicable incentives included in such Interconnection Reliability Reinforcement Charges.

(vi) Generator Reliability Reinforcement Recovery Fee. The Transmission Provider shall recover the portion of the costs of Interconnection Reliability Reinforcements allocated to Generator Interconnection Customers in a Fast Energization Process Cycle, as determined pursuant to subsection (f)(ii) of this Schedule 12, through Generator Interconnection Reliability Reinforcement Recovery Fees as follows:

(A) The Transmission Provider shall assess and each Generator Interconnection Customer will pay the Generator Reliability Reinforcement Recovery Fee beginning on the earlier of: (1) in the calendar year when the Generator Interconnection Customer's facility achieves Commercial Operation, or (2) three years after the Commercial Operation date in the Customer's original Generator Interconnection Agreement, and continuing for a period of 15 years from the Commercial Operation Date.

(B) The Transmission Provider shall calculate the Generator Reliability Reinforcement Fee after each System Impact Study Phase as part of the Fast Energization Process as follows:

$AGRRRF = GCAP \times TRRGP \times \{[ACCC \times (1 + ACCC)^{20}]/[(1 + ACCC)^{20} - 1]\}$

Where:

GRRRF is the Generator Reliability Reinforcement Fee

GCAP is the Generator Interconnection Customer's Allocated Percentage, which is the Generator Interconnection Customer's allocated percentage for the portfolio of Interconnection Reliability Reinforcements from its New Service Request Cycle, determined pursuant to subsection (f)(ii) above.

TRRGP is the Total Reliability Reinforcement Gross Plant, which is based on the gross plant of all Interconnection Reliability Reinforcements approved by the PJM Board with respect to the Generator Interconnection Customer's New Service Request Cycle, and for which it has been allocated a percentage pursuant to subsection (f)(ii) above. The gross plant amounts used in this calculation shall be based on the final estimated costs of the Interconnection Reliability Reinforcements as determined by the Transmission Provider through the Fast Energization Process.

ACCC is the Annual Carrying Charge Component, which shall be calculated as the weighted average of the Weighted Average Costs of Capital for all Transmission Owners with Interconnection Reliability Reinforcements approved by the PJM Board with respect to the Generator Interconnection Customer's New Service Request Cycle, and for which the Generator Interconnection Customer has been allocated a percentage pursuant to subsection (f)(ii) above. The Weighted Average Cost of Capital values shall be derived from the applicable Transmission Owner's formula rates, as set forth in Attachment H and in effect at the time the Annual Generator Reliability Reinforcement Recovery Fee is calculated. For purposes of calculating such weighted average, each applicable Transmission Owner's Weighted Average Cost of Capital shall be weighted based on the ratio of the final estimated costs of the Interconnection Reliability Reinforcements that it has been designated to construct and own that are allocated to the Generator Interconnection Customer pursuant to subsection (f)(ii) above, to the final estimated costs for all Interconnection Reliability Reinforcements allocated to the Generator Interconnection Customer pursuant to subsection (f)(ii) above.

(C) PJM shall invoice monthly 1/12 of each Annual Generator Reliability Reinforcement Fee Charge to the applicable Generator Interconnection Customer.

(D) Each month, PJM will credit the Annual Generator Reliability Reinforcement Fees collected in the most recent billing cycle to Firm Transmission Customers in each Zone. The amount credited to each Zone shall equal the total

Annual Generator Reliability Reinforcement Fees collected in the most recent billing cycle multiplied by the ratio of the annual revenue requirement for the applicable Interconnection Reliability Reinforcements allocated to Firm Transmission Customers in that Zone to the total annual revenue requirement for the applicable Interconnection Reliability Reinforcements allocated to Firm Transmission Customers in all Zones. The credits attributable to each Zone will be allocated to each Firm Transmission Customer in the Zone based on each Firm Transmission Customer's pro rata share of the Zone's annual peak load, from the most recent 12-month period ending October 31. The Firm Transmission Customer's pro rata share shall be based on the ratio of its Zonal Network Load or Firm Contract Demand Transmission Service Amount during the peak period to the sum of Network Customer Loads in the Zone and Firm Contract Demand Transmission Service Amounts for all customers taking Firm Contract Demand Transmission Service in the Zone, for the applicable peak period. The sum of these revenue credits will appear as a reduction to the gross monthly rate for Firm Transmission Service on a Firm Transmission Customer's bill in that month.