

2.6 Cost Allocation

2.6.5.3 Allocation of Total Project Cost to Enrolled Party Beneficiaries

2.6.5.3.1 Subscription Process

After a project is selected by the Cost Allocation Task Force as an Eligible Cost Allocation Project, the project developer has 90 days to conduct an open subscription period subject to FERC oversight and pursuant to FERC requirements in order to evaluate and select for negotiations requests from entities for contractual rights for transmission capacity associated with the selected Eligible Cost Allocation Project. Each successful entity has 60 days following the subscription period to sign a binding contract committing the requester to paying for the transmission rights associated with the request. Any amounts committed as part of the subscription process as well as any other voluntary payments made by any entity, including the acquisition of additional transmission rights following the subscription process, shall be used to reduce the Facility costs to be allocated pursuant to Section 2.6.5.3.2.

2.6.5.3.2 Allocation of Remaining Costs

The remaining cost of the Eligible Cost Allocation Project after the subscription process shall be allocated to Enrolled Parties as follows:

2.6.5.3.2.1 If the Eligible Cost Allocation Project is larger than 300kV, 25% of the cost will be allocated to the Enrolled Parties based on the load they serve in a transmission zone (as designated by NorthernGrid) that is assigned responsibility for modeled power flows associated with the Eligible Cost Allocation Project as determined by a Solution-Based Distribution Factor Analysis (DFAX) analysis. The Cost Allocation Task Force shall assign costs to each zone based on the zone's proportionate responsibility for the modeled power flows. If the Cost Allocation Task Force assigns responsibility to a transmission zone that is served by more than one Enrolled Party, the costs allocated to that zone will be sub-allocated within the zone based on the percentage of each Enrolled Party's peak load within that zone. 75% of the costs will be allocated to Enrolled Parties based on each Enrolled Party's proportionate share of the Total Eligible Cost Allocation Project's Benefits

2.6.5.3.2.2 If the Eligible Cost Allocation Project is between and inclusive of 200kV and 300kV, 10% of the costs will be allocated to Enrolled Parties serving transmission zones pursuant to the Solution-Based DFAX approach described in Section 2.6.5.3.2.1 and 90% of the costs will be allocated to each Enrolled Party based on the Enrolled Party's proportionate share of the Total Eligible Cost Allocation Project's Benefits.

2.6.5.3.2.3 If the Eligible Cost Allocation Project is smaller than 200kV, 100%

of the costs will be allocated to each Enrolled Party based on the Enrolled Party's proportionate share of the Total Eligible Cost Allocation Project's Benefits.

2.6.5.3.2.4 For purposes of Section 2.6.5.3.2, Total Eligible Cost Allocation Project Benefits means the following seven benefits: (1) avoided or deferred reliability transmission facilities and aging infrastructure replacement; (2) reduced loss of load probability or reduced planning reserve margin; (3) production cost savings; (4) reduced transmission energy losses; (5) reduced congestion due to transmission outages; (6) mitigation of extreme weather events and unexpected system conditions; and (7) capacity cost benefits from reduced peak energy losses; as defined by FERC Orders No. 1920, 1920-A and 1920-B.

The formula for the Total Eligible Cost Allocation Project Benefits calculation will be as follows to determine Enrolled Parties' share of the costs:

total dollar value of all Eligible Cost Allocation Project Benefits over the Long-Term Transmission Planning Cycle to an Enrolled Party

[divided by]

total dollar value of all Eligible Cost Allocation Project Benefits over the Long-Term Transmission Planning Cycle to all Enrolled Parties

[equals]

the proposed proportionate cost allocation share for Eligible Cost Allocation Project Benefits

For example:

- If an Enrolled Party is shown to receive Eligible Cost Allocation Project Benefits of \$10 million, and three Enrolled Parties together (including the first Enrolled Party) are shown to receive total Eligible Cost Allocation Project Benefits of \$100 million, then
- The first Enrolled Party would have a proportionate share of 10% of the total Eligible Cost Allocation Project Benefits (10 divided by 100 equals 0.10).

2.6.5.3.3 To the extent that a portfolio of projects are jointly selected as Eligible Cost Allocation Projects and those Projects are of different sizes and types, no Enrolled Party shall be allocated more costs than if each of the Projects had been selected separately.

- 2.6.5.3.4 Enrolled Parties that are estimated to receive only a *de minimis* level of benefits from an Eligible Cost Allocation Project (as measured by the costs to be allocated pursuant to Section 2.6.5.3.2) shall not be assigned costs pursuant to Section 2.6.5.3.2. Any *de minimis* amounts that would have been assigned to the Enrolled Party shall be re-allocated to the other Enrolled Parties in the same proportion of the costs assigned to the Enrolled Parties pursuant to Section 2.6.5.3.2. For purposes of this Section, an Enrolled Party that would be assigned less than 2% of the total costs to be allocated pursuant to Section 2.6.5.3.2 shall be considered to be receiving a *de minimis* level of benefits.
- 2.6.5.3.5 Enrolled Parties that are allocated costs pursuant to Section 2.6.5.3.2 shall be assigned a commensurate amount of transmission capacity rights associated with the Eligible Cost Allocation Project. An Enrolled Party that is assigned such transmission capacity rights may resell those rights to any other entity.
- 2.6.5.3.6 The amount paid per unit of transmission capacity rights shall be the same regardless of whether such rights are acquired pursuant to the Section 2.6.5.3.1 subscription process or imputed to an Enrolled Party pursuant to the share of costs assigned to the Enrolled Party pursuant to Section 2.6.5.3.2.