

Exhibit No. ISO-16

Procedure for Division of Certain Costs Between the High and Low Voltage Transmission Access Charges

BACKGROUND

This procedure is intended to provide guidance for Participating TOs that must divide their approved Transmission Revenue Requirement between High Voltage and Low Voltage components (HVTRR and LVTRR, respectively) as required by the ISO Tariff.¹ This procedure adopts the fundamental structure of a bright-line division of revenue requirements. To the extent that the Access Charge proceeding results different from this structure, the ISO intends that this procedure would be revised consistent with the settlement.

Under this procedure TRR that can be identified as clearly High Voltage or Low Voltage should be allocated to HVTRR or LVTRR on that basis. This procedure provides guidance for certain facilities and TRR components for which the appropriate identification as HVTRR or LVTRR is less obvious. These procedures, will, therefore, ensure consistency of HVTRR formulation among Participating TOs, pending the outcome of the Access Charge proceeding.

DIVISION OF COSTS

A. SUBSTATIONS

Costs for substations and substation equipment, except transformers:

- 1) If the Participating TO has substation TRR information by facility and voltage, then the TRR for facilities and equipment at or above 200 kV should be allocated to the HVTRR and the TRR for facilities and equipment below 200 kV should be allocated to the LVTRR;
- 2) If the Participating TO has substation TRR information by facility but not by voltage, then the TRR for facilities and equipment should be allocated to the HVTRR and to the LVTRR based on the ratio of gross substation investment allocated to HVTRR to gross substation investment allocated to LVTRR pursuant to Step 1;
- 3) If the Participating TO does not have substation TRR information by facility or voltage, then the TRR for facilities and equipment should be allocated to the HVTRR and to the LVTRR based on the Participating TO's transmission system-wide gross plant ratio²;

Costs of transformer that step down from a high voltage (200 kV or above) to low voltage, to the extent the Participating TO does not have the revenue requirement

¹ Capitalized terms when used in this procedure shall have the same meaning as Appendix A to the ISO Tariff.

² The system-wide gross plant ratio is determined once the costs that can be split between High Voltage and Low Voltage for all facilities has been developed in accordance with sections A through C, then the resulting cost ratio between High Voltage and Low Voltage shall be used as the system-wide gross plant ratio.

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information available on a voltage basis, should be allocated 50% to the HVTRR and 50% the LVTRR.

B. TRANSMISSION TOWERS AND LAND WITH CIRCUITS ON MULTIPLE VOLTAGES

For transmission towers that have both High Voltage and Low Voltage facilities on the same tower, the cost of these assets should be allocated two-thirds to the HVTRR and one-third to the LVTRR. If the transmission tower has only High Voltage facilities, then the costs of these assets should be allocated entirely to the HVTRR. If the transmission tower has only Low Voltage facilities, then the TRR of these assets should be allocated entirely to the LVTRR.

Provided the Participating TO does not have land cost information available on a voltage basis, in which case the costs should be allocated based on the bright-line of the voltage levels, the costs for land used for transmission right-of-ways for towers that have both High Voltage and Low Voltage wires should be allocated two-thirds to the HVTRR component and one-third to the LVTRR.

C. O&M, TRANSMISSION WAGES & SALARIES, TAXES, DEPRECIATION AND AMORTIZATION, AND CAPITAL COSTS

If the Participating TO can delineate costs for transmission O&M, transmission wages and salaries, taxes, depreciation and amortization, or capital costs on a voltage basis, the costs shall be applied on a bright-line voltage basis. If the costs for O&M, transmission wages and salaries, taxes, depreciation and amortization, or capital costs, are not available on voltage levels, the allocation to the HVTRR and the LVTRR should be based on the Participating TO's system-wide gross plant ratio defined in Section A.

D. EXISTING TRANSMISSION CONTRACTS

If the take-out point for the Existing Contract is a High Voltage Transmission Facility, the Existing Contract revenue will be credited to the HVTRR of the Participating TO receiving such revenue. Similarly, the Participating TO that is paying charges under such an Existing Contract may include the costs in its HVTRR.

If the take-out point for the Existing Contract is a Low Voltage Transmission Facility, the Existing Contract revenue will be credited to the HVTRR and the LVTRR of the receiving Participating TO based on the ratio of the Participating TO's HVTRR to its LVTRR, prior to any adjustments for such revenues. The Participating TO that is paying the charges under the Existing Contract will include the costs in its HVTRR and LVTRR in the same ratio as the revenues are recognized by the Participating TO receiving the payments.

E. Wheeling Revenues

The ISO will distribute wheeling revenues in accordance with Section 7.1.4.3 of the ISO Tariff.