ISO TARIFF APPENDIX F

Rate Schedules

Schedule 1

Grid Management Charge

Part A – Monthly Calculation of Grid Management Charge (GMC)

The Grid Management Charge (ISO Tariff Section 8.0) is a formula rate designed to recover the ISO's administrative and operating costs, including costs incurred in establishing the ISO before its operations began. The Grid Management Charge also includes costs associated with Scheduling, System Control and Dispatch Service as described in Order No. 888.

The Grid Management Charge will be $0.7831/MWh, as of March 31, 1998.

The Grid Management Charge will be levied monthly in arrears on all Scheduling Coordinators by charging each Scheduling Coordinator the product of the Grid Management Charge rate, as calculated under section 8.4 of the ISO Tariff, and the Monthly Metered Consumption, all as expressly set forth in the following formula; provided, however, that (i) Existing Contract Deliveries shall be multiplied by a factor of 0.5 before application of the GMC; (ii) loads in a given hour served by Other Volumes shall be exempt from the GMC; (iii) Qualified Loads shall be exempt from the GMC; and (iv) all New Uses, including those by Existing Contract Entities and QFs, are subject to the full GMC. The formula ~~for 1998~~through December 31, 2000, is as follows:

$$\text{Monthly Bill}_{SCi} = [\text{GMC} \times (\text{ECD}_{SCi} \times 0.50)] + [\text{GMC} \times \text{OMC}_{SCi}]$$

Where:

SC*i* = the applicable Scheduling Coordinator

ECD = Existing Contract Deliveries

OMC = Other Metered Consumption

For purposes of this Schedule 1, capitalized terms not included in the Master Definitions Supplement shall~~, in 1998,~~ be defined as follows through December 31, 2000:

Existing Contract Deliveries shall mean scheduled deliveries or metered consumption under an Existing Contract to an Existing Contract Entity, calculated in MWh, in accordance with the method historically used by the parties to the Existing Contract.

Existing Contract Entities shall mean entities receiving energy under Existing Contract rights as defined in the ISO Tariff, as it exists on April 1, 1998.

Monthly Metered Consumption shall mean the aggregate of Other Metered Consumption and Existing Contract Deliveries.

New Uses shall mean volumes transported over the ISO Controlled Grid pursuant to an agreement that is not an Existing Contract under the ISO Tariff, and shall not include Qualified Loads.

Other Metered Consumption shall mean the sum of (i) total load of the Scheduling Coordinator within the ISO Control Area and (ii) total export of the Scheduling Coordinator outside of the ISO Control Area (including Wheeling Out and Wheeling Through the ISO Control Area); and (iii) but excluding Existing Contract Deliveries, Other Volumes and Qualified Loads. Other Metered Consumption includes New Uses.

Other Volumes for a given hour shall mean (i) the energy produced in that hour from any generating unit located within an Existing Contract Entity's service area or directly connected to transmission owned by such Existing Contract Entity and/or (ii) any volumes transported through a path that does not include facilities in the ISO Controlled Grid. Other Volumes does not include New Uses.

Qualified Loads means load served by QF energy that is generated on or distributed by the QF generator through private property or over distribution facilities that are dedicated to the QF through either an arrangement with the UDC in whose service territory the QF is located, or another entity that provides distribution level service, solely for its own use or the use of its tenants or two other corporations located on the real property on which the electricity is generated or on immediately adjacent real property and not for sale or transmission to others.

Part B – Quarterly Adjustment, If Required

The Grid Management Charge may change quarterly if the volume estimates, on an annual basis, change by 5% or more during the year. Each year the Grid Management Charge will be recalculated to reflect the following year's budget estimates and to adjust for any difference between the previous year's cost estimates and actual costs incurred.

Part C – Components of the GMC

As provided in Section 8 of the ISO Tariff, the Grid Management Charge includes the following costs:

- Operating costs (as defined in Section 8.2.2)
- Financing costs (as defined in Section 8.2.3), including Start-Up and Development Costs (as defined in Section 8.2.1)
- Operating and Capital Reserve costs (as defined in Section 8.2.4)

adjusted annually for:

- any surplus revenues from the previous year in the Operating and Capital Reserve Account, as defined under

Section 8.5, which incorporates the difference between projected and actual costs from the previous year (such costs and adjustments being more specifically defined below in the Grid Management Charge Revenue Requirement Formula);

divided by:

- forecasted annual volume in MWh;

adjusted quarterly for:

- a change in the volume estimate used to calculate the Grid Management Charge if, on an annual basis, the change is 5% or more.

The Grid Management Charge Revenue Requirement Formula is as follows:

Grid Management Charge Revenue Requirement =
Operating Expenses + Debt Service + the greater of [(Coverage Requirement x Senior Lien Debt Service**)** or **(**Cash Funded Capital Expenditures)] - Interest Earnings - Other Revenues - Reserve Transfer

Where,

Operating Expenses = O&M Expenses plus Taxes Other Than Income Taxes (Account 408.1)

O&M Expenses = Transmission O&M Expenses (Accounts 560-574) plus Customer Accounting Expenses (Accounts 901-905) plus Customer Service and Informational Expenses (Accounts 906-910) plus Sales Expenses (Accounts 911-917) plus Administrative & General Expenses (Accounts 920-935)

Debt Service = for any fiscal year, scheduled principal and interest payments, sinking fund payments related to balloon maturities, repayment of commercial paper notes, net payments required pursuant to a payment obligation, or payments due on any ISO notes. This amount includes the current year accrued principal and interest payments due April 15 of the following year.

Coverage Requirement = 25% of the Senior Lien Debt Service.

Senior Lien Debt Service = all Debt Service that has a first lien on ISO Net Operating Revenues (Account 128 subaccounts).

Cash Funded Capital Expenditures = Post~~-1998~~ current fiscal year capital additions (Accounts 301-399) funded on a pay-as-you-go basis.

Interest Earnings = Interest earnings on Operating and Capital Reserve balances (Account 419). Interest on bond or note proceeds specifically designated for capital projects or capitalized interest is excluded.

Other Revenues = Amounts booked to Account 456 subaccounts. Such amounts will include connection fees associated with communications equipment and application fees.

Reserve Transfer = the projected reserve balance for December 31 of the prior year less the Reserve Requirement as adopted by the ISO Board and FERC. If such amount is negative, the amount may be divided by two, so that the reserve is replenished within a two-year period. (Account 128 subaccounts)

Reserve Requirement = 15% of Annual Operating Expenses.

Part D – Information Requirements

Annual Filing

In accordance with the settlement reached in Docket No. ER98-211-000, beginning in 1999, the ISO will make an informational filing each year on December 15, or the first business day thereafter, which shall contain cost data on the ISO presented in conformance with the FERC Uniform System of Accounts (USA). This filing shall contain all information presented in the ISO's monthly financial report as provided in Paragraph 17 of the Offer of Settlement, and such additional information as is required to set the GMC unit rate for the following calendar year, including the criteria used to set the projected volumes. To the extent that any party objects to such unit rate to be established, such party must file a complaint with the FERC under Section 206 of the Federal Power Act. Except as provided in Paragraph 7 of the Offer of Settlement, the Settlement will not be construed as barring a party's rights to seek or obtain relief under Section 206 of the FPA.

Monthly Financial reports

In accordance with the settlement reached in Docket No. ER98-211-000, the ISO will create monthly financial reports that present financial data both in the form created for the ISO Board of Governors and in a manner that conforms with the FERC USA, and shall include an explanation of how the data are converted from one format to the other. The monthly financial reports and the conversion explanation will be posted on the ISO's Website monthly.

Triennial Filing

Special procedures will be applicable to the informational filing used to establish the GMC unit rate for the year 2002, (*i.e*., the informational filing to be submitted December 15, 2001) and each third year thereafter (triennial filings). The ISO will submit all the information required under 18 C.F.R. § 35.13, with the exception of pre-filed testimony, with such triennial filings. The ISO further will provide discovery on the triennial filings limited to requests for existing documents related to these filings. The ISO will accept requests for such documents through the following January 8, in accordance with Paragraph 18 of the Settlement and will answer such requests by the following January 24. In accordance with Paragraph 18, parties may request a hearing by filing pleadings with the FERC by the following February 15 or by the date for filing such pleadings as set by the Commission. The ISO will inform the FERC of these procedures in its transmittal letter for the filing. If the FERC orders a hearing pursuant to such pleadings, then the ISO agrees that it will have the burden of proof on all questions set for hearing, except for the continued use of a 25 percent Coverage Requirement, the continued use of a 15 per cent Reserve Requirement, or the justness and reasonableness of its initial debt financing, as provided in Paragraph 7 of the Offer of Settlement. The Offer of Settlement shall not limit discovery rights otherwise available if a hearing is ordered.