

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 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:

Sci = **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 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.

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 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.

