Proposed Alternate Allocation Methodology for
Working Capital and Bad Debt Loss
LIPA Draft 1/23/03

<u>Energy Weighted Approach</u> - The goal of the Energy Weighted Approach is to allocate 1) any remaining loss and 2) fund any working capital collection to/from all customers based on the sum of customer MWH purchases and sales over total MWH purchase and sales for the market adjusted for actual system energy losses during the month of financial loss or collection. Working Capital would be allocated over a period of a year. The allocation will be based on the Customer's applicable injection billing units and/or withdrawal billing units during the month of loss or collection or year of working capital calculation.

The allocation would be based on the following formula:

$$\% \text{ amount paid by customer} = (CAW + CI)/(NYAW + NYI)$$

CAW = The sum of the Customers Actual Energy Withdrawals for all Transactions to supply Load in the NYCA and hourly Energy schedules for all Wheels Through and Exports in MWHs during the month of loss or collection or year of working capital calculation.

CI = The sum of the Customers Actual Energy Injections to supply Energy to the LBMP market in the New York Control Area in MWHs during the month of loss or collection or year of working capital calculation, including imports sold into the day ahead and hourly spot markets.

$$CI = (\Sigma I_a + \Sigma I_i) \times (1 - L_a)$$

Where for any given market participant,
- I_a is the customer's actual injection from each generator.
- I_i is the customer's MWH imports into the LBMP market , either day ahead or real time.
- L_a is the actual losses of the NYCA system expressed as a decimal fraction and calculated by SCD integrated over each hour and summed over the period divided by the integrated energy injections and energy imports.

NYAW = The total of the NYISOs Actual Energy Withdrawals and hourly Energy schedules for all Wheel Throughs and Exports in MWHs during the month of loss or collection or year of working capital calculation.

$$NYAW = \Sigma \, CAW$$

NYI – The total of the NYISOs Actual Energy Injections to Import Energy into the LBMP market in the New York Control Area in MWHs during the month of loss or collection or year of working capital calculation.

$$NYI = \Sigma CI$$