CARIS Cost Allocation and Voting Example

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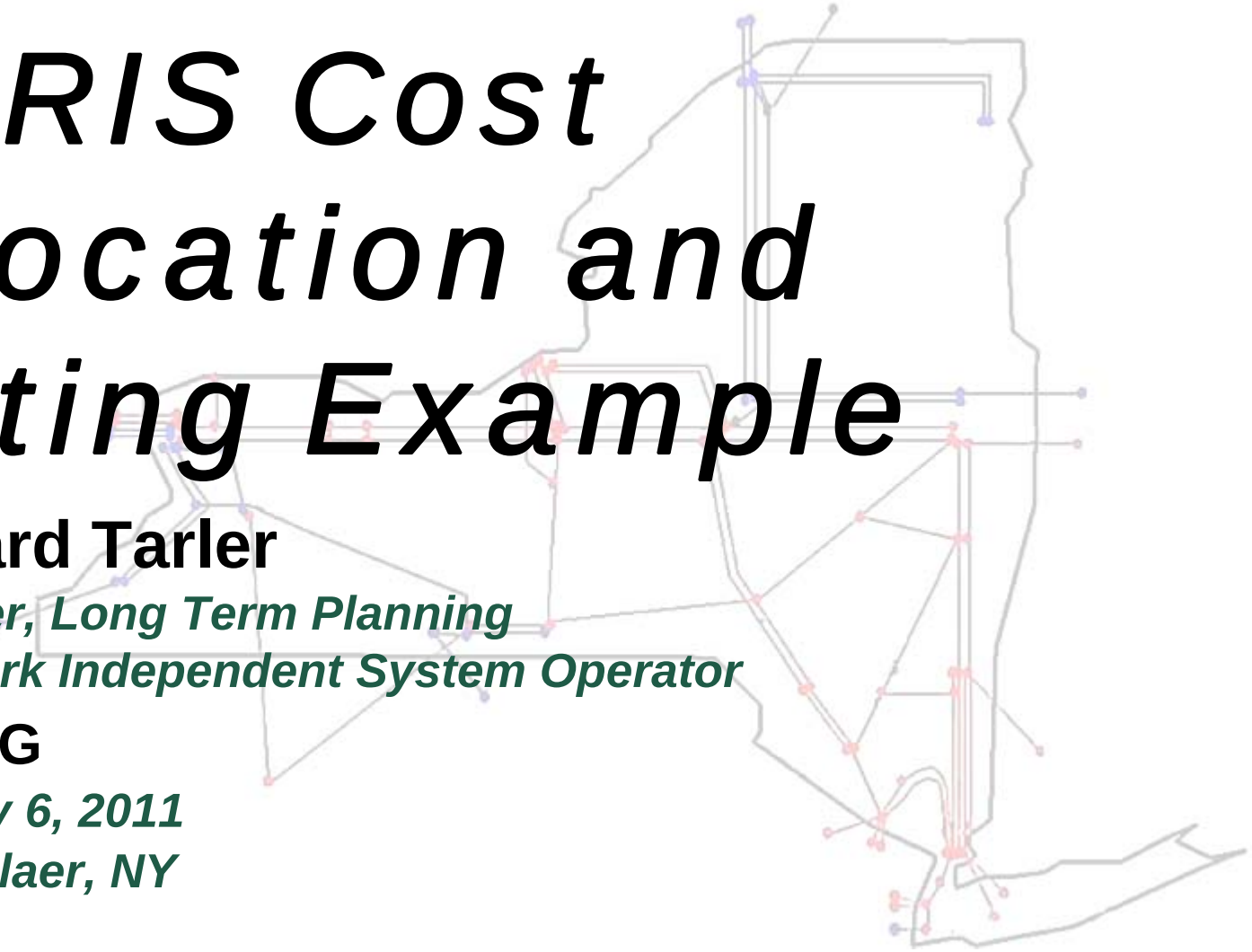

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Cost Allocation and Voting

- Project Costs
- Production Cost Savings
- Load Savings
- Zonal Cost Allocation Ratio
- LSE Intra-zonal Cost Allocation
- LSE Voting Shares
- Example of Cost Allocation & Vote Shares

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Project Costs

- **Project costs estimated by developer**
- **Subject to review by FERC**
- **PV of ten year total project costs**
- **Used by NYISO for B/C Ratio**

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Production Cost Savings

- **NYISO calculates production costs in base case and subtracts production costs with project in service**
- **PV of ten years of production cost savings compared to PV of ten years project costs**
- **Benefits must exceed costs to be eligible**

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Load Savings

- **Load Savings calculated (base case – project case)**
- **Load Savings adjusted to reflect bilateral and TCC effects**
- **Net Load Savings used to determine beneficiary zones**

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Zonal Cost Allocation Ratio

- **PV for ten years of Zones with positive benefits (savings net of bilaterals and TCCs)**
- **PVs totaled for all beneficiary Zones**
- **Zonal Cost allocation ratio is ratio of zonal benefit to total benefits of all beneficiary zones**
- **Ratios maintained throughout recovery period**

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LSE Intra-Zonal Cost Allocation

- **Defined in approved voting procedures**
- **Based on current monthly load ratio share within each zone**
- **Not affected by bilaterals or hedges**

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LSE Voting Shares

- **Calculated for each beneficiary zone**
- **Calculation described in approved voting procedures**
- **Calculation based on most recent twelve months historical MWh sales**
- **LSE vote share is sum of that LSE's vote shares in each beneficiary zone**

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Hypothetical Cost Allocation & Voting Share Worksheet

Zone	Zonal Load Benefit ($m)	Yearly MWh	Fully Hedged MWh	Benefits ($M-net of hedges)	Zonal Cost Allocation(%)	Annual Zonal Cost Allocation ($)	%Zonal Load served by LSE A	LSE Intra-zonal Cost Alloc	LSE Intra-Zonal Vote Share
G	3	10,448	0	3	2.9	392,304	12	47,076	0.35
H	5	2997	0	5	4.8	653,841	13	84,999	0.62
I	25	6658	0	25	24.1	3,269,204	14	457,689	3.37
J	125	52,838	23,000	70.6	67.9	9,230,715	15	1,384,607	10.19
K	3.16	22,187	20,000	0.3	0.3	40,732	16	6,517	0.05
Sum	161.16	NA	NA	103.9	100	13,586,796	NA	1,980,889	14.58

Notes: All names and numbers are hypothetical. The total annual zonal cost allocation number is a hypothetical annual revenue requirement for a generic project. The "%Zonal Load Served" numbers are for example only and assume a constant value for the period. In reality an LSE load percentage would likely change from month to month and therefore its share of the cost allocation in each zone would vary from month to month.

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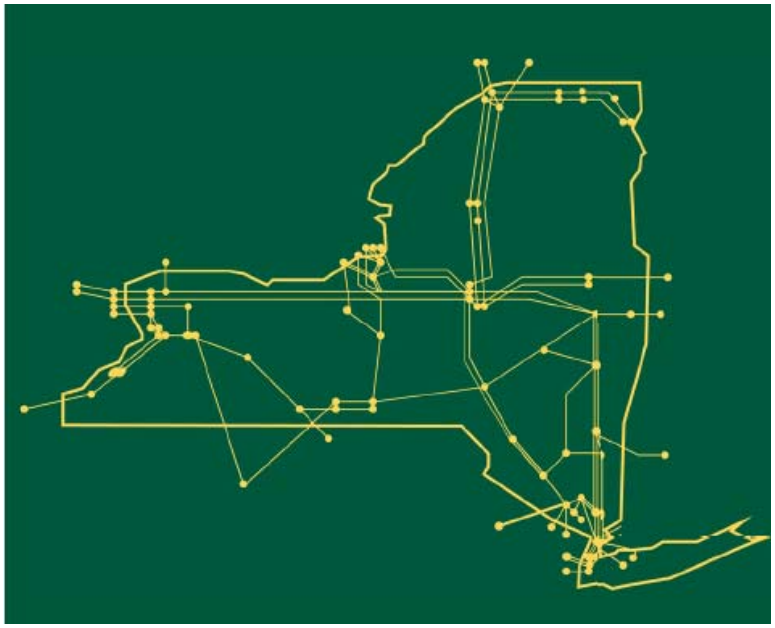

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