

SCHEDULE 2

Reactive Supply And Voltage Control From Generation or Other Sources Service

I. GENERAL

In order to maintain transmission voltages on the Transmission Provider's transmission facilities within acceptable limits, resources capable of providing this service that are connected to the Transmission Provider's transmission facilities are operated to produce or absorb reactive power. Thus, service under this Schedule 2 - Reactive Supply and Voltage Control from Generation or Other Sources Service must be provided for each transaction on the Transmission System. The amount of Reactive Supply and Voltage Control from Generation or Other Sources Service that must be supplied with respect to the Transmission Customer's transaction will be determined by the Transmission Provider based on the reactive power support necessary to maintain transmission voltages within the voltage range and the resulting reactive power range that are generally accepted in the region and consistently adhered to by the Transmission Provider.

Reactive Supply and Voltage Control from Generation or Other Sources Service is to be provided by the Transmission Provider by making arrangements with the Transmission Operator(s) that acquires this service for the Transmission Provider's Transmission System, except that, in the case of ITC Reactive Supply and Voltage Control from Generation Sources Service, the service may, at the election of the ITC, be acquired by the ITC in accordance with the ITC Control Area Services and Operations Tariff and the standards for qualification of generation resources (not necessarily "Generation Resources") set out in this Schedule 2. The Transmission Customer must purchase this service from the Transmission Provider or from the

ITC, as appropriate. The charges for such service by the Transmission Provider or the ITC will be based on the rates set forth below.

II. QUALIFIED GENERATOR

- A. General Qualifications:** All existing generation resources collecting charges for Reactive Supply and Voltage Control from Generation or Other Sources Service under a Commission approved cost-based rate schedule as of May 1, 2004, are deemed to be Qualified Generators. Any other generation resource or Electric Storage Resource (collectively “Reactive Power Resource”), may collect charges associated with its Reactive Supply and Voltage Control from Generation or Other Sources Service capability under this Schedule 2, where the Transmission Provider determines that the Reactive Power Resource is a Qualified Generator based on the requirements of paragraphs 1-4 in Section II.B. The Transmission Provider shall have the right to review the Qualified Generator status of any Reactive Power Resource at a subsequent time and revoke the Qualified Generator status of a Reactive Power Resource that does not meet the requirements of paragraphs 1-4 of Section II.B below. For the purposes of this Schedule 2, the revenue distribution provisions in Section III shall apply to all Qualified Generators under this Schedule 2, regardless of whether the Qualified Generator actually provided the service.
- B. Technical Qualifications:** If a Reactive Power Resource meets the qualifications as stated below, it shall be recognized as a Qualified Generator.

1. The Reactive Power Resource (i) operates with its voltage regulators in automatic mode and responds to voltage schedules of the Transmission Provider or Transmission Operator for the pricing zone in which the Reactive Power Resource is located; (ii) is able to maintain voltage support within its design limits; and (iii) is capable of a reactive power range of 95% leading to 95% lagging at the Point of Interconnection unless otherwise stated in the Generator Interconnection and Operating Agreement for the Reactive Power Resource;
2. The Reactive Power Resource (i) can respond to changes in voltage on the system and to changes in voltage schedules if the facility is operating; or (ii) will provide voltage control specified by the Transmission Provider or Transmission Operator immediately, if intra-day system conditions require additional reactive power supply to maintain reliability, or as instructed by the Transmission Provider or Transmission Operator prior to the Operating Day based on forecasted system conditions, taking into consideration the unit's operating characteristics, and whether the Reactive Power Resource is not operating at the time of the request as a result of an unscheduled or planned outage;
3. The Reactive Power Resource has met all applicable testing requirements for voltage control capability required by the Regional Reliability Council where the Reactive Power Resource is located within the past five years; and

4. The Reactive Power Resource owner has not included and does not currently include the Reactive Power Resource in the computation of rates for Transmission Service and has submitted a request to the Transmission Provider for Qualified Generator status as outlined in Section II.C below.

C. Notifications Relating to Qualified Generator Status:

1. A Reactive Power Resource is a Qualified Generator whose owner is eligible to receive compensation for its voltage control capability once its cost-based revenue requirement has been accepted by the Commission and its certification has been accepted by the Transmission Provider, subject to the following notification provisions governing a request for Qualified Generator status:
 - a. A Reactive Power Resource owner shall notify the Transmission Provider that its cost-based revenue requirement was filed and accepted by the Commission. Any Reactive Power Resource owner seeking compensation under this Schedule 2 shall be responsible for making all appropriate filings with the Commission to justify its cost-based revenue requirements for the provision of the Reactive Supply and Voltage Control from Generation or Other Sources Service. The Transmission Provider will not make any determination or assertions concerning whether the cost-based revenue requirements sought by the Reactive Power Resource

owner are just and reasonable, as these determinations will be made by the Commission.

- b. The Reactive Power Resource owner shall submit a request to the Transmission Provider certifying its compliance with paragraphs 1 - 4 of Section II.B. The Transmission Provider shall notify the Reactive Power Resource owner of any deficiency to the certification within fifteen (15) days of the Reactive Power Resource owner completing all certification requirements, and certification shall be considered accepted by the Transmission Provider in the absence of such notification.
2. Filing(s) at the Commission regarding a change in status for a Reactive Power Resource are required no later than sixty (60) days before the date to Retire, Suspend, sell, or transfer operations of a Reactive Power Resource, or sixty (60) days before the date that an owner includes the unit in the computation of rates for Transmission Service and begins collecting those rates, if compensation is provided for the Reactive Power Resource's voltage control capability in accordance with a Commission-accepted or approved revenue requirement or stated cost-based schedule for providing Reactive Supply and Voltage Control from Generation or Other Sources Service under this Schedule 2. The timing for the change in status shall be consistent with the date(s) contained in any required Attachment Y Notice provided to the Transmission Provider according to

Section 38.2.7 of this Tariff. The owner of the Reactive Power Resource must either:

- a. submit to the Commission (and provide a contemporaneous copy to the Transmission Provider) the appropriate filings to terminate or revise its cost-based revenue requirement or stated cost-based schedule for providing Reactive Supply and Voltage Control from Generation or Other Sources Service under this Schedule 2 to account for the change in status for the Reactive Power Resource; or
- b. file with the Commission (and provide a contemporaneous copy to the Transmission Provider) an informational filing in the docket in which its cost-based revenue requirement or stated cost-based schedule was approved or accepted by the Commission (or as otherwise directed by the Commission) that includes (i) the acquisition date for the Reactive Power Resource and date(s) for any change in status, (ii) an explanation of the basis for the decision not to terminate or revise the cost-based rate approved or accepted by the Commission associated with the planned change in status, (iii) a list of all the Reactive Power Resources covered by an existing cost-based revenue requirement or stated cost-based schedule from the date the

revenue requirement or stated schedule was first established until the date of the informational filing, (iv) the type (*i.e.*, fuel type and prime mover) of each Reactive Power Resource, (v) the actual, site-rated MVAR capability, megavolt-ampere (MVA) capability, and MW capability of each Reactive Power Resource, as supported by test data; and (vi) the nameplate MVAR, MVA, and MW ratings as well as the nameplate power factor for each Reactive Power Resource.

The requirement to submit the filings to the Commission no later than sixty (60) days before the change of status for the generation resource shall not apply if the change in status occurs between June 22, 2016 and sixty (60) days after the Commission first approves the filing requirements stated in Section II.C.2 in Docket No. EL16-61-000. For these changes in status, the required filing must be submitted to the Commission no later than sixty (60) days after approval of the filing requirements stated in Section II.C.2.

III. RATES, CHARGES, AND REVENUE DISTRIBUTION

The Transmission Provider shall calculate rates for Reactive Supply and Voltage Control from Generation or Other Sources Service for each pricing zone in the Transmission System. The charges collected under this Schedule 2 shall represent a pass through of costs, based on the

annual cost-based revenue requirements or cost-based rates of those Qualified Generators providing service pursuant to this Schedule 2. For those pricing zones where more than one entity is deemed to be a Qualified Generator providing the service described under this Schedule 2, the Transmission Provider will pass through the revenue it receives directly to each individual Qualified Generator based on the revenue requirements specified in Section III.D or cost-based rates. The Qualified Generators shall be responsible for filing their annual cost-based revenue requirement and/or cost-based rates for voltage control capability with the Commission.

A. Rates for Reactive Supply and Voltage Control from Generation or Other Sources Service provided to Load within the Transmission System

The Transmission Provider shall determine the rates by:

1. Summing the annual revenue requirements for voltage control capability, as determined pursuant to Section III.D.1, including any amounts to be collected pursuant to Section III.D.2, for all Qualified Generators in the respective pricing zone to determine the annual reactive power revenue requirement; then
2. Multiplying the annual reactive power revenue requirement determined in step 1 above by one-twelfth (1/12) to obtain the monthly reactive power revenue requirement for the pricing zone; and then
3. Dividing the monthly reactive power revenue requirement determined in step 2 above by the Attachment O, Page 1, Line 15 rate divisor for each pricing zone to derive a monthly rate; and deriving from that monthly rate the rates for weekly, daily and hourly service. For those pricing zones not utilizing Attachment O to derive rates for base Transmission Service, the Transmission Provider shall use

the same rate divisor used in calculating base transmission rates for Schedule 7, the MISO Single System-Wide Rates, or use a divisor specified by Commission order as the Schedule 2 rate divisor.

4. For those Qualified Generators having a cost-based rate schedule on file with the Commission that does not include an annual revenue requirement (*i.e.*, a stated rate), the Transmission Provider will calculate the rates in respective pricing zone by adding the incremental rates as calculated in steps 1-3 above to the stated rates.
5. The Transmission Provider will recalculate the rates annually effective the beginning of June and the beginning of any month subject to any change in the reactive power revenue requirements or rate divisor for a pricing zone. If a change is due to the Commission's approval of a new or revised revenue requirement, the Transmission Provider will implement the rate change on the first day of the month immediately following acceptance of the revenue requirement by the Commission or the first day of the month if Commission acceptance of such revenue requirement is on the first day of the month. However, such change and corresponding *pro rata* (*i.e.* over days of the month) rate recalculation shall occur for the date specified by the Commission if the requested cost-based revenue requirements is reduced (at least in part) as the result of a retirement, suspension, sale, or transfer for a Reactive Power Resource.

B. Rates for Reactive Supply and Voltage Control from Generation or Other Sources Service for transactions exiting the Transmission System

The rate for Reactive Supply and Voltage Control from Generation or Other Sources Service for Transmission Customers with loads located outside the Transmission Provider's Transmission System shall be calculated using an average rate. The average rate shall be calculated by:

1. Summing the annual revenue requirements determined in Section III.A.1 for all of the pricing zones; and
2. Dividing the annual revenue requirement determined in step 1 above by the Attachment O divisor used for calculating the Schedule 7, Part (2) Single-System Rate, or use a divisor as specified as modified by Commission order, to derive a monthly rate; and deriving from that monthly rate the rates for weekly, daily and hourly service.
3. In those instances where a Qualified Generator has a cost-based rate schedule on file with the Commission that does not include an annual revenue requirement (i.e., a stated rate), the Transmission Provider will calculate the average rate by weighting the respective rates calculated in Section III.A, together with the stated rates, using the rate divisor previously mentioned in Section III.A.3. The average rate will be the sum of the load weighted rates.
4. The Transmission Provider will recalculate the rates annually effective the beginning of June and the beginning of any month subject to a change in the reactive power revenue requirements or stated rates for a pricing zone as provided in Section III.A.5.

C. Collection of Charges and Distribution of Revenues

1. Each Transmission Customer shall pay the Transmission Provider a charge for Reactive Supply and Voltage Control from Generation or Other Sources Service determined by multiplying the applicable rate as calculated in Section III.A by the Reserved Capacity for the Transmission Customer taking Point-To-Point Transmission Service or the monthly Firm Point-To-Point Transmission Service rates times the Network Load for a Network Customer taking Network Integration Transmission Service.
2. Each month for Point-to-Point Transmission Service or Network Integration Transmission Service provided to load within a pricing zone within the Transmission System, the Transmission Provider shall distribute to each Qualified Generator owner a *pro rata* allocation of the amounts collected under this Schedule 2 based upon the Qualified Generator's respective share of the relative rates within the pricing zone (*i.e.*, rates of the Qualified Generator divided by the total rates of Qualified Generators in a zone) derived under Section III.A. The *pro rata* allocation of the amounts collected by the Transmission Provider will be reduced for those Qualified Generators with Transmission Customers who are not paying charges under this Schedule 2. The reduction will be calculated by the Transmission Provider based on the ratio of the subject Transmission Customers' average of their prior calendar year's twelve (12) coincident peaks to the Section III.A.3 rate divisor for the applicable pricing zone times the aggregate gross annual revenue requirement for all Qualified Generators within the pricing zone.

3. Each month for Transmission Service provided to Points of Delivery or loads located outside the Transmission System, the Transmission Provider shall distribute to each Qualified Generator owner a *pro rata* allocation of the amounts collected for its share of its gross annual reactive power revenue requirement among all Qualified Generators providing service under this Schedule 2.
4. The Transmission Provider will allocate revenue to each pricing zone based on the respective load weighted rate for each pricing zone as compared to the average rate. The Transmission Provider will then distribute those revenues allocated to each pricing zone to each Qualified Generator within the pricing zone based on each Qualified Generator's *pro rata* share of the rate for the pricing zone as calculated under Section III.A.4 as described in paragraph C.2 above.

D. Annual Revenue Requirement Rights of Qualified Generators

1. Non-public utilities and/or non-jurisdictional entities are eligible to receive compensation for their provision of Reactive Supply and Voltage Control from Generation or Other Sources Service. Each Reactive Power Resource, including Reactive Power Resources owned by non-public utilities and/or non-jurisdictional entities, shall file its annual revenue requirement for their Reactive Supply and Voltage Control from Generation or Other Sources Service capability with the Commission. The Reactive Power Resource owner possesses the unilateral right under Section 205 of the Federal Power Act to file to establish or revise its annual cost-based revenue requirement or rates for this Schedule 2 - Reactive Supply and Voltage Control from Generation or Other Sources Service.

2. Nothing in this Tariff interferes with the right of any Reactive Power Resource that is physically located on the Transmission System, including any Reactive Power Resource that is not a Qualified Generator, to file with the Commission a rate schedule under its Interconnection and Operating Agreement and consistent with Commission policy providing for compensation for the provision of voltage control capability in excess of that provided by normal operation of voltage control capability and where provided by a Reactive Power Resource at the request of Transmission Provider or Transmission Operator.

IV. QUALIFIED GENERATOR STATUS

A. Re-Evaluation of Qualified Generator Status

1. If a Qualified Generator fails to comply with the Transmission Operator's voltage control requirements three or more times in a calendar month for reasons other than planned or unscheduled outages, the Transmission Provider shall determine whether the Reactive Power Resource should continue to be a Qualified Generator based on the criteria established in Section II.B of this Schedule 2.
2. In making a determination of whether a Reactive Power Resource should continue to be a Qualified Generator, the Transmission Provider will evaluate, among other factors, whether the Reactive Power Resource was operated consistently with its design characteristics, and whether system conditions prevented it from responding as required by the Transmission Operator.