Schedule 49
Cost Allocation for Available System Capacity Usage

This Schedule implements the Settlement Agreement filed on August 31, 2016, in Docket No. ER14-1736 (“Settlement Agreement”) to recover the costs incurred by the Transmission Provider under Articles II and IV of the Offer of Settlement filed on October 13, 2015, in Docket Nos. EL14-21, ER14-1174, EL11-34-002 and EL14-30, as approved by the Commission in Southwest Power Pool, Inc., 154 FERC ¶ 61,021 (2016) (“JOA Settlement”).

I. EFFECTIVENESS AND DURATION

This Schedule shall become effective as described in the Settlement Agreement, and shall remain in effect for the duration of the Settlement Agreement and in accordance with its terms, including the standard of review provisions specified in the Settlement Agreement.

II. TERMS AND DEFINITIONS

**Adjusted Contract Path Capacity** – MISO Contract Path Capacity, as that term is defined in Article II of the JOA Settlement, less any increase resulting from firming payments made by NRG under Article IV of the JOA Settlement.

**Costs** – Costs incurred by the Transmission Provider as a result of payments or credits the Transmission Provider is obligated to make under Articles II and IV of the JOA Settlement.

**Local Resource Zone (LRZ) Allocation** – A Local Resource Zone’s percentage allocation of its sub-region’s flow-based benefits as described in Section IV below.

**Local Resource Zone (LRZ) Load Ratio Share** - The factor calculated as the sum of Actual Energy Withdrawals, Export Schedules and Post-integration Pseudo-tie volume of a Market Participant at all Commercial Pricing Nodes associated with a LRZ divided by the sum of all the Actual Energy Withdrawals, Export Schedules and Post-integration Pseudo-tie volume at all Commercial Pricing Nodes associated with the LRZ.

**Midwest Importing Percentage** – The monthly MISO market flow above the Adjusted Contract Path Capacity in the South to Midwest direction expressed as a percentage of the sum of monthly MISO market flow above the Adjusted Contract Path Capacity in
each direction (South to Midwest and Midwest to South). Specifically, for any given month, this calculation sums only positive values of Dispatch Period ASC Usage South to Midwest and sums only positive values of Dispatch Period ASC Usage Midwest to South, each calculated excluding Regional Pseudo-Tie Flow (as these capitalized terms are defined in the JOA Settlement, modified to incorporate the definition of Adjusted Contract Path Capacity in this Schedule).

**Midwest to South Importing Allocation** – The percentage allocation of benefits to the South sub-region from flows in the Midwest to South direction as described in Section IV below.

**MISO Market ASC Usage** – Monthly MISO market flow above the Adjusted Contract Path Capacity, which is the sum over all hours in a given month of Hourly ASC Usage calculated excluding Regional Pseudo-Tie Flow (as these capitalized terms are defined in the JOA Settlement, modified to incorporate the definition of Adjusted Contract Path Capacity in this Schedule).

**Modified Market Load Ratio Share** - The factor calculated as the sum of Actual Energy Withdrawals, Export Schedules and Post-integration Pseudo-tie volume of a Market Participant at all Commercial Pricing Nodes divided by the sum of all the Actual Energy Withdrawals, Export Schedules and Post-integration Pseudo-tie volume at all Commercial Pricing Nodes in the Transmission Provider Region.

**Post-integration Pseudo-tie** – Generation pseudo-tied out of the Transmission Provider Region, with an external Interface Sink Point, and defined in the Commercial Model with an initial effective date on or after January 1, 2014. Post-integration Pseudo-tie volume shall be zero for Operating Days before September 1, 2016.

**Regional Pseudo-Tie ASC Usage** – The monthly Regional Pseudo-Tie Flow above the Adjusted Contract Path Capacity, which is the sum over all hours in a given month of Hourly ASC Usage calculated using only Regional Pseudo-Tie Flow (as these capitalized terms are defined in the JOA Settlement, modified to incorporate the definition of Adjusted Contract Path Capacity in this Schedule).

**Regional Pseudo-Tie Percentage** – Regional Pseudo-Tie ASC Usage expressed as a percentage of the sum of Regional Pseudo-Tie ASC Usage and MISO Market ASC Usage.

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South to Midwest Importing Allocation - The percentage allocation of benefits to the Midwest sub-region from flows in the South to Midwest direction as described in Section IV below.

III. COST ALLOCATION METHODOLOGY

During the Settlement Period, Costs shall be allocated as set forth below:

1. For the period January 29, 2014 through January 31, 2016

   Each month during this period, Costs shall be allocated to Market Participants based on their Market Load Ratio Share for the month.

2. For the period February 1, 2016 through January 31, 2021

   Each month during this period, the allocation of Costs shall be determined in the following steps.

   a. Monthly Costs for each of the timeframes shown below, shall be divided into two amounts, market-wide amount and flow-based benefits amount according to the chart below:

   
<table>
<thead>
<tr>
<th>Timeframe</th>
<th>Market-wide</th>
<th>Flow-based benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Feb. 1, 2016 – Jan. 31, 2017</td>
<td>45%</td>
<td>55%</td>
</tr>
<tr>
<td>Feb. 1, 2017 – Jan. 31, 2018</td>
<td>40%</td>
<td>60%</td>
</tr>
<tr>
<td>Feb. 1, 2018 – Jan. 31, 2019</td>
<td>27.5%</td>
<td>72.5%</td>
</tr>
<tr>
<td>Feb. 1, 2019 – Jan. 31, 2020</td>
<td>17.5%</td>
<td>82.5%</td>
</tr>
<tr>
<td>Feb. 1, 2020 – Jan. 31, 2021</td>
<td>10%</td>
<td>90%</td>
</tr>
</tbody>
</table>

   b. The market-wide amount (from step a) shall be allocated to Market Participants based on their Modified Market Load Ratio Share for the month.
c. The Regional Pseudo-Tie amount is the lesser of (1) the flow-based benefits amount (from step a) multiplied by Regional Pseudo-Tie Percentage (or zero if Regional Pseudo-Tie ASC Usage is zero) and (2) the market-wide amount (from step a) multiplied by ten (10) percent, and shall be allocated to Market Participants based on their Modified Market Load Ratio Share for the month.

d. The adjusted flow-based benefits amount shall be calculated by reducing the flow-based benefits amount (from step a) by the Regional Pseudo-Tie amount (from step c).

e. The adjusted flow-based benefits amount (from step d) shall be allocated as follows:

i. Each sub-region’s flow-based benefits allocation amount shall be calculated as the sub-region’s share of benefits as an importer multiplied by the adjusted flow-based benefits amount (from step d) plus the sub-region’s share of benefits as an exporter multiplied by the adjusted flow-based benefits amount (from step d). Specifically:

The Midwest sub-region’s share of benefits as an importer shall be calculated as the product of (South to Midwest Importing Allocation) and (Midwest Importing Percentage). The Midwest sub-region’s share of benefits as an exporter shall be calculated as the product of (100 percent minus Midwest to South Importing Allocation) and (100 percent minus Midwest Importing Percentage).

The South sub-region’s share of benefits as an importer shall be calculated as the product of (Midwest to South Importing Allocation) and (100 percent minus Midwest Importing Percentage). The South sub-region’s share of benefits as an exporter shall be calculated as the product of (100 percent minus South to Midwest Importing Allocation) and (Midwest Importing Percentage).

ii. Each LRZ’s flow-based benefits allocation amount shall be the product of its sub-region’s flow-based benefits allocation amount (from step e.i) and its LRZ Allocation. This amount shall be allocated to Market Participants based on their LRZ Load Ratio Share.

iii. If the denominator of Midwest Importing Percentage is zero for a given month, then the adjusted flow-based benefits amount (from step d) shall be

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allocated to Market Participants based on their Modified Market Load Ratio Share for the month.

f. Treatment of Export Schedules and Post-integration Pseudo-tie volume for purposes of the flow-based benefits allocation:

   i. Each Export Schedule shall be assigned to one or more LRZs based on the sink Interface and the Transmission Provider interconnection model information. If an Export Schedule is assigned to more than one LRZ, it is assigned in equal shares to each such LRZ.

   ii. Each Post-integration Pseudo-tie shall be assigned to one or more LRZs based on the sink Interface and the Transmission Provider interconnection model information. If a Post-integration Pseudo-tie is assigned to more than one LRZ, equal shares of its volume are assigned to each such LRZ.

IV. ESTABLISHMENT AND UPDATING OF IMPORTING ALLOCATIONS AND LRZ ALLOCATIONS

The Midwest to South Importing Allocation, South to Midwest Importing Allocation, and LRZ Allocations are specified in the Settlement Agreement. Studies to update these allocations shall be performed, at minimum, when required by the Settlement Agreement. Updates to these allocations shall be determined using the most up-to-date MISO Transmission Expansion Plan (“MTEP”) production cost model and the business-as-usual or closest equivalent future for the five-year out planning study year (or closest equivalent). The benefits in the study shall be calculated based on the adjusted production cost (“APC”) savings. APC savings will be calculated as the difference in total production cost of the Resources in each Local Resource Zone adjusted for import costs and export revenues with and without Available System Capacity Usage (as defined in the JOA Settlement and as modified to incorporate Adjusted Contract Path Capacity, defined in this Schedule). Any such updates to the Importing Allocations and LRZ Allocations shall be posted on the Transmission Provider website no less than 30 days before they are to take effect.