SCHEDULE 3
Regulation and Frequency Response Service

Regulation and Frequency Response Service is necessary to provide for the continuous balancing of resources (generation and interchange) with load and for maintaining scheduled interconnection frequency at sixty cycles per second (60 Hz). Regulation and Frequency Response Service is accomplished by committing on-line generation whose output is raised or lowered (predominantly through the use of automatic generating control equipment) and by other non-generation resources capable of providing this service as necessary to follow the moment-by-moment changes in load. The obligation to maintain this balance between resources and load lies with the Transmission Provider (or the Control Area operator that performs this function for the Transmission Provider). The Transmission Provider must offer this service when the transmission service is used to serve load within its Control Area. The Transmission Customer must either purchase this service from the Transmission Provider or make alternative comparable arrangements to satisfy its Regulation and Frequency Response Service obligation. The Transmission Provider will take into account the speed and accuracy of regulation resources in its determination of Regulation and Frequency Response reserve requirements, including as it reviews whether a self-supplying Transmission Customer has made alternative comparable arrangements. Upon request by the self-supplying Transmission Customer, the Transmission Provider will share with the Transmission Customer its reasoning and any related data used to make the determination of whether the Transmission Customer has made alternative comparable arrangements. The Transmission Provider shall not be responsible for any costs to provide any required metering and communication equipment to facilitate the provision of this service to the Transmission Customer by either the Transmission Provider or any other party. The amount of and charges for Regulation and Frequency Response Service are set forth below. To the extent the Control Area operator performs this service for the Transmission Provider, charges to the Transmission Customer are to reflect only a pass-through of the costs charged to the Transmission Provider by that Control Area operator. The Transmission Provider may charge a Transmission Customer under either Schedule 3 or Schedule 3-A for the regulation and frequency response burden imposed by the Transmission Customer, but not both.

Regulation and Frequency Response Service

(A) The Transmission Customer's load demand at each of the Points of Delivery within the Transmission Provider's Control Area will be metered at ten-minute integrated intervals. Only those intervals where the Transmission Customer's total load demand within the Transmission Provider's Control Area is greater than the scheduled load demand for the given hour will be used to determine the Transmission Customer's charge pursuant to this Schedule. The largest difference between ten-minute demand recordings and the hourly scheduled demand during a given month shall be the Transmission Customer's monthly Peak Load Fluctuation. The sum of the monthly Peak Load Fluctuations for all Transmission Customers receiving Regulation and Frequency Response Service under the Tariff shall be the monthly Peak Non-Coincident Load Fluctuation.

The sum of the differences between ten-minute integrated demand recordings and hourly scheduled demands for all Transmission Customers receiving Regulation and Frequency Response Service for each ten-minute interval shall determine the Peak Coincident Load Fluctuation for that ten-minute interval, thus accommodating all Transmission Customers' Regulation and Frequency Response Service diversity. The maximum Peak Coincident Load Fluctuation during a given month shall be used to determine the monthly revenue requirement for this service.

The Transmission Customer's Regulation and Frequency Response Service obligation shall be the ratio of the Transmission Customer's monthly Peak Load Fluctuation to the monthly Peak Non-Coincident Load Fluctuation, multiplied by the monthly Peak Coincident Load Fluctuation:

$$\text{Regulation and Frequency Response Service Obligation} = \frac{\text{Transmission Customer's monthly Peak Load Fluctuation}}{\text{monthly Peak Non-Coincident Load Fluctuation for all customers}} \times \text{monthly Peak Coincident Load Fluctuation for all customers}$$

(B) In order to facilitate service under Schedule 3 at a reduced cost impact to Transmission Customer in the event available metering facilities at the Points of Delivery do not provide the necessary functionality to calculate applicable billing determinants under (A) above, the Parties may agree to use the following billing determinant in lieu of the methodology described in (A). Alternatively, the monthly Regulation and Frequency Response Service obligation shall be 2.0% of Transmission Customer's monthly peak Network Load.

(C) The Transmission Customer shall compensate the Transmission Provider at the monthly rate for Regulation and Frequency Response Service applied to the Transmission Customer's monthly Regulation and Frequency Response Service obligation. The monthly rate for Regulation and Frequency Response Service shall be no greater than $8.94 per kW.