

Cleco Power LLC Unreserved Use Principles For Orders 890, 890-A

General Concepts

There are three typical ways Unreserved Use (“UU”) can occur:

- 1- Point-to-Point (“PTP”) exceeded by over-scheduling under a fixed tag;
- 2- PTP exceeded under a dynamic tag and;
- 3- For Network Load within a third-party control area, when energy is delivered to a load other than that named under the Network Integration Transmission Service Agreement (“NITSA”). That is to say, the Network Load is less than the energy delivered.

Each scenario above is detected as follows:

UU Under a PTP Fixed Tag

This is the “typical” transaction where a fixed amount of energy is transmitted under a PTP reservation. Under this scenario, UU is detected by first summing each hour the capacity named under each tag referencing a given PTP reservation. This total amount of energy transmitted is then subtracted each hour from the reserved capacity of the reservation. A negative result in any hour indicates UU has occurred for that Transmission Customer (owner of the reservation).

PTP Exceeded Under a Dynamic Tag

These situations involve a specific POD or sink (within the Cleco control area) that is served using PTP transmission service associated with a dynamic schedule. The UU can be detected by adding all PTP OATT reservations (and if applicable, grandfathered service) in each hour to the particular POD/sink and comparing this to the hourly load of that POD/sink. If the load in any hour exceeds the total transmission service, UU has occurred. Note that an over delivery of energy is not UU since it is not a wholesale transaction being it is unintentionally being delivered to retail load.

Network Service to Loads in 3rd Party Control Area

In this scenario, the Network Customer exists in its own control area or the control area of a third-party. Here UU is detected on an hourly basis by summing the Network Customer’s Network Loads (control area to control area tie accounting) as defined within the Network Integration Transmission Service Agreement (“NITSA”). In each hour, this delivered MWH

total must be greater than or equal to the sum of all Network Service tags that delivered energy to the Network Loads otherwise UU has occurred¹.

Principles

- 1- Cleco Wholesale Energy Services (“CPWM”), in conducting Third-Party Sales for Cleco Power, is subject to UU penalties and eligible for a rebate of excess UU revenues when appropriate. Cleco, as Transmission Provider, qualifies for a disbursement of UU excess revenues on behalf of its Native Load Customers whether or not CPWM qualifies for a rebate in that billing month. Any UU excess revenues collected by the TP will be passed through to its Native Load Customers.
- 2- Where a sink or POD is delivered energy under OATT PTP service using a combination of fixed and dynamic tags, any UU detected to that sink/POD will be attributable to the Transmission Customer holding the reservation used to make the dynamic delivery. Also see Principle 11.
- 3- Each hour the Transmission Provider will integrate the energy delivered to any dynamic delivery point using OATT service (“Actual”). In the case of PTP, UU occurs when inadequate transmission is reserved or the reservation(s) are overscheduled to the applicable POD/sink. In the case of Network Integration Transmission Service (“NITS”) with the Network Customer’s Network Load within a third-party control area, UU occurs when energy in excess of the total Network Load defined within the NITSA is transmitted in any given hour².
- 4- UU associated with non-dynamic deliveries under PTP will be determined by summing all scheduled tags associated with a given reservation. When the sum of the tags exceeds the reserved transmission capacity, UU has occurred in that hour for that Transmission Customer.
- 5- Grandfathered transmission service is not subject to UU penalties or rebates. OATT NITS delivered to Network Loads within the Cleco control area will typically not experience UU penalties since it is billed on a 12CP basis (actual deliveries). In the case where the customer takes service under the OATT and under a grandfathered agreement simultaneously to a POD/sink, any excess transmission use will be attributed to service under the OATT and charged as UU.
- 6- Transmission UU penalties are applied using twice (2X) the maximum applicable tariff rate under the OATT for that service (daily, weekly, or monthly) even if there was a discount associated with the reservation. In no case shall the tariff rate applied be greater than that for monthly service.

¹ The energy delivered was larger than the Network Load.

² All OATT Transmission Customers making over-deliveries are subject to UU penalties. Over-deliveries that occur when retail deliveries are made, or in association with grandfathered transmission service, are not subject to UU penalties.

7- Transmission service UU penalties will be calculated as a function of the number of hourly occurrences of UU within each calendar month of each reservation³ (or of each Actual over delivery to a Network Load in a third-party control area). The highest of the following charges shall apply: (a) single or multiple occurrences of UU within a day will result in application of the OATT on-peak or off-peak daily rate (as applicable depending on the day in which the UU occurred) based on the highest hour of UU within that day; (b) if there are instances of UU over separate days within a single week, the OATT weekly rate will apply based on the highest magnitude of UU during any hour within the week and; (c) if there are instances of UU in separate days within two or more weeks within a calendar month, the OATT monthly rate will apply based on the highest magnitude of UU during any hour within the month.

8- UU detection will be performed each calendar month and be based on only those hours of OATT service occurring within that calendar month even if the underlying reservations begin or end outside the current calendar month being billed. For purposes of UU calculation as described above: (a) the first day of the month will also be the first day of a week; (b) a week is seven consecutive days and; (c) any days in excess of the fourth week within a month will be treated as a full week.

9- Applicable ancillary services (“AS”) and losses shall also be charged when UU occurs. Unlike with UU transmission charges, UU AS charges are calculated simply based on the hourly OATT rate (1X) for each hour in which UU occurs. Capacity/energy loss charges are calculated based on twice (2X) the hourly rate for each hour in which UU occurs.

10- The Transmission Provider retains 50% of any UU penalty as the charge for providing the service that was taken on an unreserved basis. The remaining 50% will be refunded to the non-offending customer (“NOC”) taking service during that billing month. A NOC is defined as any party with an executed OATT Umbrella Service Agreement who reserved OATT service during that month and did not incur UU charges. The NOC customer did not have to have an active⁴ reservation during any hour in which UU occurred. Both NITS and PTP customers qualify for NOC rebates as well as the Transmission Provider for Third-Party Sales and for sales to its Native Load Customers. The non-offending Network Customer’s rebate is based on the total monetary value of that month’s 12CP invoice submitted to that Network Customer⁵.

11- In the event multiple OATT reservations are established during an hour in which total reserved transmission is insufficient to cover the total hourly delivery to that given sink/POD, the magnitude of UU (in megawatts) in each hour is calculated by subtracting the total MWH delivered for that hour to that POD/sink from the sum of all applicable reservations (both OATT and grandfathered) in the hour. This establishes the MW level of the UU violation in each hour to which a total UU penalty can be based. If the multiple PTP reservations are delivered by fixed tags, then each Transmission Customer involved in the violation is allocated

³ It is possible multiple reservations may be stacked to a single point-of-delivery or sink in which case UU is calculated in accordance with item 11.

⁴ An active reservation is an OATT reservation whose start and stop times/dates span the hour in which UU occurs.

⁵ In the case of Native Load, the imputed invoice (including charges for transmission service, AS1 – AS 6, and AS 10) shall be used in calculation of the applicable rebate. Losses are not applied being native load is comparable to an all-requirements customer and both self-supply.

a pro rata portion of the UU penalty based on the sum of all applicable reservations made by that Transmission Customer divided by the total applicable transmission reserved by all involved Transmission Customer reservations. The calculated MW allocation will be rounded to three decimal places. As explained in Principle #2, if the multiple reservations are a combination of both PTP reservations delivering energy under fixed tags and PTP associated with dynamic energy delivery, the penalty is to be allocated to the Transmission Customer holding the reservation associated with the dynamic delivery.

12- Note that in calculating the UU losses, the UU magnitude (MW) represents both the magnitude of the reservation that should have been made (to be used in capacity loss calculation) and also the amount of energy that flowed in excess during that hour (used in energy loss calculation). Losses in each hour of UU will be calculated as though it is the only hour of UU without regard to the fact that other hours of UU may have taken place under the same reservation. UU energy losses will be assessed on all excess energy occurring in any hour under the reservation. UU capacity losses will be calculated as a function of the transmission UU magnitude as applied to only on-peak hours.

13- UU is distributed to NOC based on a ratio of each NOC invoice⁶ issued by the Transmission Provider under OATT during that calendar month divided by total NOC invoices issued by the Transmission Provider. In both cases these invoiced values include charges for transmission, ancillary services (Schedules 1 – 6 and 10), applicable (if any) 12-month coincident peak (12-CP) true-up charges for new NITS⁷ and losses in accordance with OATT section 15.8. In no case will a NOC be issued a UU distribution (invoice to be assumed to have a zero value) if that NOC's invoice is actually a rebate (negative).

14- If UU is the result of not having an OATT reservation, UU will be charged. In accordance with OATT section 13.4, UU will be charged even in the case where the Eligible Customer has not executed a Service Agreement.

15- Ferc requires a separate account for penalty revenues (456140). This same account is decremented by the amount rebated to each NOC.

16- Rebates to NOC of all invoiced UU revenue that is to be distributed will be calculated and distributed on a monthly basis (either simultaneously on the current month's NOC customer's bill as a rebate or as a separate cash payment to each NOC later during that same billing month).

17- There is only 1 pool of money for UU rebates. Cleco Power will not rebate transmission UU, ancillary service UU, and losses UU separately.

⁶ These invoices are not based upon voltage level but instead their function. Therefore, these revenues realized under these invoices include both "transmission" and "distribution" revenues.

⁷ In the case of "new" NITS customers, the OATT requires a true-up of each invoice issued during the first year once the actual 12-CP for that customer is determined. This true-up is done following service provided in month 12.

18- If there are UU charges, yet no NOC in a given calendar month, the UU charges are carried forward with interest⁸ until such time that there is at least one NOC in that billing month that also has not experienced UU charges in any preceding month for which charges had been accrued yet not distributed. Manual intervention in the billing process will be required.

19- Reiterating, the billing process first examines Actual deliveries each hour of the calendar month for each OATT Transmission Customer reservation. This is compared to tags in the case of PTP or the Network Loads in the case of NITS. This is necessary since pre-validation does not automatically refuse a tag if no reservation exists, if there is an insufficient reservation, or where there is over delivery to a network load existing in a third-party control area

20- If the billing process finds any hour for an OATT customer where Actual is greater than reservations (or in the case of NITS, the delivery is greater than the Network Load and the Network Load is within a third-party control area), that Transmission Customer is flagged as being subject to UU associated with that reservation during that hour. The UU is calculated for that Transmission Customer's bill. This UU is added to the UU total of all Transmission Customers for the month. To this UU monthly total, any previous month's undistributed UU (plus interest) is added and is subject to being allocated to the NOCs that month.

21- The distribution of UU penalties is based on the NOC OATT transmission bills as issued that month and is not subject to revision due to billing disputes or corrections (OATT section 15.8).

⁸ Interest is calculated in accordance with 18 C.F.R. 35.19a(a)(2)(iii).

BUSINESS PRACTICE REVISIONS

- 1- Issued On: January 15, 2008: Principle 13 clarified to reflect the fact that new NITS customers may have as part of their invoice in month 12 a true-up to reflect the actual 12-month average demand experienced during that first year of service. In addition, UU distributions to customers will be accrued with interest if the value of that distribution is less than \$25.
- 2- Issued on February 14, 2008: Several non-material changes were made. In addition, to lessen the burden of accruing with interest small distribution to customers, the language within Principle 13 that established the \$25 threshold has been removed. Every reasonable effort shall be made to issue distributions in the month in which they occur, regardless of the magnitude.
- 3- Issued on March 05, 2008: a) A footnote was clarified to acknowledge that the imputed invoice for native load includes the cost of the transmission service as well as AS1- AS6 and AS 10. b) In accordance with Ferc Order 890-A, ancillary services associated with unreserved use are no longer based on twice (2X) the OATT rate but instead simply based on the applicable OATT rate itself.