October 3, 2013

The Honorable Kimberly D. Bose  
Secretary  
Federal Energy Regulatory Commission  
888 First Street, N.E.  
Washington, DC 20426

Re: PJM Interconnection, L.L.C. and  
American Transmission Systems, Incorporated  
Docket Nos. ER11-2814-000; ER11-2814-001; ER11-2814-002; ER11-2815-001; ER11-2815-002; ER11-2815-004 and ER11-2815-005  
Compliance Filing

Dear Secretary Bose:

In compliance with the Commission’s September 19, 2013 order in these proceedings, 1 American Transmission Systems, Incorporated (“ATSI”) submits replacement tariff sheets 2 that implement the settlement filed on July 27, 2011 by ATSI (the “Protocols Settlement”). ATSI respectfully requests that the settlement terms and conditions become effective June 1, 2011, consistent with the Commission’s May 31, 2011 Order in these proceedings. 3

I. Background

On February 1, 2011, PJM and ATSI jointly submitted modifications to the PJM Open Access Transmission Tariff (“PJM Tariff”) in connection with ATSI’s integration into PJM, effective June 1, 2011. On May 31, 2011, the Commission issued an order that accepted, suspended and set for hearing and settlement judge procedures the

1 PJM Interconnection, L.L.C., 144 FERC ¶ 61,206 P 12 (2013) ("September 19, 2013 Order").

2 Pursuant to Order No. 714, this filing is submitted by PJM Interconnection, L.L.C. (“PJM”) on behalf of ATSI as part of an XML filing package that conforms with the Commission’s regulations. PJM has agreed to make all filings on behalf of the PJM Transmission Owners in order to retain administrative control over the PJM Tariff. Thus, ATSI has requested PJM submit this Tariff revision in the eTariff system as part of PJM’s electronic Intra PJM Tariff.

protocols proposed by ATSI in its February 1 filing to determine whether the proposed protocols were just and reasonable.4

On July 27, 2011, ATSI filed the Protocols Settlement pursuant to Rule 602 (18 C.F.R. § 385.602 (2013)) of the Commission’s Rules of Practice and Procedure resolving the matters set for hearing and settlement judge procedures by the Commission in its May 31, 2011 Order. The September 19, 2013 Order approved the Protocols Settlement. And, because ATSI did not file the Protocols Settlement in the eTariff format required by Order No. 714, the order also required that ATSI make a compliance filing through eTariff to ensure that its electronic tariff provisions reflect the Commission’s acceptance of the Protocols Settlement.5

II. Materials Provided in this Compliance Filing

In addition to this transmittal letter, ATSI submits the following attachments to ensure that the tariff records in the eTariff database reflect the Commission action in this proceeding.

Attachment A Clean PJM Tariff sheets to become effective June 1, 2011, consistent with the May 31, 2011 Order as approved in the September 19, 2013 Order; and

Attachment B Marked PJM Tariff sheets showing modifications consistent with the May 31, 2011 Order, as approved in the September 19, 2013 Order.

III. Service

PJM has served a copy of this filing on all PJM Members and on all state utility regulatory commissions in the PJM Region by posting this filing electronically. ATSI also has served the parties listed on the Commission’s official service lists for Docket Nos. ER11-2814 and ER11-2815. In accordance with the Commission’s regulations,6 PJM will post a copy of this filing to the FERC filings section of its internet site, located at the following link: http://www.pjm.com/documents/ferc-manuals/ferc-filings.aspx with a specific link to the newly-filed document, and will send an e-mail on the same date as this filing to all PJM Members and all state utility regulatory commissions in the PJM Region7 alerting them that this filing has been made by PJM and is available by

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4 May 31, 2011 Order at P 63.
5 September 19, 2013 Order at P 12.
6 See 18C.F.R §§ 35.2(e) and 385.2010(f)(3).
7 PJM already maintains, updates and regularly uses e-mail lists for all PJM Members and affected state commissions.
following such link. If the document is not immediately available by using the referenced link, the document will be available through the referenced link within 24 hours of the filing. Also, a copy of this filing will be available on the FERC’s eLibrary website located at the following link: http://www.ferc.gov/docs-filing/elibrary.asp in accordance with the Commission’s regulations and Order No. 714.

IV. Conclusion

ATSI requests that the Commission accept this filing as complying with the directives in the September 19, 2013 Order to revise the PJM OATT. Please contact the undersigned with any questions regarding this matter.

Respectfully submitted,

/s/ Kenneth G. Jaffe
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Attorneys for American Transmission Systems, Incorporated
Attachment A

Attachment H-21B of the PJM Open Access Transmission Tariff ATSI Protocol

Clean Version

Tariff sheets to become effective June 1, 2011
Consistent with the May 31, 2011 Order and approved September 19, 2013
ATTACHMENT H-21B

American Transmission Systems, Incorporated

Formula Rate Implementation Protocols

Definitions

"Annual Transmission Revenue Requirements" means the result produced by populating the Formula Rate Template with data as provided by the Formula Rate.

"Annual Update" means the posting and informational filing submitted by ATSI on or before May 1 of each year that sets forth the ATSI cost of service ("COS") for the subsequent Rate Year.

"Discovery Period" means the period after each annual Publication Date to serve information requests on ATSI as provided in Section 2.b below.

"Formal Challenge" means a challenge to an Annual Update submitted to the Federal Energy Regulatory Commission ("FERC") as provided in Section 3.a below.

"Formula Rate" means these Formula Rate Implementation Protocols (to be included as Attachment H-21B of the PJM Interconnection, L.L.C. ("PJM"), FERC Electric Tariff ("PJM Tariff") and the Formula Rate Template.

"Formula Rate Template" means the collection of formulae and worksheets, unpopulated with any data, to be included as Attachment H-21A of the PJM Tariff.

"Interested Party" means any person or entity having standing under Section 206 of the Federal Power Act ("FPA") with respect to the Annual Update.

"Material Changes" means (i) material changes in ATSI's accounting policies and practices, (ii) changes in FERC's Uniform System of Accounts ("USofA"), (iii) changes in FERC Form No. 1 reporting requirements as applicable, or (iv) changes in the FERC's accounting policies and practices, which change causes a result under the Formula Rate different from the result under the Formula Rate as calculated without such change.

"Preliminary Challenge" means a written challenge to the Annual Update submitted to ATSI as provided in Section 2.a below.

"Protocols" means these Formula Rate Implementation Protocols (to be included as Attachment H-21B of the PJM Tariff).

"Publication Date" means the date on which the Annual Update is posted pursuant to Section 1.d below.
"Rate Year" means the twelve consecutive month period that begins on June 1 and continues through May 31 of the subsequent calendar year.

"Review Period" means the period during which Interested Parties may review the calculations in the Annual Update as provided in Section 2.a below.

Section 1  Annual Updates

a. Beginning with the Rate Year that commences on June 1, 2011 and during each Rate Year thereafter, the Annual Transmission Revenue Requirement calculated in accordance with Attachment H-21A and the Network Integration Transmission Service and Point-to-Point rates derived therefrom shall be applicable to transmission services provided by PJM for the ATSI zone during the Rate Year.

b. On or before May 1 of each year, ATSI shall recalculate its Annual Transmission Revenue Requirements, producing the Annual Update for the Rate Year that begins on the next following June 1, and post such Annual Update on PJM's Internet website via a link to the Transmission Services page or a similar successor page. In addition, ATSI shall submit such Annual Update as an informational filing with the FERC. Effective with the annual update to derive rates effective for the Rate Year beginning June 1, 2012, ATSI shall also send an e-mail or other similar electronic communication to all Interested Parties that have previously requested such notification through procedures to be established by ATSI that informs the recipient that the Annual Update is available and that provides the Uniform Resource Locator or other similar identifying locator information from which the Annual Update can be obtained.

c. If the date for making the Annual Update posting/filing should fall on a weekend or a holiday recognized by the FERC, then the posting/filing shall be due on the next business day.

d. The date on which the last of the events listed in Section 1.b or Section 1.c occurs shall be that year's “Publication Date.”

e. The Annual Update shall include a "workable" Excel file or files containing the data-populated Formula Rate Template as well as supporting calculations and workpapers that demonstrate and explain information not otherwise set out in the FERC Form No. 1 report of ATSI.¹

¹ It is the intent of the Formula Rate, including the supporting explanations and allocations described therein, that each input to the Formula Rate Template will be either taken directly from the FERC Form No. 1 or reconcilable to the FERC Form No. 1 by the application of clearly identified and supported information. Where the reconciliation is provided through a worksheet included in the Formula Rate Template, the inputs to the worksheet must meet this transparency standard, and doing so will satisfy this transparency requirement for the amounts that are output from the worksheet and input to the main body of the Formula Rate Template.
f. The Annual Update for the Rate Year:

(i) shall include a notice to Interested Parties that a meeting open to all Interested Parties will be held on a date specified in the notice that shall be no earlier than ten (10) business days from the date of posting of the Annual Update and no later than May 25 to discuss the Annual Update, which notice and meeting shall commence with the Rate Year beginning June 1, 2012;

(ii) shall, to the extent specified in the Formula Rate, be based upon prudently incurred costs, the data for such prudently incurred costs to be taken from the FERC Form No. 1 report of ATSI for the most recent calendar year, and be based upon the books and records of ATSI, with all of the foregoing data, books, and records to be maintained consistent with the USofA and FERC accounting policies, practices and procedures;

(iii) shall populate, in accordance with the FERC's orders establishing generally applicable transmission ratemaking policies and with PJM policies and the PJM Tariff, the Formula Rate Template with the data identified in Section 1.f.(ii) above;

(iv) shall include a summary of changes to the inputs to the then-effective Annual Transmission Revenue Requirement to the extent any such change(s) may, in ATSI’s view, have a material effect on rates, as defined in Section 4.b, below;

(v) shall be subject to challenge and review, and refunds or surcharges with interest in accordance with the procedures set forth in this Attachment H-21B; and

(vi) shall not seek to modify the Formula Rate and shall not be subject to challenge by seeking to modify the Formula Rate (i.e., all such modifications to the Formula Rate — including return on equity — will require, as applicable, an FPA Section 205 or Section 206 filing); provided however, ATSI may be required by the FERC to modify the Formula Rate in response to a Formal Challenge if the circumstances set forth in Section 4 below apply.

g. Formula Rate inputs

(i) Stated inputs to the Formula Rate Template: For (i) rate of return on common equity; (ii) "Post-Employment Benefits other than Pension" pursuant to Statement of Financial Accounting Standards No. 106, Employers’ Accounting for Postretirement Benefits Other Than Pensions ("PBOP") charges, and (iii) depreciation and/or amortization rates; the values shall be stated values to be used in the rate formula until changed pursuant to an FPA Section 205 or Section 206 filing. ATSI shall specify these stated-value inputs in a workpaper included with each Annual Update.

(ii) Unpopulated Formula Rate line items: With respect to line items in the Formula Rate that are not currently populated with non-zero numerical values (either
because FERC policy requires prior authorization for recovery of the underlying costs or because, due to the nature of the associated functional activities, such costs are not considered part of ATSI’s transmission-related revenue requirement), such line items shall not be populated with non-zero values except as may be authorized following an FPA Section 205 filing or required under Section 206.

(iii) COS elements recorded in accounts not specifically provided for in the Formula Rate: any cost, expense or other element of the cost of providing service not specifically provided for shall not be recoverable under the Formula Rate until filed for pursuant to FPA Section 205, accepted by the FERC and, if otherwise required, a favorable accounting determination has been made by the Office of the Chief Accountant regarding the journal entries for the transaction.

Section 2 Annual Review Procedures

Each Annual Update shall be subject to the following review procedures ("Annual Review Procedures"):

a. Interested Parties shall have up to one hundred fifty (150) days after the Publication Date ("Review Period") (unless such period is extended with the written consent of ATSI or pursuant to Section 2.c below) to review the calculations and to notify ATSI in writing of any specific challenges, including challenges related to Material Changes, to the application of the Formula Rate in an Annual Update ("Preliminary Challenge").

b. Interested Parties shall have up to one hundred thirty-five (135) days after each annual Publication Date (unless such period is extended with the written consent of ATSI) (the "Discovery Period") to serve reasonable information requests on ATSI. Such information requests shall be limited to what is necessary to determine: (i) whether ATSI has properly calculated the Annual Update under review (including any corrections pursuant to Section 4); (ii) whether ATSI has correctly applied the Formula Rate including the procedures in this Attachment H-21B. Such information requests shall not solicit information concerning costs or allocations where the costs or allocation method have been determined by the FERC or in the context of other Annual Updates, except that such information requests shall be permitted (i) if they seek to determine whether there has been a Material Change in circumstances, (ii) if they seek to verify that ATSI has complied with the FERC determination (or a settlement related thereto), or (iii) if they seek information in connection with corrections pursuant to Sections 3 and 4 below.

c. ATSI shall make a good faith effort to respond to information requests pertaining to the Annual Update within fifteen (15) business days of receipt of such requests. Notwithstanding anything to the contrary contained in these Protocols, with respect to any information requests received by ATSI within the Discovery Period and for which ATSI is unable to provide a response within fifteen (15) business days after the end of the Discovery Period, the Review Period shall be extended day-for-day until ATSI’s response is provided.
d. Preliminary or Formal Challenges related to Material Changes are not intended to serve as a means of pursuing other objections to the Formula Rate. Failure to make a Preliminary Challenge or Formal Challenge with respect to an Annual Update shall preclude use of these procedures with respect to that Annual Update, but shall not preclude a subsequent Preliminary Challenge or Formal Challenge related to a subsequent Annual Update to the extent such Challenge affects the subsequent Annual Update.

e. In any proceeding initiated to address a Preliminary or Formal Challenge or *sua sponte* by the FERC, a party or parties seeking to modify the Formula Rate in any respect shall bear the applicable burden under the FPA.

Section 3 Resolution of Challenges

a. If ATSI and any Interested Party(ies) have not resolved any Preliminary Challenge to the Annual Update within twenty-one (21) days after the Review Period ends, an Interested Party shall have an additional twenty-one (21) days (unless such period is extended with the written consent of ATSI to continue efforts to resolve the Preliminary Challenge) to submit a written Formal Challenge to the FERC, pursuant to 18 C.F.R. § 385.206, which shall be served on ATSI by electronic service on the date of such filing (" Formal Challenge"). However, there shall be no need to make a Formal Challenge or to await conclusion of the time periods in Section 2 if the FERC already has initiated a proceeding to consider the Annual Update.

b. Parties shall make a good faith effort to raise all issues in a Preliminary Challenge prior to filing a Formal Challenge; provided, however, that a Preliminary Challenge shall not be a prerequisite for bringing a Formal Challenge. Failure to notify ATSI of an issue with respect to an Annual Update shall not preclude an Interested Party from pursuing such issue in a Preliminary Challenge or a Formal Challenge.

c. All information and correspondence produced pursuant to these Protocols may be included in any Formal Challenge, in any other proceeding concerning the Formula Rate initiated at the FERC pursuant to the FPA, or in any proceeding before the U.S. Court of Appeals to review a FERC decision.

d. Any response by ATSI to a Formal Challenge must be submitted to the FERC within twenty (20) days of the date of the filing of the Formal Challenge, and shall be served on the filing party(ies) by electronic service on the date of such filing.

e. ATSI shall bear the burden of proving that it has reasonably applied the terms of the Formula Rate, and the applicable procedures in these Formula Rate Implementation Protocols, and of proving that it has properly calculated the challenged Annual Update pursuant to the Formula Rate, and of proving it has reasonably adopted and applied any Material Changes in that year’s Annual Update.
f. These Protocols in no way limit the rights of ATSI or any Interested Party to initiate a proceeding at the FERC at any time with respect to the Formula Rate or any Annual Update consistent with the party's full rights under the FPA, including Sections 205, 206 and 306, and the FERC’s regulations.

g. It is recognized that resolution of Formal Challenges concerning Material Changes may necessitate adjustments to the Formula Rate input data for the applicable Annual Update, or changes to the Formula Rate Template to ensure that the Formula Rate continues to operate in a manner that is just, reasonable, and not unduly discriminatory or preferential.

Section 4  Changes to Annual Informational Filings

a. Notice. If any changes are required to be made to the Annual Update — whether because of changes made under these Protocols, revisions made to a prior year's FERC Form No. 1 report of ATSI, changes to or correction of input data used for a Rate Year or calendar year that would have affected the Annual Update for that Rate Year or calendar year, or as the result of any FERC proceeding to consider a prior year's Annual Update — ATSI shall promptly notify the Interested Parties, file a correction to the Annual Update with the FERC as an amended informational filing and provide a copy of the amended informational filing to PJM for prompt posting by PJM.

b. Reflection of Necessary Changes in Charges to Customers. Any corrections or revisions to the Formula Rate inputs and resulting rates that are required as a result of a change reported in Section 4.a shall be reflected in the Annual Update as follows:

(i) If the change to a Formula Rate input is for the purpose of correcting an input error that has a material effect on rates, ATSI shall request that PJM implement prospectively the rates that result from the corrected Annual Update as soon as practicable.

(ii) If the change to a Formula Rate input is for any purpose other than correction of an input error that has a material effect on rates, then the change shall be reflected in the next Annual Update prepared by ATSI.

For purposes of the foregoing and Section 1.f(iv), above, a change to an input to the Formula Rate will be deemed to have a material effect on rates if correction of the input would cause an increase or decrease of 3% or more in the average annual rate for Network Integration or firm Point-to-Point transmission service for the ATSI zone, calculated by dividing the Net Revenue Requirement by the total single coincident peak or average 12 coincident peak values, as applicable, used to derive such rates in the Formula Rate.

If any correction or revision of an input to the Formula Rate gives rise to refunds or surcharges for corrected past charges, those refunds or surcharges shall be implemented
through an adjustment to the Annual Transmission Revenue Requirement calculated in the next Annual Update, including interest thereon determined in accordance with 18 C.F.R. § 35.19a, which adjustment shall be reflected in the Informational Filing for such Annual Update.

c. **Effect of Certain Changes on Duration of the Review Period.** Unless otherwise agreed by ATSI and the Interested Parties, a correction made under Section 4.a prior to the time determined for the filing of a Formal Challenge shall reset the performance dates under Sections 2 and 3 of these Protocols for Interested Party Annual Review, and the revised dates shall run from the posting date(s) for each of the corrections. The scope of the Annual Review shall then be limited to the aspects of the Formula Rate affected by the corrections.
Attachment B

Attachment H-21B of the
PJM Open Access Transmission Tariff
ATSI Protocol

Marked Version / Redline
1. Annual Updates

The American Transmission Systems, Incorporated

Formula Rate Implementation Protocols

Definitions

"Annual Transmission Revenue Requirements" means the result produced by populating the Formula Rate Template with data as provided by the Formula Rate.

"Annual Update" means the posting and informational filing submitted by ATSI on or before May 1 of each year that sets forth the ATSI cost of service ("COS") for the subsequent Rate Year.

"Discovery Period" means the period after each annual Publication Date to serve information requests on ATSI as provided in Section 2.b below.

"Formal Challenge" means a challenge to an Annual Update submitted to the Federal Energy Regulatory Commission ("FERC") as provided in Section 3.a below.

"Formula Rate" means these Formula Rate Implementation Protocols (to be included as Attachment H-21B of the PJM Interconnection, L.L.C. ("PJM"), FERC Electric Tariff ("PJM Tariff") and the Formula Rate Template.

"Formula Rate Template" means the collection of formulae and worksheets, unpopulated with any data, to be included as Attachment H-21A of the PJM Tariff.

"Interested Party" means any person or entity having standing under Section 206 of the Federal Power Act ("FPA") with respect to the Annual Update.

"Material Changes" means (i) material changes in ATSI's accounting policies and practices, (ii) changes in FERC's Uniform System of Accounts ("USofA"), (iii) changes in FERC Form No. 1 reporting requirements as applicable, or (iv) changes in the FERC's accounting policies and practices, which change causes a result under the Formula Rate different from the result under the Formula Rate as calculated without such change.

"Preliminary Challenge" means a written challenge to the Annual Update submitted to ATSI as provided in Section 2.a below.

"Protocols" means these Formula Rate Implementation Protocols (to be included as Attachment
H-21B of the PJM Tariff).

"Publication Date" means the date on which the Annual Update is posted pursuant to Section 1.d below.

"Rate Year" means the twelve consecutive month period that begins on June 1 and continues through May 31 of the subsequent calendar year.

"Review Period" means the period during which Interested Parties may review the calculations in the Annual Update as provided in Section 2.a below.

Section 1 Annual Updates

a. Beginning with the Rate Year that commences on June 1, 2011 and during each Rate Year thereafter, the Annual Transmission Revenue Requirement calculated in accordance with Attachment H-21A and the Network Integration Transmission Service and Point-to-Point rates derived therefrom shall be applicable to transmission services on and after June 1 of a given calendar year through May 31 of the subsequent calendar year (ATSI zone during the “Rate Year”).

b. On or before May 1 of each year, ATSI shall recalculate its Annual Transmission Revenue Requirements, producing the “Annual Update” for the upcoming Rate Year that begins on the next following June 1, and post such Annual Update on PJM’s Internet website via a link to the Transmission Services page or a similar successor page. In addition, ATSI shall submit such Annual Update as an informational filing with the FERC. Effective with the annual update to derive rates effective for the Rate Year beginning June 1, 2012, ATSI shall also send an e-mail or other similar electronic communication to all Interested Parties that have previously requested such notification through procedures to be established by ATSI that informs the recipient that the Annual Update is available and that provides the Uniform Resource Locator or other similar identifying locator information from which the Annual Update can be obtained.

c.

d. If the date for making the Annual Update posting/filing should fall on a weekend or a holiday recognized by the FERC, then the posting/filing shall be due on the next business day.

e. The date on which the last of the events listed in Section 1.b or Section 1.c occurs shall be that year’s “Publication Date.”

Upon written request for a particular year’s Annual Update by any entity having standing under Section 206 of the Federal Power Act with respect to such Annual Update (collectively “Interested Parties”), ATSI will promptly make available to such entity and/or a
consultant designated by it, a “workable” Excel file containing that year’s Annual Update data.

The Annual Update shall include a "workable" Excel file or files containing the data-populated Formula Rate Template as well as supporting calculations and workpapers that demonstrate and explain information not otherwise set out in the FERC Form No. 1 report of ATSI.1

e. The Annual Update for the Rate Year:

(i) shall include a notice to Interested Parties that a meeting open to all Interested Parties will be held on a date specified in the notice that shall be no earlier than ten (10) business days from the date of posting of the Annual Update and no later than May 25 to discuss the Annual Update, which notice and meeting shall commence with the Rate Year beginning June 1, 2012;

(ii) shall, to the extent specified in the Formula Rate, be based upon prudently incurred costs, the data for such prudently incurred costs to be taken from the FERC Form No. 1 report of ATSI for the most recent calendar year, and to the extent specified in the Formula Rate, be based upon the books and records of ATSI, with all of the foregoing data, books, and records to be maintained consistent with the USofA and FERC accounting policies;

shall, as and to the extent specified in the Formula Rate, provide supporting documentation for data not otherwise available in the FERC Form No. 1 that are used in the Formula Rate;4

(iii) shall provide notice of material changes in ATSI’s accounting policies and procedures from those in effect for the calendar year upon which the immediately preceding Annual Update was based (“Material Accounting Changes”); and

(iv) shall populate, in accordance with the FERC's orders establishing generally applicable transmission ratemaking policies and with PJM policies and the PJM Tariff, the Formula Rate Template with the data identified in Section 1.f.(ii) above;

shall include a summary of changes to the inputs to the then-effective Annual

1 It is the intent of the Formula Rate, including the supporting explanations and allocations described therein, that each input to the Formula Rate Template will be either taken directly from the FERC Form No. 1 or reconcilable to the FERC Form No. 1 by the application of clearly identified and supported information. Where the reconciliation is provided through a worksheet included in the Formula Rate Template, the inputs to the worksheet must meet this transparency standard, and doing so will satisfy this transparency requirement for the amounts that are output from the worksheet and input to the main body of the Formula Rate Template.
Transmission Revenue Requirement to the extent any such change(s) may, in ATSI’s view, have a material effect on rates, as defined in Section 4.b, below;

ii. (v) shall be subject to challenge and review only, and refunds or surcharges with interest in accordance with the procedures set forth in this Attachment H-21B with respect to the accuracy of data and the consistency with the Formula of the charges shown in the Annual Update; and

(vi) shall be subject to review with respect to the prudence of any new costs and expenditures included for recovery in the Annual Update, provided, however, that the initial burden to raise a substantial doubt as to the prudence of any new expenditure shall be upon the Interested Party raising the challenge; and

iii. shall not seek to modify the Formula Rate and shall not be subject to challenge by seeking to modify the Formula Rate (i.e., all such modifications to the Formula Rate — including return on equity — will require, as applicable, a Federal Power Act Section 205 or Section 206 filing); provided however, ATSI may be required by the FERC to modify the Formula Rate in response to a Formal Challenge if the circumstances set forth in Section 4 below apply.

g. Formula Rate inputs for

f. (i) Stated inputs to the Formula Rate Template: For (i) rate of return on common equity; (ii) “Post—Employment Benefits Other Than Pension” pursuant to Statement of Financial Accounting Standards Codification 712-10, “Compensation—Nonretirement—Postemployment—Benefits;” (iii) extraordinary property losses; No. 106, Employers' Accounting for Postretirement Benefits Other Than Pensions (“PBOP”) charges, and (iv) depreciation and/or amortization rates; the values shall be stated values to be used in the Formula Rate formula until changed pursuant to an FPA Section 205 or Section 206 filing. ATSI shall specify these stated-value inputs in a workpaper included with each Annual Update.

(ii) Unpopulated Formula Rate line items: With respect to line items in the Formula Rate that are not currently populated with non-zero numerical values (either because FERC policy requires prior authorization for recovery of the underlying costs or because, due to the nature of the associated functional activities, such costs are not considered part of ATSI’s transmission-related revenue requirement), such line items shall not be populated with non-zero values except as may be authorized following an FPA Section 205 filing or required under Section 206.

(iii) COS elements recorded in accounts not specifically provided for in the Formula Rate: any cost, expense or other element of the cost of providing service not specifically provided for shall not be recoverable under the Formula Rate until
filed for pursuant to FPA Section 205, accepted by the FERC and, if otherwise required, a favorable accounting determination has been made by the Office of the Chief Accountant regarding the journal entries for the transaction.

2. **Section 2 Annual Review Procedures**

Each Annual Update shall be subject to the following review procedures ("Annual Review Procedures"):

a. Interested Parties shall have up to one hundred fifty (150) days after the Publication Date ("Review Period") (unless such period is extended with the written consent of ATSI or pursuant to Section 2.c below) to review the calculations ("Review Period") and to notify ATSI in writing of any specific challenges, including challenges related to Material Accounting Changes, to the application of the Formula Rate ("Annual Update ("Preliminary Challenge")."

b. Interested Parties shall have up to one hundred twenty (120 thirty-five (135) days after each annual Publication Date (unless such period is extended with the written consent of ATSI) (the "Discovery Period") to serve reasonable information requests on ATSI; provided, however, that the potentially Interested Parties shall make a good faith effort to submit consolidated sets of information requests that limit the number and overlap of questions to the maximum extent practicable. Such information requests shall be limited to what is necessary to determine if (i) whether ATSI has properly calculated the Annual Update under review (including any corrections pursuant to Section 4); (ii) whether ATSI has correctly applied the Formula Rate and the procedures in this Attachment H-21A, and to determine the accuracy of data and the consistency with the Formula Rate of the charges shown in the Annual Update as well as the prudence of the new costs and expenditures included for recovery in the annual update. In addition, such information requests shall not solicit information concerning costs or allocations where the costs or allocation method have been determined by the FERC or in the context of other Annual Updates, except that such information requests shall be permitted (i) if they seek to determine if—whether there has been a Material Change in circumstances—(ii) if they seek to verify that ATSI has complied with the FERC determination (or a settlement related thereto), or (iii) if they seek information in connection with corrections pursuant to Sections 3 and 4 below.

c. ATSI shall make a good faith effort to respond to information requests pertaining to the Annual Update within fifteen (15) business days of receipt of such requests. ATSI may give reasonable priority to responding to requests that satisfy the practicable coordination and consolidation provision of Section 2.b. above. Notwithstanding anything to the contrary contained in these Protocols, with respect to any information requests received by ATSI within the Discovery Period and for which ATSI is unable to provide a response within fifteen (15) business days after the end of the Discovery Period, the Review Period shall be extended day-for-day until ATSI's response is provided.
d. Preliminary Challenges or Formal Challenges (defined below) related to Material Accounting Changes are not intended to serve as a means of pursuing other objections to the Formula Rate. Failure to make a Preliminary Challenge or Formal Challenge with respect to a Material Accounting Change in an Annual Update shall act as a bar to use of these procedures with respect to that Annual Update, but shall not bar a subsequent Preliminary Challenge or Formal Challenge related to a subsequent Annual Update to the extent such Material Accounting Change affects the subsequent Annual Update.

e. Preliminary or Formal Challenges related to Material Accounting Changes shall be subject to the resolution procedures and limitations in Section 3, except that Section 3.e. shall not apply. In any proceeding initiated to address a Preliminary or Formal Challenge or sua sponte by the FERC, a party or parties (other than ATSI) seeking to modify the Formula Rate in any respect shall bear the burden of proving that the Formula Rate is no longer just and reasonable without such modification and that the proposed modification is just, reasonable and consistent with the original intent of the Formula Rate and the procedures in Attachment H-21A; provided, however, that in any such proceeding, in determining whether the Formula Rate is no longer just and reasonable without modification to reflect a Material Accounting Change and whether the proposed modification is just and reasonable, no offsets unrelated to the applicable Material Accounting Changes may be considered—burden under the FPA.

3. **Resolution of Challenges**

a. If ATSI and any Interested Party(ies) have not resolved any Preliminary Challenge to the Annual Update within twenty-one (21) days after the Review Period ends, an Interested Party shall have an additional twenty-one (21) days (unless such period is extended with the written consent of ATSI to continue efforts to resolve the Preliminary Challenge) to submit a challenge with a Formal Challenge to the FERC, pursuant to 18 C.F.R. § 385.206 (“Formal Challenge”), which shall be served on ATSI by electronic service on the date of such filing. (“Formal Challenge”). However, there shall be no need to make a Formal Challenge or to await conclusion of the time periods in Section 2 if the FERC already has initiated a proceeding to consider the Annual Update. A party’s Formal Challenge may not raise any issue that was not the subject of that party’s Preliminary Challenge during the applicable Review Period.

b. Parties shall make a good faith effort to raise all issues in a Preliminary Challenge prior to filing a Formal Challenge; provided, however, that a Preliminary Challenge shall not be a prerequisite for bringing a Formal Challenge. Failure to notify ATSI of an issue with respect to an Annual Update shall not preclude an Interested Party from pursuing such
issue in a Preliminary Challenge or a Formal Challenge.

c. All information and correspondence produced pursuant to these Protocols may be included in any Formal Challenge, in any other proceeding concerning the Formula Rate initiated at the FERC pursuant to the FPA, or in any proceeding before the U.S. Court of Appeals to review a FERC decision.

d. Any response by ATSI to a Formal Challenge must be submitted to the FERC within thirty (30) days of the date of the filing of the Formal Challenge, and shall be served on the filing party(ies) by electronic service on the date of such filing.

e. Except as provided in Sections 1.f(v) and 2.e, in any proceeding initiated by the FERC concerning the Annual Update or in response to a Formal Challenge, ATSI shall bear the burden of proving that it has reasonably applied the terms of the Formula Rate, and the applicable procedures in these Formula Rate Implementation Protocols, in that year's Annual Update, and of proving that it has properly calculated the challenged Annual Update pursuant to the Formula Rate, and of proving it has reasonably adopted and applied any Material Changes in that year's Annual Update.

f. These Protocols in no way limit the rights of ATSI or any Interested Party to initiate a proceeding at the FERC at any time with respect to the Formula Rate or any Annual Update consistent with the party's full rights under the FPA, including Sections 205, 206 and 306, and the FERC’s regulations.

g. It is recognized that resolution of Formal Challenges concerning Material Accounting Changes may necessitate adjustments to the Formula Rate input data for the applicable Annual Update, or changes to the rate formula to achieve a Formula Rate Template to ensure that the Formula Rate continues to operate in a manner that is just and reasonable and result consistent with the intent of the Formula Rate, and not unduly discriminatory or preferential.

4. Section 4 Changes to Annual Informational Filings and Formula Rate

a. Any Notice. If any changes to the data inputs, including but not limited to are required to be made to the Annual Update — whether because of changes made under these Protocols, revisions made to ATSI's a year's FERC Form No. 1 report of ATSI, changes to or correction of input data used for a Rate Year or calendar year that would have affected the Annual Update for that Rate Year or calendar year, or as the result of any FERC proceeding to consider the Annual Update, or as a result of a prior year's Annual Update — ATSI shall promptly notify the Interested Parties, file a correction to the Annual Update with the FERC as an amended informational filing and provide a copy of the amended informational filing to PJM for prompt posting by PJM.
b. **Reflection of Necessary Changes in Charges to Customers.** Any corrections or revisions to the Formula Rate inputs and resulting rates that are required as a result of a change reported in Section 4.a shall be reflected in the Annual Update as follows:

(i) If the change to a Formula Rate input is for the purpose of correcting an input error that has a material effect on rates, ATSI shall request that PJM implement prospectively the rates that result from the procedures set forth herein, shall be incorporated into the corrected Annual Update as soon as practicable.

(ii) If the change to a Formula Rate input is for any purpose other than correction of an input error that has a material effect on rates, then the change shall be reflected in the next Annual Update prepared by ATSI.

For purposes of the foregoing and the Section 1.f(iv), above, a change to an input to the Formula Rate will be deemed to have a material effect on rates if correction of the input would cause an increase or decrease of 3% or more in the average annual rate for Network Integration or firm Point-to-Point transmission service for the ATSI zone, calculated by dividing the Net Revenue Requirement by the total single coincident peak or average 12 coincident peak values, as applicable, used to derive such rates in the Formula Rate.

If any correction or revision of an input to the Formula Rate gives rise to refunds or surcharges for corrected past charges produced by the Formula Rate (with interest thereon determined in accordance with 18 C.F.R. §35.19a) in the Annual Update for the next effective rate period. This reconciliation mechanism shall apply in lieu of mid-Rate Year adjustments and any refunds or surcharges. However, actual refunds or surcharges (with interest, which adjustment shall be reflected in the Informational Filing for such Annual Update.

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b. **Effect of Certain Changes on Duration of the Review Period.** Unless otherwise agreed by ATSI and the Interested Parties, a correction made under Section 4.a prior to the time determined in accordance with 18 C.F.R. §35.19a) for the then current rate year shall be made in the event that the Formula Rate is replaced by a stated rate for ATSI for the filing of a Formal Challenge shall reset the performance dates under Sections 2 and 3 of these Protocols for Interested Party Annual Review, and the revised dates shall run from the posting date(s) for each of the corrections. The scope of the Annual Review shall then be limited to the aspects of the Formula Rate affected by the corrections.

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b. Except as specifically provided herein, nothing herein shall be deemed to limit in any way the right of ATSI to file unilaterally, pursuant to Section 205 of the Federal Power Act and the regulations thereunder, to modify the Formula Rate or stated components of the Formula Rate (including, but not limited to, the rate of return on equity, the depreciation rates, PBOPs
and transmission incentive mechanisms); or to replace the Formula Rate with a stated rate; or the right of any other entity to request such changes pursuant to Section 206 of the Federal Power Act and the regulations thereunder.

NOTES

4. It is the intent of the Formula Rate, including the supporting explanations and allocations described therein, that each input to the Formula Rate will be either taken directly from the FERC Form No. 1 or reconcilable to the FERC Form No. 1 by the application of clearly identified and supported information. Where the reconciliation is provided through a worksheet included in the filed Formula Rate template, the inputs to the worksheet must meet this transparency standard, and doing so will satisfy this transparency requirement for the amounts that are output from the worksheet and input to the main body of the Formula Rate.