

Procedures for Determining Capacity Benefit Margin (CBM)

For

Associated Electric Cooperative, Inc

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***** NOTE: When revising this procedure the AECI OPEN ACCESS TRANSMISSION TARRIFF (OATT) needs to be reviewed for changes.**

<u>Revision No.</u>	<u>Revision History</u>	<u>Date Revised</u>
0	Original Issue	5/24/2007
1	Changed the MINT CBM from 50% to 30%	4/2/2008
2	Changed the requirements for CBM on the MINT line. The contract was changed to remove the CBM.	4/16/08

I. Introduction / Purpose

The purpose of this document is to outline the methodology that Associated Electric Cooperative, Inc. (AECI) uses to determine its requirements for Capacity Benefit Margin (CBM). This methodology is based on, and intended to be consistent with, the North American Electric Reliability Corporation's (NERC) *Available Transfer Capability Definitions and Determination White Paper*—June 17, 1999 document, NERC ATCWG's *Transmission Capability Margins Discussion Paper*, and SERC Reliability Corporation's (SERC) *Procedures for Transmission Capability Margins*.

II. CBM

II.0 Methodology

AECI uses a deterministic methodology based on the outage of the largest plant that serves AECI's load and bases its level of installed generation reserves on a percentage multiplier for determining CBM. All generation not connected to AECI's system that is designated to serve AECI's load will be considered in the CBM determination, and all generation connected to AECI's system that is not designated to serve AECI's load will not be included in the CBM determination.

II.1 CBM consistency with generation planning criteria

The amount of external generation required to support member loads is the positive difference between the largest internal generating unit that is designated to serve AECI's load available and the amount of internal generation reserve available for the specific season being evaluated. If the result is negative, then no external generation is required for the period and therefore no CBM is necessary.

II.2 CBM calculation frequency

AECI determines its total CBM requirements on an annual basis and reviews the allocation of CBM to the individual interfaces on a seasonal basis.

II.3 Generation Unit Outage Considerations

Currently, the most severe generation emergency is the loss of the internal Thomas Hill 3 unit in AECI's system. The loss of this unit would result in immediate generation deficiency of 667 MW. Since AECI's generation reserves have the capability to cover the loss of this unit within less than 59 minutes, AECI will not apply CBM values to any of the interfaces associated with neighboring systems at this time.

II.4 Preservation of CBM for Load Serving Entities (LSEs)

AECI does not apply CBM at this time, therefore preservation of CBM for LSEs does not apply.

II.5 Rationale for generation resources not connected to the TSP's system but serving network load

AECI does not use CBM at this time therefore the rationale for generation resources not connected to the TSP's system but serving network load does not apply.

II.6 Rationale for generation resources connected to the TSP's system but not obligated to serve network load

AECI does not use CBM at this time, therefore rationale for generation resources connected to the TSP's system but not obligated to serve network load does not apply.

II.7 Variance Process

AECI does not use the CBM at this time therefore the variance process does not apply.

II.8 Relationship of CBM to Generation Reliability and Transmission Allocation

AECI does not use CBM therefore the relationship of CBM to generation reliability and transmission allocation does not apply.

II.9 Rationale for Inclusion/Exclusion of LSE loads

AECI does not use CBM therefore the rationale for inclusion/exclusion of LSE load does not apply.

II.10 Rationale for Inclusion/Exclusion of Generation Reserve Sharing agreements

AECI does not use CBM therefore the rationale for inclusion/exclusion of generation reserve sharing agreements does not apply.

III. Adherence to CBM Methodology Procedures

Based on AECI's annual review, CBM is not used by our Transmission System Provider. Therefore, NERC standards MOD-005, 006 and 007 do not apply. This procedure will be changed when it is determined that CBM does apply after each review.