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January 31, 2017

Luly E. Massaro, Clerk
Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

In Re: Block Island Power Company – Petition for Declaratory Judgment
Docket No.: _________

Dear Luly:

Enclosed for filing are an original and nine copies of Block Island Power Company's Petition for Declaratory Judgment.

If you have any questions, please feel free to call.

Very truly yours,

Michael R. McElroy

BIPCo Interconnection and Transformer Facilities Petition

STATE OF RHODE ISLAND
PUBLIC UTILITIES COMMISSION

IN RE: BLOCK ISLAND POWER COMPANY :
PETITION FOR DECLARATORY JUDGMENT : DOCKET No.: ________

PETITION FOR DECLARATORY JUDGMENT

BACKGROUND

1. Two questions have arisen regarding Block Island Power Company's (BIPCo's) financial responsibilities with regard to the Deepwater Wind Project: (1) the cost of the construction of the Block Island interconnections, and (2) the cost of purchasing a backup transformer to maintain on the Island in case the transformer at the new Island substation breaks down.

2. National Grid has taken the position that BIPCo is solely responsible for the costs associated with both the construction of the interconnections and purchase of the backup transformer.

THE DISPUTE

3. BIPCo believes that these costs should not be the sole responsibility of BIPCo and its ratepayers, but instead are required to be socialized under the Town of New Shoreham Project law, R.I.G.L. § 39-26.1-7 (Exhibit 1).

4. BIPCo questioned National Grid regarding its position and National Grid (see email attached as Exhibit 2) pointed BIPCo to the Local Service Agreement among National Grid, BIPCo, and ISO New England (Exhibit 3), together with New England Power Company Schedule 21 (Exhibit 4).

5. BIPCo's analysis of the cost responsibilities for these two items begins with the Town of New Shoreham Project law, R.I.G.L. § 39-26.1-7.

From subsection (a):

> The general assembly finds **it is in the public interest for the state to facilitate the construction of** a small-scale offshore wind demonstration project off the coast of Block Island, including **an undersea transmission cable that interconnects Block Island to the mainland** in order to: . . . provide the Town of New Shoreham with an electrical connection to the mainland. **To effectuate these goals**, and notwithstanding any other provisions of the general or public laws to the contrary, the Town of New Shoreham project, its associated power purchase agreement, **transmission arrangements, and related costs are authorized pursuant to the process and standards contained in this section**. (Emphasis added).

From subsection (d):

> . . . **all costs incurred in the . . . implementation of the project . . . shall be recovered annually by the electric distribution company [i.e., National Grid, not BIPCo] in electric distribution rates**. (Emphasis added).

The socialization requirements of subsection (f):

> The project shall include a transmission cable between the Town of New Shoreham and the mainland of the state . . . the electric distribution company and its transmission affiliate are authorized to make a filing with the federal energy regulatory commission to **put into effect transmission rates to recover all of the costs associated with the purchase of the transmission cable and related facilities** and the annual operation and maintenance . . . The division shall support transmission rates and conditions that allow for **the costs related to the transmission cable and related facilities to be charged in transmission rates in a manner that socializes the costs throughout Rhode Island** . . . the annual costs incurred by the electric distribution company directly or through transmission charges shall be recovered annually through a fully reconciling rate adjustment from customers of the electric distribution company and/or from the Block Island Power Company or its successor, subject to any federal approvals that may be required by law . . . **To the extent that any state tariffs or rates must be put into effect in order to implement the intention of this section, the public utilities commission shall accept filings of the same and shall approve them**.
>
> Any charges incurred by the Block Island Power Company or its successor pursuant to this section or other costs incurred by the Block Island Power Company in implementing this section . . . shall be recovered annually in rates through a fully reconciling rate adjustment, subject to approval by the commission. (Emphasis added).

6. BIPCo's reading of this Act is that all "costs related to the transmission cable **and related facilities**" are to be collected by National Grid, not BIPCo, "in transmission rates in a

manner that **socializes** the costs throughout Rhode Island." (Emphasis added). However, National Grid seeks to require that BIPCo alone (and therefore only Block Island ratepayers) pay for the costs of the interconnections and the backup transformer. This does not socialize those costs throughout Rhode Island, but instead imposes those costs solely on Block Islanders.

NATIONAL GRID'S POSITION

7. When BIPCo asked National Grid's attorney to direct BIPCo to the authority supporting their position that BIPCo should solely bear those costs, BIPCo received an email with links to the two documents mentioned above.

8. In an email (Exhibit 2), Jennifer Hutchinson, the attorney for National Grid, explained her position:

> A link to Schedule 21-NEP is below. Our FERC attorneys have indicated that the spare transformer charges would be included in the definition of DAF facilities [Direct Assignment Facilities] as the spare transformer would be for the sole-use of BIPCo, as we previously discussed. The applicable section is pasted here.
>
> > 24.6 Direct Assignment Facility Charge: The Direct Assignment Facility Charge compensates NEP for the annual costs of the facilities, expansions and upgrades that may be directly assigned by NEP or by the ISO, as appropriate, to the Transmission Customer . . .
>
> The cable surcharge and the direct assignment facilities are both referenced in the Local Service Agreement attached above. These are the latest versions that were shared with BIPCO (and with the town utility/rates working group in 2014). Any final estimates would be based on updated surcharge numbers, updated peak load values, and final costs for the cable surcharge and direct interconnection facilities. Final estimates for the cable surcharge and the direct assignment facilities charge will also be dependent on reconciled numbers following completion of construction, so, in short, there will still be fluctuations in the numbers and the charge may be higher than what had been estimated several years ago (approximately $550K ballpark). **BIPCO is responsible for direct interconnection costs as these were not contemplated by the statute to be included in the cable surcharge and the allocation of that charge between TNEC and BIPCO**. (Emphasis added).

9. Ms. Hutchinson has alleged that BIPCo alone is responsible for the interconnection costs (and presumably for the spare transformer) because she believes "these were not contemplated by the statute to be included in the cable surcharge." However, she provided no evidence to support this claim.

BIPCo's POSITION

10. Under the first revised Local Service Agreement between New England Power Company, Block Island Power Company, and ISO New England, Inc., services will commence on "the date on which construction of all interconnection equipment, any Direct Assignment Facilities and/or facility or Local Network Upgrades are completed" or such other date as is permitted. (at 4).

11. This Agreement makes a clear distinction between "construction of all interconnection equipment" and "Direct Assignment Facilities." Therefore, that interconnection equipment is **not** Direct Assignment Facilities.

12. The Agreement also specifically defines "interconnection facilities and associated equipment" in subsection i. as follows:

- One 34.5 kV breaker.
- One 34.5/4.16 kV/2.4 kV transformer.
- 5 kV insulated line to customer substation and associated equipment. (at 5, subparagraph i).

The defined "interconnection facilities and associated equipment" consist only of **one** transformer. No mention is made of a backup or standby transformer, or any other interconnection costs.

13. Service under this Agreement is subject to the charges set forth in Schedule 21-NEP of the Tariff including, without limitation:

- Monthly demand charges.
- Transformer surcharge.
- Rolled-in distribution surcharge.
- Direct Assignment Facilities Charge for interconnection facilities in i. above.
- Meter surcharge.
- Network load dispatch surcharge.
- Block Island Transmission System ("BITS") Surcharge (pursuant to Attachment 1).

The Direct Assignment Facilities Charge is solely for the interconnection facilities defined on page 5 and includes only one transformer.

14. Ms. Hutchinson also provided a sheet showing the estimated annual New England wholesale transmission charges applicable to BIPCo (using outdated data) (Exhibit 5). Note that the total estimate was $419,826, which works out to 3.881 cents per kilowatt hour.

15. New England Power Company's Schedule 21 is not specific to the Town of New Shoreham Project, but applies whenever a transmission customer asks to interconnect into the transmission system.

16. Section 22 of Schedule 1 provides in pertinent part as follows:

> **Construction of Facilities Associated with Interconnection of New Network Load**
>
> **22.1 Basic Understandings:** In cases in which the Transmission Customer intends to interconnect new network load to the Transmission System or Distribution System . . . [t]hese interconnection facilities and additional facilities shall be the financial responsibility of the Transmission Customer, to the extent consistent with Commission [FERC] policy.
>
> Subject to the following terms and conditions, NEP or its New England Affiliate shall, at the Transmission Customer's expense, build the facilities or make preparations so that this construction can be submitted for written bids . . .
>
> **22.2 General Considerations:** NEP or its New England Affiliate or another party selected pursuant to this Section shall construct the facilities at the Transmission Customer's expense. **NEP or its New England Affiliate shall design, own, and maintain the facilities.**
>
> * * *

> **The Transmission Customer shall pay NEP for all reasonable costs and fees required to enable NEP to fulfill its obligations** . . . (Emphasis added).

17. Section 24 of Schedule 21 sets forth the compensation to be paid for Local Network Service, which includes the monthly demand charge, the monthly non-PTF demand charge, the transformer surcharge (which applies when the customer does not own the step down transformer and utilizes New England Power's transformation facilities), the meter surcharge, the power factor penalty, and other charges, including the "Direct Assignment Facility Charge." This is set forth in paragraph 24.6, which provides as follows:

> **24.6 Direct Assignment Facility Charge:** The Direct Assignment Facility Charge compensates NEP for the annual costs of the facilities, expansions and upgrades that may be directly assigned by NEP or by the ISO, as appropriate, to the Transmission Customer. These costs may include, but are not limited to, the capital carrying cost, income tax, depreciation, operation and maintenance, administrative and general expenses and property tax. The Direct Assignment Facility Charge shall be calculated as specified in Attachment DAF to this Schedule. In no event shall the Direct Assignment facilities Charge be less than $1,000.00 per year. If NEP enters into an agreement for use and support of facilities owned by other entities on behalf of a Transmission Customer, any charges incurred by NEP will be directly assigned to the Transmission Customer.
>
> The Direct Assignment Facilities Charge in each year shall be billed based on forecast data for that year and shall be adjusted for experienced costs as soon as practicable after the close of the year. The charge so calculated shall commence on the date the facilities, expansions or upgrades are placed in service.

18. There is no definition of what constitutes a "Direct Assignment Facility." Ms. Hutchinson has taken the position that the spare transformer "would be included in the definition of DAF facilities as the spare transformer would be for the sole use of BIPCo." However, the cable and the substation on Block Island are rolled into the surcharge that is socialized among all Rhode Islanders and they are also facilities that are solely for the use of Block Island. Why is National Grid trying to treat the spare transformer at the substation and the interconnection facility differently? All of these facilities are for the sole use of Block Island, and in BIPCo's opinion, the

Town of New Shoreham Project Act requires that the costs of these facilities must be socialized to all Rhode Island electric ratepayers.

19. While BIPCo recognizes that in most cases, interconnection costs are charged to the new customer, we believe the Town of New Shoreham Project law is a specific provision that overrides the general interconnection tariff.

20. Therefore BIPCo submits that under the Town of New Shoreham Project Act, R.I.G.L. § 39-26.1-7, the intent of the law was to "provide the Town of New Shoreham with an electrical connection to the mainland" and that "transmission arrangements, and related costs are authorized pursuant to the process and standards and contained in this section." (R.I.G.L. § 39-26.1-7(a)).

21. R.I.G.L. § 39-26.1-7(f) makes it clear that "the project shall include a transmission cable between the Town of New Shoreham and the mainland of the state" and that "the division shall support transmission rates and conditions that allow for the costs related to the transmission cable **and related facilities** to be charged in transmission rates **in a manner that socializes the costs throughout Rhode Island**. (Emphasis added).

22. The statute also provides in R.I.G.L. § 39-26.1-7(f) that "to the extent that any state tariffs or rates must be put into effect in order to implement the intention of this section, the public utilities commission shall accept filings of the same **and shall approve them**."

23. Moreover, R.I.G.L. § 39-26.1-7(d) states in part that ". . . **all costs** incurred in the . . . implementation of the project . . . shall be recovered annually by the electric distribution company [National Grid] in electric distribution rates." (Emphasis added). The intent is for National Grid to recover these costs in its rates, not BIPCo.

24. BIPCo submits that it was the intent of the Legislature to socialize all costs related to the transmission cable **and related facilities** throughout Rhode Island. BIPCo believes that the phrase "transmission cable and related facilities" includes not only the cable and the substation, but also the standby transformer for the National Grid substation and all costs to interconnect the National Grid and BIPCo substations.

RELIEF SOUGHT

25. Because of this disagreement, BIPCo has filed this Petition for a Declaratory Judgment under the provisions of Rule 1.10(c) of the Rules of Practice and Procedure of the Public Utilities Commission which provides:

> Petitions for Declaratory Judgment. In addition to the requirements of Rule 1.10(a), a Petition for a Declaratory Judgment pursuant to R.I.G.L. § 42-35-8 shall set forth the rule or statutory provision in question and shall state in detail, with appropriate citations, whether the rule or provision should or should not apply.

26. R.I.G.L. § 42-35-8 is part of the Administrative Procedures Act in Rhode Island and provides in pertinent part:

> (a) A person may petition an agency for a declaratory order that interprets or applies a statute administered by the agency or states whether, or in what manner, a rule, guidance document, or order issued by the agency applies to the petitioner.
>
> * * *
>
> (c) Not later than sixty (60) days after receipt of a petition under subsection (a), an agency shall issue a declaratory order in response to the petition, decline to issue the order, or schedule the matter for further consideration.

BIPCo respectfully requests that the Commission issue a judgment declaring that all interconnection costs and the standby transformer costs must be socialized by National Grid to all Rhode Island electric ratepayers and should not be imposed solely on BIPCo and its ratepayers.

Respectfully submitted,
BLOCK ISLAND POWER COMPANY
By its attorneys

Dated: January 31, 2017

Michael R McElroy

Michael R. McElroy, Esq. #2627
Leah J. Donaldson, Esq. #7711
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Leah@McElroyLawOffice.com

Dated: January 31, 2017

Katherine Merolla

by MRM

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Merolla, Accetturo, D'Ovidio & Lough
Kent Office Building
469 Centerville Road – Suite 206
Warwick, RI 02886
Tel: (401) 739-2900
Fax: (401) 739-2906
kamlaw2344@aol.com

CERTIFICATE OF SERVICE

I hereby certify that on the 31st day of January, 2017, I sent a copy of the foregoing to:

Jennifer Hutchinson, Esq.
National Grid
280 Melrose Street
Providence, RI 02907

Leo J. Wold, Esq.
RI Department of Attorney General
150 South Main Street
Providence, RI 02903

Theresa Gallo

Theresa Gallo

BIPCo/Interconnection and Transformer Facilities/Petition

Rhode Island Statutes

Title 39. Public Utilities and Carriers

Chapter 39-26.1. Long-Term Contracting Standard for Renewable Energy

Current through Public Law 542 of the 2016 Legislative Session

§ 39-26.1-7. Town of New Shoreham Project

(a)

The general assembly finds it is in the public interest for the state to facilitate the construction of a small-scale offshore wind demonstration project off the coast of Block Island, including an undersea transmission cable that interconnects Block Island to the mainland in order to: position the state to take advantage of the economic development benefits of the emerging offshore wind industry; promote the development of renewable energy sources that increase the nation's energy independence from foreign sources of fossil fuels; reduce the adverse environmental and health impacts of traditional fossil fuel energy sources; and provide the Town of New Shoreham with an electrical connection to the mainland. To effectuate these goals, and notwithstanding any other provisions of the general or public laws to the contrary, the Town of New Shoreham project, its associated power purchase agreement, transmission arrangements, and related costs are authorized pursuant to the process and standards contained in this section. The Narragansett Electric Company is hereby authorized to enter into an amended power purchase agreement with the developer of offshore wind for the purchase of energy, capacity, and any other environmental and market attributes, on terms that are consistent with the power purchase agreement that was filed with the commission on December 9, 2009 in docket 4111, and amendments changing dates and deadlines, provided that the pricing terms of such agreement are amended as more fully described in subsection 39-26.1-7(e), in addition to other amendments that are made to take into account the provisions of this section as amended since the filing of the agreement in docket 4111. Any amendments shall ensure that the pricing can only be lower, and never exceed, the original pricing included in the power purchase agreement that was reviewed in docket 4111. The demonstration project subject to the amended power purchase agreement shall include up to (but not exceeding) eight (8) wind turbines with aggregate nameplate capacity of no more than thirty (30) megawatts, even if the actual capacity factor of the project results in the project technically exceeding ten (10) megawatts.

(b)

The amended power purchase agreement shall be filed with the Public Utilities Commission. Upon the filing of the amended power purchase agreement, the commission shall open a new docket. The commission shall allow the parties to docket 4111 to become parties in the new docket who may file testimony within fifteen (15) days of the filing of the amended agreement. The commission shall allow other interventions on an expedited basis, provided they comply with the commission standards for intervention. The developer shall provide funding for the economic development corporation to hire an expert experienced in power markets, renewable energy project financing, and power contracts who shall provide testimony regarding the terms and conditions of the power purchase agreement to assist the commission in its review, provided that the developer shall be precluded from influencing the choice of expert, which shall be in the sole discretion of the economic development corporation. This testimony shall be filed within twenty (20) days after the filing of the amended power purchase agreement. The parties shall have the right to respond to the testimony of this expert through oral examination at the evidentiary hearings. The commission shall hold one public comment hearing within five (5) days after the filing of the expert testimony. Evidentiary hearings shall commence no later than thirty (30) days from the filing of the amended power purchase agreement.

(c)

The commission shall review the amended power purchase agreement taking into account the state's policy intention to facilitate the development of a small offshore wind project in Rhode Island waters, while at the same time interconnecting Block Island to the mainland. The commission shall review the amended power purchase agreement and shall approve it if:

(i)

The amended agreement contains terms and conditions that are commercially reasonable;

(ii)

The amended agreement contains provisions that provide for a decrease in pricing if savings can be achieved in the actual cost of the project pursuant to subsection 39-26.1-7(e) ;

(iii)

The amended agreement is likely to provide economic development benefits, including: facilitating new and existing business expansion and the creation of new renewable energy jobs; the further development of Quonset Business Park; and, increasing the training and preparedness of the Rhode Island workforce to support renewable energy projects; and

(iv)

The amended power purchase agreement is likely to provide environmental benefits, including the reduction of carbon emissions. An advisory opinion on the findings of economic benefit set forth in (iii) above shall be provided by the Rhode Island economic development corporation and an advisory opinion on the environmental benefits set forth in (iv) above shall be filed by the Rhode Island department of environmental management. The advisory opinions shall be filed with the commission within twenty (20) days of filing of the amended power purchase agreement. The commission shall give substantial deference to the factual and policy conclusions set forth in the advisory opinions in making the required findings. Notwithstanding any other provisions of the general laws to the contrary, for the purposes of this section, "commercially reasonable" shall mean terms and pricing that are reasonably consistent with what an experienced power market analyst would expect to see for a project of a similar size, technology and location, and meeting the policy goals in subsection (a) of this section.

(d)

The commission shall issue a written decision to accept or reject the amended power purchase agreement, without conditions, no later than forty-five (45) days from the filing of the amended power purchase agreement, without delay or extension of the timeframes contained in this section. Any review of the commission's decision shall be according to chapter 5 of title 39, and the supreme court shall advance any proceeding under this section so that the matter is afforded precedence on the calendar and shall be heard and determined with as little delay as possible. The provisions of § 39-26.1-4 and the provisions of subsections (b), (c), (d), and (f) of § 39-26.1-5 shall apply, and all costs incurred in the negotiation, administration, enforcement, transmission engineering associated with the design of the cable, and implementation of the project and agreement shall be recovered annually by the electric distribution company in electric distribution rates. The pricing under the agreement shall not have any precedential effect for purposes of determining whether other long-term contracts entered into pursuant to this chapter are commercially reasonable.

(e)

Cap and lower price.

(i)

The amended power purchase agreement subject to subsection 39-26.1-7(a) shall provide for terms that shall decrease the pricing if savings can be achieved in the actual cost of the project, with all realized savings allocated to the benefit of ratepayers.

(ii)

The amended power purchase agreement shall also provide that the initial fixed price contained in the signed power purchase agreement submitted in docket 4111 shall be the maximum initial price, and any realized savings shall reduce such price. After making any such reduction to the initial price based on realized savings, the price for each year of the amended power purchase agreement shall be fixed by the terms of said agreement.

(iii)

The amended power purchase agreement shall require that the costs of the project shall be certified by the developer. An independent third-party acceptable to the division of public utilities and carriers shall within thirty (30) days of this certification by the developer, verify the accuracy of such costs at the completion of the construction of the project. The reasonable costs of this verification, shall be paid for by the developer. Upon receipt of such third-party verification, the division shall notify the Narragansett Electric Company of the final costs. The public utilities commission shall reduce the expense to ratepayers consistent with a verified reduction in the project costs.

(f)

The project shall include a transmission cable between the Town of New Shoreham and the mainland of the state. The electric distribution company, at its option, may elect to own, operate, or otherwise participate in such transmission cable project. The electric distribution company, however, has the option to decline to own, operate, or otherwise participate in the transmission cable project. The electric distribution company may elect to purchase the transmission cable and related facilities from the developer or an affiliate of the developer, pursuant to the terms of a transmission facilities purchase agreement negotiated between the electric distribution company and the developer or its affiliate, an unexecuted copy of which shall be provided to the division of public utilities and carriers for the division's consent to execution. The division shall have twenty (20) days to review the agreement. If the division independently determines that the terms and pricing of the agreement are reasonable, taking into account the intention of the legislature to advance the project as a policy-making matter, the division shall provide its written consent to the execution of the transmission facilities purchase agreement. Once written consent is provided, the electric distribution company and its transmission affiliate are authorized to make a filing with the federal energy regulatory commission to put into effect transmission rates to recover all of the costs associated with the purchase of the transmission cable and related facilities and the annual operation and maintenance. The revenue requirement for the annual cable costs shall be calculated in the same manner that the revenue requirement is calculated for other transmission facilities in Rhode Island for local network service under the jurisdiction of the federal energy regulatory commission. The division shall be authorized to represent the State of Rhode Island in those proceedings before the federal energy regulatory commission, including the authority to enter into any settlement agreements on behalf of the state to implement the intention of this section. The division shall support transmission rates and conditions that allow for the costs related to the transmission cable and related facilities to be charged in transmission rates in a manner that socializes the costs throughout Rhode Island. Should the electric distribution company own, operate, and maintain the cable, the annual costs incurred by the electric distribution company directly or through transmission charges shall be recovered annually through a fully reconciling rate adjustment from customers of the electric distribution company and/or from the Block Island Power Company or its successor, subject to any federal approvals that may be required by law. The allocation of the costs related to the transmission cable through transmission rates or otherwise shall be structured so that the estimated impact on the typical residential customer bill for such transmission costs for customers in the Town of New Shoreham shall be higher than the estimated impact on the typical residential customer bill for customers on the mainland of the electric distribution company. This higher charge for the customers in the Town of New Shoreham shall be developed by allocating the actual cable costs based on the annual peak demands of the Block Island Power Company and the electric distribution company, and these resultant costs recovered in the per kWh charges of each company. In any event, the difference in the individual charge per kWh or per customer/month shall not exceed the ratio of average demand to peak demand for Block Island Power Company relative to the electric distribution company, currently at 1.8 to 1.0 respectively. To the extent that any state tariffs or rates must be put into effect in order to implement the intention of this section, the public utilities commission shall accept filings of the same and shall approve them.

(g)

Any charges incurred by the Block Island Power Company or its successor pursuant to this section or other costs incurred by the Block Island Power Company in implementing this section, including the cost of participation in regulatory proceedings in the state or at the federal energy regulatory commission shall be recovered annually in rates through a fully reconciling rate adjustment, subject to approval by the commission. If the electric distribution company owns, operates, or otherwise participates in the transmission cable project, pursuant to subsection 39-26.1-7(b) the provisions of § 39-26.1-4 shall not apply to the cable cost portion of the Town of New Shoreham Project.

(h)

Any contract entered into pursuant to this section shall count as part of the minimum long-term contract capacity.

(i)

If the electric distribution company elects not to own the transmission cable, the developer may elect to do so directly, through an affiliate, or a third-party and the power purchase agreement pricing shall be adjusted to allow the developer, an affiliate or a third-party, to recover the costs (including financing costs) of the transmission facilities, subject to complying with the terms as set forth in the power purchase agreement between the developer and the electric distribution company.

Cite as R.I. Gen. Laws § 39-26.1-7

History. P.L. 2009, ch. 51, §1; P.L. 2009, ch. 53, §1; P.L. 2009, ch. 216, §1; P.L. 2009, ch. 217, §1; P.L. 2010, ch. 31, §1; P.L. 2010, ch. 32, §1.

Gmail

Mike McElroy <mce

EXHIBIT
PENGAD 800-631-6989
2

RE: EXT || Fwd: BIPCo

1 message

Hutchinson, Jennifer <Jennifer.Hutchinson@nationalgrid.com> Wed, Dec 21, 2016 at 3:02 PM
To: Michael McElroy <Michael@mcelroylawoffice.com>

Hi Mike-

A link to Schedule 21-NEP is below. Our FERC attorneys have indicated that the spare transformer charges would be included in the definition of DAF facilities as the spare transformer would be for the sole-use of BIPCO, as we previously discussed. The applicable section is pasted here.

24.6 Direct Assignment Facility Charge: The Direct Assignment Facility Charge compensates NEP for the annual costs of the facilities, expansions and upgrades that may be directly assigned by NEP or by the ISO, as appropriate, to the Transmission Customer. These costs may include, but are not limited to, the capital carrying cost, income tax, depreciation, operation and maintenance, administrative and general expenses and property tax. The Direct Assignment Facility Charge shall be calculated as specified in Attachment DAF to this Schedule. In no event shall the Direct Assignment Facilities Charge be less than $1,000.00 per year. If NEP enters into an agreement for use and support of facilities owned by other entities on behalf of a Transmission Customer, any charges incurred by NEP will be directly assigned to the Transmission Customer.

https://www.iso-ne.com/static-assets/documents/regulatory/tariff/sect_2/sch21/sch_21_nep.pdf

The cable surcharge and the direct assignment facilities are both referenced in the Local Service Agreement attached above. These are the latest versions that were shared with BIPCO (and with the town utility/rates working group in 2014). Any final estimates would be based on updated surcharge numbers, updated peak load values, and final costs for the cable surcharge and direct interconnection facilities. Final estimates for the cable surcharge and the direct assignment facilities charge will also be dependent on reconciled numbers following completion of construction, so, in short, there will still be fluctuations in the numbers and the charge may be higher than what had been estimated several years ago (approximately $550K ballpark). BIPCO is responsible for direct interconnection costs as these were not contemplated by the statute to be included in the cable surcharge and the allocation of that charge between TNEC and BIPCO.

If you have questions or would like to further discuss, I can help facilitate that discussion, although it will need to happen after the New Year.

Thanks and happy holidays!

Jennifer

Jennifer Brooks Hutchinson

Senior Counsel

National Grid USA

280 Melrose Street

Providence, RI 02907
T: 401-784-7288

C: 401-480-1425

F: 401-784-4321

jennifer.hutchinson@nationalgrid.com

****Please note my new cell phone number****

From: mcelroymik@gmail.com [mailto:mcelroymik@gmail.com] **On Behalf Of** Michael McElroy
Sent: Friday, December 02, 2016 1:26 PM
To: Hutchinson, Jennifer
Subject: Re: EXT || Fwd: BIPCo

Thanks Jen.

Michael R. McElroy | Managing Partner | **Schacht & McElroy**

21 Dryden Lane, P.O. Box 6721, Providence, Rhode Island 02940-6721

o: 401.351.4100 | c: 401.749.2612 | f: 401.421.5696
www.McElroyLawOffice.com

On Fri, Dec 2, 2016 at 1:21 PM, Hutchinson, Jennifer <Jennifer.Hutchinson@nationalgrid.com> wrote:

Mike-

Sorry for the delay. I am going to have to check with our FERC team on the specific tariff. I will try to do that asap.

Jennifer

Jennifer Brooks Hutchinson

Senior Counsel

National Grid USA

280 Melrose Street

Providence, RI 02907

T: 401-784-7288

C: 781-697-5863

F: 401-784-4321

Jennifer.Hutchinson@nationalgrid.com

From: mcelroymik@gmail.com [mailto:mcelroymik@gmail.com] **On Behalf Of** Michael McElroy
Sent: Friday, December 02, 2016 12:45 PM
To: Hutchinson, Jennifer
Cc: kathleen merolla; nancy dodge
Subject: EXT || Fwd: BIPCo

Can you let me know when I can expect a response to my emails (below) regarding the BIPCo interconnection?

Michael R. McElroy | Managing Partner | **Schacht & McElroy**

21 Dryden Lane, P.O. Box 6721, Providence, Rhode Island 02940-6721

o: 401.351.4100 | c: 401.749.2612 | f: 401.421.5696
www.McElroyLawOffice.com

---------- Forwarded message ----------
From: **Michael McElroy** <Michael@mcelroylawoffice.com>
Date: Sat, Nov 26, 2016 at 5:57 PM
Subject: Fwd: BIPCo
To: "Hutchinson, Jennifer" <jennifer.hutchinson@nationalgrid.com>
Cc: kathleen merolla <KAMLAW2344@aol.com>, nancy dodge <Kpson@aol.com>

Jennifer:

Hope you had a great Thanksgiving.

Can you let me know when I can expect a response to my email (below) regarding the BIPCo interconnection?

Thanks.

Michael R. McElroy | Managing Partner | **Schacht & McElroy**

21 Dryden Lane, P.O. Box 6721, Providence, Rhode Island 02940-6721

o: 401.351.4100 | c: 401.749.2612 | f: 401.421.5696
www.McElroyLawOffice.com

---------- Forwarded message ----------
From: **Michael McElroy** <Michael@mcelroylawoffice.com>
Date: Thu, Nov 17, 2016 at 1:00 PM
Subject: BIPCo
To: "Hutchinson, Jennifer" <jennifer.hutchinson@nationalgrid.com>
Cc: kathleen merolla <KAMLAW2344@aol.com>, nancy dodge <Kpson@aol.com>

Jen:

Do you recall our conversation some months ago on Block Island regarding financial responsibility for the BIPCo/Grid interconnection and the related back up transformer? You said you believed that the interconnection and any back up transformer would be BIPCo's sole responsibility under a tariff you were going to send to me. I don't believe I ever received that tariff.

As you probably know, the Town now owns 2/3 of BIPCo and the Town has posed the question to me of why BIPCo is being asked to pay for the interconnection and transformer, when it seems that the provisions of RIGL 39-26.1-7 "Town of New Shoreham Project" should control here, particularly (f).

It seems to me that all "costs related to the transmission cable and related facilities" are to be "charged [by Grid] in transmission rates in a manner that socializes the costs throughout Rhode Island".

In other words, it seems to me that the legislation contemplates that Grid will pay all costs related to the cable "and related facilities" such as the interconnection and the transformers, and then will recover those costs through transmission rates that socialize them throughout the state.

It seems inconsistent with this provision to argue that BIPCo must bear the cost of the interconnection and the transformers.

Could you explain Grid's position on this for me and send me any tariffs or other matters on which you are relying?

Thanks.

.

Michael R. McElroy | Managing Partner | **Schacht & McElroy**

21 Dryden Lane, P.O. Box 6721, Providence, Rhode Island 02940-6721

o: 401.351.4100 | c: 401.749.2612 | f: 401.421.5696
www.McElroyLawOffice.com

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---

2 attachments

BIPCo LSA T Charge Estimates.pdf
7K

TSA-NEP-83.pdf

214K

LOCAL SERVICE AGREEMENT

BY AND BETWEEN

NEW ENGLAND POWER COMPANY;

BLOCK ISLAND POWER COMPANY

AND

ISO NEW ENGLAND INC.

SCHEDULE 21

ATTACHMENT A

FORM OF LOCAL SERVICE AGREEMENT

This LOCAL SERVICE AGREEMENT, dated as of February 1, 2015, is entered into, by and between New England Power Company d/b/a National Grid, a corporation organized and existing under the laws of the Commonwealth of Massachusetts ("Transmission Owner"), Block Island Power Company, a corporation organized and existing under the laws of the State of Rhode Island ("Transmission Customer") and ISO New England Inc., a non-stock corporation organized and existing under the laws of the State of Delaware ("ISO"). Under this Agreement the Transmission Owner, Transmission Customer, and the ISO each may be referred to as a "Party" or collectively as the "Parties."

PART I – General Terms and Conditions

1. Service Provided (Check applicable):

X Local Network Service

__ Local Point-To-Point Service

__ Firm

__ Non-Firm

Regional Network Service customers must take either Local Network Service or Local Point-To-Point Service.

2. The Transmission Customer is an Eligible Customer under the Tariff and is a party to either a Market Participant Service Agreement or a Transmission Service Agreement.

3. The Transmission Customer has submitted a Completed Application and the required deposit, if applicable, for service under this Local Service Agreement and the Tariff.

4. The Transmission Customer agrees to supply information to the Transmission Owner that the Transmission Owner deems reasonably necessary in accordance with Schedule 21 and Good Utility Practice in order for it to receive the requested service.

5. The Transmission Owner agrees to provide and the Transmission Customer agrees to take and pay for service in accordance with the provisions of the Tariff and this Local Service Agreement.

6. Service may be subject to some combination of the charges detailed in Schedule 21 of the OATT. The appropriate charges will be determined in accordance with the terms and conditions of Schedule 21.

7. Any notice or request made to or by either party regarding this Local Service Agreement shall be made to the representative of the other party as indicated below.

   Transmission Customer:
   Block Island Power Company
   Attn: Clifford R. McGinness
   100 Ocean Avenue
   Block Island, RI 02807

   Transmission Owner:
   New England Power Company
   Attn: Director, Transmission Commercial
   40 Sylvan Road
   Waltham, MA 02451

   The ISO:
   ISO New England Inc.
   Attn: Manager - Transmission Services
   One Sullivan Road
   Holyoke, MA 01040

8. The ISO New England Inc. Transmission, Markets and Services Tariff (the "Tariff") is incorporated herein and made a part hereof. Capitalized terms used in this Local Service Agreement shall have the meanings ascribed in the Tariff.

9. Nothing contained in this Local Service Agreement shall be construed as affecting in any way the right of the Transmission Owner to file with the Commission under Section 205 of the Federal Power Act and pursuant to the Commission's rules and regulations promulgated thereunder for a change in any rates, terms and conditions of this Local Service Agreement. Nothing contained in this Local Service Agreement shall be construed as affecting in any way the ability of the Transmission Customer to file with the Commission under Section 206 of the Federal Power Act and pursuant to the Commission's rules and regulations promulgated thereunder for a change in any rates, terms and conditions of this Local Service Agreement.

10. Nothing contained in this Local Service Agreement shall be construed as affecting or enlarging, in whole or in part, the limited responsibility of the ISO under the Transmission Operating Agreement ("TOA") to coordinate the Transmission Owner's provision of Local Service and to determine whether the provision of Local Service would have an impact on facilities used for the provision of Regional Transmission Service.

PART II – Local Network Service

1. The Transmission Customer has been determined by the Transmission Owner and the ISO to have a Completed Application for Local Network Service under the Tariff.

2. Service shall commence on the later of: (l) January 1, 2016 or (2) the date on which construction of all interconnection equipment, any Direct Assignment Facilities and/or facility or Local Network Upgrades are completed, or (3) such other date as it is permitted to become effective by the Commission. Service shall terminate on December 31, 2035, or as otherwise mutually agreed in writing by the parties.

3. Specifications for Local Network Service.

   a. Term of Service: See 2 above.

   b. List of Network Resources and Point(s) of Receipt:

c. Description of capacity and energy to be transmitted:
Initially up to 4.6 MW and 15TWh of Network Load

d. Description of Local Network Load:
Wholesale load for the Town of New Shoreham, Rhode Island

e. List of Point(s) of Delivery and metering point(s) when they differ from Point(s) of Delivery:
At the Transmission Owner's Affiliate's 34.5 kV substation on Block Island.
Note: The metering is on the 34.5 kV side and the Transmission Owner owns the meter.

f. List of non-Network Resource(s), to the extent known:

g. Ancillary Services requested or proof of satisfactory arrangements for Ancillary Services:
The Transmission Customer will execute a Market Participant Service Agreement or a Transmission Service Agreement with ISO-New England, Inc.

h. Identity of Designated Agent:

Authority of Designated Agent:

Term of Designated Agent's authority:

Division of responsibilities and obligations between Transmission Customer and Designated Agent:

i. Interconnection facilities and associated equipment:
1-34.5kV breaker, 1-34.5/4.16kV/2.4kV transformer, 5kV insulated line to customer substation and associated equipment.

j. Project name:

k. Interconnecting Transmission Customer:

l. Location:

m. Transformer nameplate rating:

n. Interconnection point:

At 34.5kV at the Transmission Owner's Affiliate's 34.5kV substation on Block Island.

o. Additional facilities and/or associated equipment:

p. Service under this Local Service Agreement shall be subject to the following charges:

Any and all other applicable charges in accordance with the rates, terms and conditions of Schedule 21-NEP of the Tariff, including, without limitation:

- Monthly demand charges with PTF and non-PTF components
- Transformer surcharge
- Rolled-In Distribution Surcharge
- Direct Assignment Facilities Charge for interconnection facilities in i. above
- Meter Surcharge
- Network load dispatch surcharge
- Block Island Transmission System ("BITS") Surcharge (pursuant to Attachment 1)

q. Additional terms and conditions:

Transmission Customer grants permission to Transmission Owner's engineering, distribution planning, transmission planning and T&D operations personnel to access any and all Transmission Customer RTU data which is telemetered to Transmission Owner's control room. Transmission Owner agrees not to share this data with its sales and marketing personnel.

Transmission Customer understands that the source to the 34.5 kV Block Island substation is a radial feed from the Transmission Owner's Affiliate's Wakefield Substation and that there will be an interruption to network service whenever the feeder breaker at Wakefield or the Block Island Transmission System is unavailable.

4. Planned work schedule.

Estimated Time

Milestone (Activity)	Period For Completion (# of months)

5. Payment schedule and costs.

(Study grade estimate, +___% accuracy, year $s)

Milestone	Amount ($)

6. Policy and practices for protection requirements for new or modified load interconnections.

See Attachment E of Transmission Owner's Local Service Schedule 21 - NEP

7. Insurance requirements.

See Attachment F of Transmission Owner's Local Service Schedule 21 - NEP

PART III – Local Point-To-Point Service (N/A)

1. The Transmission Customer has been determined by the Transmission Owner and the ISO to have a Completed Application for Local Point-To-Point Service under the Tariff.

2. Service shall commence on the later of: (l) ________________, or (2) the date on which construction of any Direct Assignment Facilities and/or Local Network Upgrades are completed, or (3) such other date as it is permitted to become effective by the Commission. Service shall terminate on __________________.

3. Non-firm Local Point-To-Point Service shall be provided by the Transmission Owner upon request by an authorized representative of the Transmission Customer.

4. Specifications for Local Point-To-Point Service.

   a. Term of Transaction:

   b. Description of capacity and energy to be transmitted by the Transmission Owner including the electric Control Area in which the transaction originates:

c. Point(s) of Receipt:

d. Delivering Party:

e. Point(s) of Delivery:

f. Receiving Party:

g. Maximum amount of capacity and energy to be transmitted (Reserved Capacity):

h. Designation of party(ies) subject to reciprocal service obligation:

i. Name(s) of any intervening Control Areas providing transmission service:

j. Service under this Local Service Agreement shall be subject to the following charges:

k Interconnection facilities and associated equipment:

l. Project name:

m. Interconnecting Transmission Customer:

n. Location:

o. Transformer nameplate rating:

p. Interconnection point:

q. Additional facilities and/or associated equipment:

r. Additional terms and conditions:

5. Planned work schedule.

Estimated Time

Milestone (Activity)	Period For Completion (# of months)

6. Payment schedule and costs.

(Study grade estimate, +___% accuracy, year $s)

Milestone	Amount ($)

7. Policy and practices for protection requirements for new or modified load interconnections.

8. Insurance requirements.

IN WITNESS WHEREOF, the Parties have caused this Local Service Agreement to be executed by their respective authorized officials.

Transmission Customer:

By: C.R. McGinnes / ~~President~~ + COO 1/22/15

Name Title Date

C.R. McGINNES

Print Name

Transmission Owner:

By: William L Malee Authorized Representative 1/8/15

Name Title Date

William L Malee

Print Name

The ISO:

By: [signature] V.P. System Planning 1/30/15

Name Title Date

[signature]

Print Name

Calculation of BITS Surcharge

The monthly BITS Surcharge shall equal the product of the IFA Facilities Credit for BITS facilities multiplied by the BIPCO Share Percentage, where:

1. The IFA Facilities Credit for BITS facilities shall become effective as of the commercial operation date of the BITS facilities and shall equal the monthly integrated facilities credit for Customer-owned distribution facilities rendered to The Narragansett Electric Company for the BITS facilities pursuant to Schedule III-B of New England Power Company's FERC Electric Tariff No. 1. The IFA Facilities Credit amount will be updated annually in accordance with the provisions of Tariff No. 1, on or about the June billing month of each year.

2. The BIPCO Share Percentage for each year shall be BIPCO's Annual Peak Load Ratio Share from the prior calendar as long as BIPCO's Annual Peak Load Ratio Share falls within a range specified by the BIPCO Energy Ratio Collar. If the Annual Peak Load Ratio Share so calculated is less than the Minimum Energy Ratio Share, the BIPCO Share Percentage will be set at the Minimum Energy Ratio Share. If the Annual Peak Load Ratio Share so calculated is greater than the Maximum Energy Ratio Share, the BIPCO Share Percentage will be set at the Maximum Energy Ratio Share. The BIPCO Share Percentage shall be reset annually during the same month that the IFA Facilities Credit is updated.

3. BIPCO's Annual Peak Load Ratio Share shall be determined as a percentage according to the following formula:

   BIPCO Annual Peak Load / (BIPCO Annual Peak Load + TNECO Annual Peak Load)

4. BIPCO's Energy Ratio Collar shall be the range between the Minimum Energy Ratio Share and the Maximum Energy Ratio Share, each as determined as a percentage according to the following formula:

   Minimum Energy Ratio Share
   1.2 * BIPCO Annual kWh / (1.2 * BIPCO Annual kWh + TNECO Annual kWh)

   Maximum Energy Ratio Share
   1.8 * BIPCO Annual kWh / (1.8 * BIPCO Annual kWh + TNECO Annual kWh)

The following illustrates the calculation of BIPCO's Annual Peak Load Ratio Share and its Energy Ratio Collar:

Illustrative Example:

2010 Annual Peak Load

(1) BIPCo Annual Peak Load =	3,604 kW
(2) TNECO Annual Peak Load =	1,843,989 kW
(3) Total Annual Peak Load =	1,847,489 kW

(4) BIPCo Annual Peak Load Ratio Share ((1)/(3)) = 0.19508%

2010 Energy Ratio Collar

(1) 1.2* BIPCO Annual Energy =	13,369,466 kWh
(2) TNECO Annual Energy =	7,751,887,000 kWh
(3) Total Annual Energy	7,765,256,466 kWh

(4) Minimum Energy Ratio Share ((1)/(3)) = 0.17217%

(1) 1.8* BIPCO Annual Energy =	20,054,199 kWh
(2) TNECO Annual Energy =	7,751,887,000 kWh
(3) Total Annual Energy	7,771,941,199 kWh

(4) Maximum Energy Ratio Share ((1)/(3)) = 0.25803%

Since the Annual Peak Load Ratio falls within the range identified by the Energy Ratio Collar, Transmission Customer's Share Percentage in this example would be 0.19508%.

EXHIBIT

4

PENGAD 800-631-6989

SCHEDULE 21 - NEP

NEW ENGLAND POWER COMPANY
LOCAL SERVICE SCHEDULE

I. COMMON SERVICE PROVISIONS

1 Definitions

Whenever used in this Schedule, in either the singular or plural number, the following capitalized terms shall have the meanings specified in this Section 1. Terms used in this Schedule that are not defined in this Schedule shall have the meanings set forth in the Tariff or customarily attributed to such terms by the electric utility industry in New England.

1.0 New England Affiliate: New England Affiliate means Massachusetts Electric Company, Nantucket Electric Company, The Narragansett Electric Company and Granite State Electric Company.

1.1 Annual Peak Load: The highest Network Load of the Network Customer during a calendar year.

1.2 Contract Termination Charge (CTC): New England Power Company's stranded cost charge to certain wholesale requirements customers, as defined and described in the Stipulations and Agreements and as calculated pursuant to Appendix 1 of the Offer of Settlement filed with the Commission in Docket Nos. ER97-678-000 and ER97-680-000.

1.3 Contribution in Aid of Construction (CIAC): A contribution in aid of construction pursuant to Section 118(b) of the Internal Revenue Code of 1986.

1.4 Distribution System: Distribution System means the facilities owned or supported by NEP or its New England Affiliates that do not constitute PTF or Non-PTF and are used for Transmission Service under the Tariff for Transmission Customers other than end-use customers.

1.5 [Reserved]

1.6 IRS Notice 87-82: Internal Revenue Service Notice 87-82, Providing guidance with Respect to the Treatment of CIACs (received by regulated public utilities) After Enactment of New Section 118(b) of the Internal Revenue Code.

1.7 IRS Notice 90-60: Internal Revenue Service Notice 90-60, Contribution in Aid of Construction, issued September 10, 1990.

1.7.1 Load Interconnections: Any load facility desiring to interconnect with NEP's electrical system or modify an existing interconnection, as further set forth in the Local Service Agreement in Schedule 21-Attachment A. In addition, Attachment C, D, E, F and H of Schedule 21-NEP shall apply.

1.8 Load Power Factor: The ratio of the load measured in kW to the same load measured in kVA during a one-hour period.

1.9 Load Ratio Share: Ratio of a Transmission Customer's monthly PTF Network Load occurring coincident with NEP's Total Monthly Peak Load, to NEP's Total Monthly Peak Load, calculated on a monthly basis.

1.10 [Reserved]

1.11 Monthly Transmission Expenses: The total monthly cost of the Transmission System as specified in Attachment RR to this Schedule until amended by NEP or modified by the Commission.

1.12 NEP: NEP means New England Power Company, a Transmission Owner under the Tariff

1.13 NEPOOL Tariff: The predecessor NEPOOL Open Access Transmission Tariff as filed with the Commission on December 31, 1996 and as amended and in effect from time to time.

1.14 NERC: North American Electric Reliability Council

1.15 Network Load: The load interconnected (not reduced for any generation behind the meter) to the PTF, Non-PTF or Distribution Facilities of NEP or its New England Affiliates either directly or through Distribution Facilities or Non-PTF Facilities of other entities that a Network Customer designates to receive Local Network Service under Schedule 21 and this Schedule.

For purposes of establishing rates and charges under this Schedule, the Network Load will be subdivided into one of three categories:

A. PTF Network Load shall be the load over NEP's Local Network and shall equal the load of Network Customers directly interconnected with NEP's PTF or indirectly utilizing NEP's PTF through Non-PTF or Distribution Facilities of NEP or its New England Affiliates.

B. Non-PTF Network Load shall be the load over NEP's Non-PTF either directly interconnected with NEP's Non-PTF or indirectly utilizing NEP's Non-PTF through Distribution Facilities of NEP or its New England Affiliates.

C. Distribution Facilities Network Load shall be the load interconnected to the Distribution Facilities of NEP, its New England Affiliates or other entities.

1.16 Network Upgrades: Modifications or additions to transmission-related facilities that are integrated with and support NEP's overall Transmission System for the general benefit of all users of such Transmission System or to reliably integrate a generating unit with the Transmission System or to interconnect to outside control areas.

1.17 Non-PTF Load Ratio Share: Ratio of a Transmission Customer's monthly Non-PTF Network Load occurring coincident with NEP's Total Monthly Non-PTF Peak Load, to NEP's Total Monthly Non-PTF Peak Load.

1.18 NPCC: Northeast Power Coordinating Council, a regional reliability governing body.

1.19 Own Use Energy: Energy consumed by NEP's transmission facilities for purposes including but not limited to station service and sleet thawing, but excluding losses incurred on the Transmission System.

1.20 Parties: NEP and the Transmission Customer receiving service under this Schedule and the Tariff.

1.21 Payment Schedule: The payment schedule attached to a Local Service Agreement containing estimated milestones and estimated costs.

1.22 Policy and Practices for Protection Requirements for New or Modified Load Interconnections: NEP's policy concerning protection requirements for new or modified interconnections to loads, are included in the associated attachments of the Transmission Customer's Local Service Agreement.

1.23 Project: The substation and all facilities ancillary and appurtenant thereto, which the Transmission Customer requests to interconnect to the Transmission System, as more fully described in associated attachments to this Schedule 21-NEP and Attachment A to Schedule 21, Local Transmission Service.

1.24 Qualified Bidders List: A list of contractors and vendors qualified by NEP to work on interconnection facilities.

1.25 REMVEC: The Rhode Island, Eastern Massachusetts, Vermont Energy Control, which operates as a Local Control Center to the ISO.

1.26 Taxable Event: An event taxable to NEP resulting from transfers made by the Transmission Customer to NEP for services provided under this Schedule and Schedule 21 with respect to construction and installation of new Direct Assignment Facilities or improvements.

1.27 Total Monthly Peak Load: For each month, the highest hourly sum of the coincident peaks of deliveries to all PTF Network Loads under this Schedule, plus the loads of customers served under New England Power Company's (NEP) FERC Electric Tariff, Original Volume No. 1, connected directly to NEP's PTF or indirectly utilizing NEP's PTF through Non-PTF or Distribution Facilities of NEP, its New England Affiliates or other entities, including losses and NEP's Own Use Energy.

1.28 Total Monthly Non-PTF Peak Load: For each month, the highest hourly sum of the coincident peaks of deliveries to all Non-PTF Network Loads under this Schedule plus the loads of customers served under NEP's FERC Electric Tariff, Original Volume No. 1, that would otherwise qualify as Non-PTF Network Load, including losses and NEP's Own Use Energy.

1.29 Transformation Facilities: One or more transformers in a substation that step the voltage from the transmission voltage level to the distribution voltage level.

1.30 Transmission Service: Service provided under the OATT.

1.31 Transmission System: Transmission System means the facilities owned, controlled or operated by NEP that are used to provide Transmission Service.

2 Purpose of This Schedule

The OATT provides for a two-tier transmission arrangement integrating regional transmission service over PTF and Local Service over Non-PTF. The arrangement is designed and shall be operated in such a manner as to encourage and promote competition in the electric market to the benefit of ultimate users of electric energy. The OATT is intended to provide for comparable, non-discriminatory treatment of all similarly situated Transmission Owners and all Eligible Customers that are transmission users, and it shall be construed in the manner which best achieves this objective.

This Schedule functions in conjunction with the OATT to offer Transmission Services and Ancillary Services not provided pursuant to the other sections of the OATT, and to provide for the recognition of payments by and credits to NEP under the OATT. The rates, terms and conditions of this Schedule supplement and, where applicable, replace the rates, terms and conditions of the OATT and Schedule 21 with respect to Local Service; however Local PTP Service is not offered by NEP. In the event of a conflict between the terms of this Schedule and the terms of Schedule 21 with respect to Local Service, the terms of this Schedule shall govern.

Pursuant to this Schedule and to Schedules 22 and 23, NEP: (a) offers access to its Transmission Facilities for Excepted Transactions; (b) offers access to its Non-PTF in conjunction with the purchase of Transmission Service under the OATT; (c) provides rates, terms and conditions for the interconnection of new network load to the Transmission System and Distribution System for wholesale transactions; (d) reflects in the charges for Transmission Service and Ancillary Services amounts paid by NEP or credited to NEP in accordance with the OATT; and (e) provides for the recovery of costs associated with the Transmission Facilities and Ancillary Services that are not recovered pursuant to the OATT.

3 Ancillary Services

Ancillary Services are needed with Transmission Service to maintain reliability within and among the Control Areas affected by the Transmission Service. NEP is required to provide and the Network Customer or the Transmission Customer taking service in accordance with this Schedule and the OATT is required to purchase Local Scheduling, System Control and Dispatch Service in accordance with the rates and/or methodology described in Attachment S-1 and Attachment OCC to this Schedule.

4 Billing and Payment

4.1 Billing Procedure: Within a reasonable time after the first day of each month, NEP or its designee shall submit an invoice to the Transmission Customer for the charges for all services furnished by NEP under this Schedule and Schedule 21 during the preceding month. The invoice shall be paid by the Transmission Customer within twenty-five (25) days of issuance. All payments shall be made in immediately available funds payable to NEP, or by wire transfer to a bank named by NEP.

4.2 Customer Default: In the event the Transmission Customer fails, for any reason other than a billing dispute as described below, to make payment to NEP on or before the due date as described above, and such failure of payment is not corrected within thirty (30) calendar days after NEP notifies the Transmission Customer to cure such failure, a default by the Transmission Customer shall be deemed to exist. Upon the occurrence of a default, NEP may initiate a proceeding with the Commission to terminate service but shall not terminate service until the Commission so approves any such request. In the event of a billing dispute between NEP and the Transmission Customer, NEP will continue to provide service under the Local Service Agreement as long as the Transmission Customer (i) continues to make all payments not in dispute, and (ii) pays into an independent escrow account the portion of the invoice in dispute, pending resolution of such dispute. If the Transmission Customer fails to meet these two requirements for continuation of service, then NEP may provide notice to the Transmission Customer of its intention to suspend service in sixty (60) days, in accordance with Commission policy.

4.3 After Termination or Cancellation: The applicable provisions of the OATT, Schedule 21, this Schedule and any Local Service Agreement shall continue in effect after termination or cancellation thereof to the extent necessary to provide for final billings, billing adjustments and payments and with respect to liability and indemnification from acts or events that occurred while the Local Service Agreement was in effect. Notwithstanding the above, if the OATT, Schedule 21, this Schedule or any Local Service Agreement is terminated prior to the end of its initially contemplated term, for reasons other than breach by NEP, the Transmission Customer shall reimburse NEP for all unrecovered costs applicable to facilities installed pursuant to the provisions of the OATT, Schedule 21, this Schedule or any Local Service Agreement.

4.4 Audits of Accounts and Records: Within two (2) years following a calendar year, NEP and the Transmission Customer shall have the right to audit each other's accounts and records at the offices where such accounts and records are maintained during normal business hours; provided that appropriate notice shall have been given prior to any audit and provided that the audit shall be limited to those portions of such accounts and records that relate to service for said calendar year. The party being audited will be entitled to review the audit report and any supporting materials. The independent auditor performing such audit shall be subject to a confidentiality agreement between the auditor and the party being audited. To the extent that audited information includes confidential information, the auditing party shall designate an independent auditor to perform such audit. For the purpose of this provision, confidential information is proprietary information supplied by a Transmission Customer or a provider of Ancillary Services to NEP, which the Transmission Customer or a provider of Ancillary Services requests NEP not to disclose. NEP will treat such information as confidential except to the extent that disclosure of this information is required by the OATT, by regulatory or judicial order for reliability purposes pursuant to Good Utility Practice, pursuant to the Commission's Final Order 889 in Docket No. RM95-9-000, or as required under the ISO New England Information Policy. NEP will not disclose such information to its power marketing Affiliate or others.

5 Creditworthiness

For the purpose of determining the ability of a Transmission Customer to meet its obligations related to service hereunder, NEP may require reasonable credit review procedures. Applicable creditworthiness procedures are specified in Attachment L of this Schedule.

6 Dispute Resolution Procedures

6.1 Interpretation: The interpretation of and performance under this Schedule shall be according to and controlled by the laws of the Commonwealth of Massachusetts when not in conflict with or pre-empted by the Federal Power Act.

6.2 Indemnification: In cases where the Transmission Customer enjoys limitation of its liability under the Massachusetts Tort Claims Act, G.L. c. 258, 1 and 2, as ame time to time, NEP will have a similar limitation on its liability under the OATT, Schedule 21 and this Schedule.

II. LOCAL NETWORK SERVICE

The rates, terms and conditions set forth below supplement and, where applicable, replace the rates, terms and conditions of Local Network Service set forth in Schedule 21. In the event of a conflict between the terms of this Schedule and the terms of Schedule 21, the terms of this Schedule shall govern.

19 Real Power Losses

Real Power Losses are associated with all Transmission Service. NEP is not obligated to provide Real Power Losses. The Network Customer is responsible for replacing losses associated with all Transmission Service as calculated by NEP. The applicable Real Power Loss factors tabulated in Attachment I to this Schedule will be applied to metered loads to account for losses on the Non-PTF System and/or Distribution System that are not otherwise accounted for and allocated. Determination of losses across NEP's PTF system will be according to the procedure set by the ISO. In cases where the ISO or the Tariff does not allocate PTF losses, PTF losses will be assigned at 3%. When a load interconnects to the Transmission System at a Non-PTF point, the Real Power Loss factors in Attachment I to this Schedule will be applied to metered load amounts to reflect the losses incurred between the metering point and the PTF. Application of appropriate loss compensation to the meter would negate the need to apply the Real Power Loss factors. The Real Power Loss factors vary, depending upon the system voltage level at the interconnection point. If multiple voltage levels intervene between the PTF and the interconnection point/metering point, the Real Power Loss factors for each of the intervening voltage levels are additive. Any Non-PTF losses not allocated under Attachment I to this Schedule will be allocated to Non-PTF Network Load on the basis of Non-PTF Load Ratio Share.

20 Metering and Power Factor Correction at Point(s) of Delivery

20.1 Power Factor: The Network Customer's cumulative Load Power Factor for all Point(s) of Delivery in an area as defined by the ISO shall be maintained within a range, as required by

NEP, the ISO, and/or REMVEC, in accordance with Good Utility Practice. This range will be reviewed periodically and is subject to change. The Network Customer shall be notified of such changes. If the Network Customer's cumulative Load Power Factor does not fall within the required range, and NEP has existing means of providing the deficient reactive power NEP will charge the Network Customer a Power Factor Penalty in accordance with Attachment OCC to this Schedule. The Power Factor Penalty charge will be suspended if the customer corrects the Load Power Factor or, if during periods when the range may be changed, the customer's Load Power Factor is within the prescribed range. If NEP cannot provide the deficient reactive power from existing facilities, NEP will install, at the Customer's sole expense, the appropriate equipment to bring the customer's power factor within the required range. NEP will file with the Commission the cost support for such installations.

21 Network Resources

21.1 [Reserved]

21.2 Designation of New Network Resources: Each designation of a Network Resource shall be effective as of the beginning of a month, shall remain in effect for at least one full month, and shall only be terminated at the end of a month.

22 Construction of Facilities Associated with Interconnection of New Network Load

22.1 Basic Understandings: In cases in which the Transmission Customer intends to interconnect new network load to the Transmission System or Distribution System, the interconnection: (i) shall require the construction of interconnection facilities and associated equipment and (ii) may require the construction or installation of facilities and/or associated equipment in addition to the interconnection facilities on the Transmission System or Distribution System or the transmission system of another utility. These interconnection facilities and additional facilities shall be the financial responsibility of the Transmission Customer, to the extent consistent with Commission policy.

Subject to the following terms and conditions, NEP or its New England Affiliate shall, at the Transmission Customer's expense, build the facilities or make preparations so that this construction can be submitted for written bids to parties on the Qualified Bidders List. NEP shall have the right to supervise any construction undertaken by qualified outside contractors at the Transmission Customer's expense and to reject any construction work which fails to meet its requirements.

22.2 General Considerations: NEP or its New England Affiliate or another party selected pursuant to this Section shall construct the facilities at the Transmission Customer's expense. NEP or its New England Affiliate shall design, own, and maintain the facilities. NEP and the Transmission Customer shall mutually agree upon a schedule for construction and final interconnection. NEP shall use due diligence to fulfill its obligations under this Schedule in order to permit the interconnection of the Project in a timely manner. NEP reserves the exclusive right to make the final interconnection between the Project and NEP's Transmission System. NEP shall use, or specify that the Transmission Customer's selected contractor use, standard equipment customarily employed by NEP or its New England Affiliate for its own system in accordance with Good Utility Practice in making the final interconnection.

The Transmission Customer shall pay NEP for all reasonable costs and fees required to enable NEP to fulfill its obligations, including any tax liability, the costs and fees of all permits, licenses, franchises or regulatory or other approvals necessary for the construction and operation of the facilities. NEP shall consult with Transmission Customer on decisions involving substantial additional costs to be incurred by NEP in fulfillment of its obligations.

22.3 Tax Security Arrangements: The Transmission Customer shall acknowledge that under IRS Notice 87-82, transfers made by the Transmission Customer to NEP for services provided hereunder with respect to the construction and installation of new facilities or improvements may, under certain circumstances cause a Taxable Event to NEP. The Transmission Customer agrees to assure NEP recovery of all potential tax costs, both state and federal, including all interest and penalty claims, if a Taxable Event occurs.

The Transmission Customer shall expressly agree to indemnify and save NEP harmless from and against any and all federal and/or state income tax, interest or penalty claims, or liability related to any tax gross-up incurred as a result of the work performed for and the services rendered to the Transmission Customer.

22.4 Security: In addition to the security provided for in Section 5 of this Schedule, the Transmission Customer shall agree to provide NEP with security for the potential tax liability for a term and in a form acceptable to NEP. Such security shall cover an amount calculated in accordance with the terms of Section 22.5 of this Schedule. If the Transmission Customer fails to provide NEP with satisfactory security within thirty (30) days of notice by NEP, NEP may cease all work related to the Transmission Customer's request until such security is in place.

NEP reserves the right to require the Transmission Customer to increase the value of the security to reflect changed circumstances including, but not limited to, an increase in the taxable value of the Direct Assignment Facilities or changes in tax law which affect NEP's tax position vis-à-vis the construction and installation of new or modified facilities. The Transmission Customer shall provide NEP with the security as well as any periodic renewals that may be required by NEP. Such security shall have a minimum term of one (1) year and, in the case of a letter of credit, shall designate NEP as beneficiary with authority to draw drafts on the issuer for the secured amount in accordance with this Schedule. Such security shall also provide that NEP may draw the full amount of the security in the event it has not been renewed, extended or replaced on or before thirty (30) days prior to the expiration date of such security.

If at any time during the term of the Transmission Customer's Service Agreement with NEP there is a change in federal law tax which, in NEP's view, mitigates or eliminates its tax liability under applicable law or regulation, NEP shall agree, to the extent it deems appropriate, to release to the Transmission Customer any security determined to be in excess of NEP's potential tax liability.

22.5 Determination of Secured Amount: The Transmission Customer agrees that if a Taxable Event occurs, NEP's tax liability will be based upon the fair market value of the facilities constructed, installed or modified hereunder. The Transmission Customer agrees that the fair market value of the facilities is deemed to be the depreciated replacement cost of such facilities at the time of the transfer, as prescribed by IRS Notice 90-60.

The Transmission Customer shall secure an amount equal to the product of the depreciated replacement cost of the facilities times NEP's gross-up tax factor (net federal and state tax rate). NEP shall provide an initial estimate of the amount to be secured, based upon its facilities construction, installation or modification estimate. These projected figures, however, are subject to adjustment for actual construction costs when they become known.

The Transmission Customer shall agree to increase the secured amount to reflect any other adjustments as required by NEP to ensure that the existing security is sufficient to cover NEP's potential tax liability. The Transmission Customer shall agree to increase the secured amount within thirty (30) days of receipt of notice from NEP of any such adjustment to these costs. In the event that the Transmission Customer fails to do so, NEP shall have the right to seek termination of its service to the Transmission Customer until it increases the secured amount to the level specified by NEP.

22.6 Payment of Tax and Reconciliation: In the event that a Taxable Event occurs, NEP may exercise its rights under the security arrangement and draw upon all amounts necessary to pay the applicable taxes. If, in NEP's judgment, there are insufficient funds from such security to pay the applicable taxes, the Transmission Customer agrees to provide NEP with the balance of the funds needed within fifteen (15) days notice from NEP of such insufficiency. Any excess funds covered by security shall remain at NEP's disposal until NEP has received a final determination from the taxing authorities on the amounts payable as a result of the Taxable Event.

Upon such final determination, there shall be a reconciliation of the taxes payable by NEP, including any interest or penalties, and amounts provided by the Transmission Customer, in the form of security or otherwise. If the funds provided by the Transmission Customer prove insufficient to cover NEP's tax liability, the Transmission Customer shall pay NEP the amount of the underpayment within fifteen (15) days notice from NEP of the additional amount owed. If NEP receives a refund from the taxing authorities of any amounts paid due to the Taxable Event, NEP shall refund to the Transmission Customer such amount refunded to NEP. If taxes had not as yet been paid by NEP, in the form of estimated tax payments or otherwise, NEP shall refund the amount paid by the Transmission Customer in excess of NEP's actual tax liability. Interest on such amounts shall accrue, from the applicable following date: (a) the date the refund is received by NEP; (b) the date of recovery of estimated taxes previously paid by NEP (i.e., the due date of the tax payment following the determination); or (c) the date of final payment by the Transmission Customer under this Schedule, to the date NEP refunds such amount to the Transmission Customer. Once the Transmission Customer has fulfilled all of its obligations with respect to the final determination of the tax amounts payable, NEP shall release the Transmission Customer from all obligations under this Section. Interest, however, will not apply when a Letter of Credit is used as security.

22.7 IRS Private Letter Ruling. In the case of a Contribution in Aid of Construction ("CIAC") amounting to at least $100,000 and upon written request by a Transmission Customer, NEP will request a Private Letter Ruling from the Internal Revenue Service on the taxable nature of the Transmission Customer's CIAC. The Transmission Customer must submit such written request to NEP, with payment for the estimated costs of obtaining such ruling, within 30 days of the Commission's acceptance of the transmission Customer's Service Agreement (or its amendment) covering construction under this Schedule. Payment shall be sufficient to cover NEP's estimated expenses in retaining outside tax counsel with expertise in such matters, all regulatory, filing and application fees and any other reasonable expenses, including salary and overhead costs, deemed appropriate and necessary for preparing, managing and obtaining the ruling.

The Transmission Customer shall be responsible for all costs that NEP incurs in pursuing the Private Letter Ruling. If NEP's costs in pursuing the Private Letter Ruling exceed the estimated costs shown, it shall so notify the Transmission Customer and the Transmission Customer shall reimburse or pay the estimated additional cost, as the case may be, within thirty (30) days of notification. NEP shall not be responsible for pursuing or continuing to pursue the Private Letter Ruling if the Transmission Customer has not complied with these payment provisions.

The Transmission Customer agrees that the selection and retention of outside tax counsel in this regard shall be exclusively determined by NEP. Furthermore, the Transmission Customer understands that NEP cannot predict or guarantee the outcome of the Private Letter Ruling and, should the Internal Revenue Service deem the CIAC taxable to NEP, the Transmission Customer must meet its financial obligations to NEP to cover federal and state taxes.

The Transmission Customer shall cooperate in the preparation and provision of information, documents and other materials needed by NEP and its outside counsel for the Private Letter Ruling application and its supporting description and analysis. As soon as practicable after NEP's receipt of the Private Letter Ruling from the IRS, it shall provide the Transmission Customer with a copy of the document. The parties agree that the decision of the IRS as to the taxable status of the CIAC shall be binding upon the parties, their successors and/or assigns.

22.8 Land Interests: The Transmission Customer recognizes that acquisition of the land interests necessary for the interconnection facilities may require individual agreements between NEP or its New England Affiliate and the landowners. The Transmission Customer agrees to pay NEP all its reasonable costs associated with these acquisition agreements in advance of their execution. In the event the Transmission Customer acquires the land, permits, licenses, franchises or regulatory or other approvals necessary for the construction and operation of the interconnection facilities, NEP has the right, at the Transmission Customer's expense, to approve or reject any terms and conditions related thereto prior to the acceptance of the interconnection facilities.

22.9 Construction: If the Transmission Customer does not request that the construction of the interconnection facilities be submitted for written bids as described below, NEP or its New England Affiliate shall construct the interconnection facilities and the Transmission Customer shall pay NEP the total costs associated with the construction of the interconnection facilities. The estimated costs (exclusive of any regulatory approval costs and/or fees) and the schedule for the Transmission Customer's payments to NEP will be shown the Service Agreement.

The Transmission Customer shall pay NEP following the close of the Transmission Customer's construction financing (if any) in accordance with the Payment Schedule shown in the Service Agreement. The Payment Schedule contains estimated milestones and estimated costs. NEP shall invoice the Transmission Customer for costs, on an estimated basis.

Within a reasonable period of time following completion of the interconnection facilities, NEP shall provide the Transmission Customer with a report of actual construction costs sufficient to allow identification of all major cost components. Upon completion of the interconnection facilities, the Transmission Customer and NEP agree to make a final adjustment to correct for any overpayment or underpayment of the construction costs.

22.10 Construction by Third-Party: The Transmission Customer may request that the construction of the interconnection facilities be submitted for written bids by NEP-approved contractors having the capability and skill to perform the work in accordance with the terms and conditions contained herein. The Transmission Customer shall assume all risks and consequences associated with the decision to use such bidding process.

The Transmission Customer understands that if a contractor other than NEP or its New England Affiliate constructs the interconnection facilities, the RFP process and interconnection facilities construction may require more time than if NEP or its New England Affiliate constructed the interconnection facilities. Notwithstanding the foregoing, the Transmission Customer understands and agrees that all construction work on existing facilities shall be done by NEP or its New England Affiliate. Such work shall not be included in the work submitted for bid by the Transmission Customer to outside contractors.

If the Transmission Customer requests that the construction of the interconnection facilities be submitted for written bids in accordance with the preceding paragraph, NEP shall prepare RFPs for construction of the interconnection facilities which, at a minimum, shall include construction drawings, steel structure specifications, bid drawings and specifications, materials specifications, and construction specifications. NEP shall also prepare the Qualified Bidders List. Materials, including steel structures, shall be obtained from suppliers listed in the Qualified Bidders List. The Transmission Customer shall seek NEP's prior approval with respect to any additions to the Qualified Bidders List or substitution of equal items of material from approved suppliers. The Transmission Customer shall reimburse NEP for its reasonable costs of preparing the RFPs and the Qualified Bidders List.

Upon the Transmission Customer's acceptance of the RFPs and the Qualified Bidders List, the Transmission Customer shall issue the RFPs to the contractors on the Qualified Bidders List. NEP and its New England Affiliates shall have the right to respond to the RFPs. The Transmission Customer shall review the responses to the RFPs and select a contractor to construct the interconnection facilities. Selection of the contractor shall be at the Transmission Customer's sole discretion, but subject to the limitations and criteria contained herein. The contractor selected by this process shall contract directly with the Transmission Customer for this construction. In no event shall NEP become legally or financially obligated to the selected contractor for construction of the interconnection facilities or any other related work.

If NEP or its New England Affiliate is not the successful bidder, NEP shall have the ongoing right to monitor, at the Transmission Customer's expense, and approve or reject the contractor's construction of the interconnection facilities to ensure that the contractor's performance satisfies NEP's specifications and the criteria set forth in this Schedule and all appendices, exhibits, and attachments hereto. NEP shall have the right to make a final inspection and acceptance of the completed interconnection facilities. NEP's evaluation and acceptance of the interconnection facilities shall be based on compliance with the contract specifications; Good Utility Practice; the National Electric Safety Code as in effect during the time of construction; the appropriate state rules and regulations; NEP's Policy and Practices for Protection Requirements for New or Modified Load Interconnections; and other practices, procedures, specifications, and applicable standards developed by NEP's New England Affiliate. Any part of the work which NEP reasonably finds unsatisfactory shall be corrected prior to its acceptance of the completed interconnection facilities.

If the Transmission Customer selects a contractor other than NEP or its New England Affiliate, within thirty days following completion of the interconnection facilities, the Transmission Customer shall provide NEP with all detailed construction cost data that NEP needs to meet construction cost unitizing requirements under the Federal Power Act and relevant regulations.

22.11 Delivery and Measurement of Electricity:

22.11.1 Voltage Level: All electricity across the interconnection point shall be the form of three-phase sixty-hertz alternating current at a voltage class determined by mutual agreement of the parties.

22.11.2 Machine Reactive Capability: The Transmission Customer will be required to provide reactive capability to regulate and maintain system voltage at the interconnection point. NEP and the ISO shall establish a scheduled range of voltages to be maintained by the Project. The reactive capability requirements shall be reviewed during the System Impact Study and Facilities Study.

22.11.3 Metering and Related Equipment: The Transmission Customer shall be responsible for the cost of installing and maintaining compatible metering and communication equipment at or distant from the Project which measures steam flow, if the Project is a generating source (as applicable and where necessary), as well as electricity flows between NEP and Transmission Customer and determines the status of switching equipment. The Transmission Customer shall be responsible for communicating to NEP accurate information on capacity and energy being transmitted. Instrument transformers shall be approved by NEP before the design is finalized. In cases where it may be appropriate for the metering equipment to be installed at the Transmission

Customer's property, NEP reserves the right to inspect, commission and witness test such meters. NEP shall also have access to read such meters remotely and locally to facilitate measurements and billing.

The Transmission Customer shall provide suitable space within its facilities for installation of the metering, telemetering, environmental control, and communication equipment at no cost to NEP.

The Transmission Customer shall be responsible for providing all necessary leased telephone lines and any necessary protection for leased lines and shall furthermore be responsible for all communication required by the ISO, or its designee. The Transmission Customer shall maintain all telemetering and transducer equipment on the Project in accordance with applicable criteria, rules, standards and operating procedures. At the Transmission Customer's expense, NEP shall purchase, own and maintain all telemetering equipment located on NEP's facilities. The Transmission Customer shall be responsible for the cost of installing NEP-approved or NEP-specified test switches in the transducer circuits.

If the metering equipment, the interconnection point and the Point(s) of Receipt are not at the same location, the metering equipment shall record delivery of electricity in a manner that accounts for losses occurring between the metering point and the Point(s) of Receipt or between the metering point and the interconnection point, as appropriate. Accounting for transmission losses between the metering point and the Point(s) of Receipt or between the metering point and the interconnection point shall be pursuant to the rates, terms and conditions of this Schedule and the OATT.

All metering equipment may be routinely tested by NEP at the Transmission Customer's expense, in accordance with applicable criteria, rules, standards and operating procedures. If, at any time, any metering equipment is found to be inaccurate by a margin greater than that allowed under applicable criteria, rules, standards and operating procedures, NEP shall cause such metering equipment to be made accurate or replaced at the Transmission Customer's expense. Meter readings for one-half the period extending back to the last successful meter test shall be adjusted so far as the same can be reasonably ascertained. Each party shall comply with any reasonable request of the other concerning the sealing of meters, the presence of a representative of the other party when the seals are broken and the tests are made, and other matters affecting the accuracy of the measurement of electricity delivered from the Project. If either party believes that there has been a meter failure or stoppage, it shall immediately notify the other.

The Transmission Customer shall be responsible for the cost of purchasing and installing software, hardware and/or other technology that may be required to read billing meters.

The Transmission Customer shall be responsible for the costs of all metering and related equipment pursuant to Attachment OCC to this Schedule and/or Attachment DAF to this Schedule, as applicable.

22.12 Notice Provisions: If at any time, in the reasonable exercise of NEP's judgment, operation of the Project adversely affects the quality of service to other customers or interferes with the safe and reliable operation of the Transmission System or Distribution System, NEP may discontinue service to the Transmission Customer until the condition has been corrected. Unless an emergency exists or the risk of one is imminent, NEP shall give the Transmission Customer reasonable notice of its intention to discontinue service and, where practical, allow suitable time for the Transmission Customer to remove the interfering condition. NEP's judgment with regard to discontinuance of deliveries or disconnection of facilities under this paragraph shall be made in accordance with Good Utility Practice. In the case of such discontinuance, NEP shall immediately confer with the Transmission Customer regarding the conditions causing such discontinuance and its recommendation concerning the timely correction thereof.

22.13 Access and Control: Properly accredited representatives of NEP or its New England Affiliates shall at all reasonable times have access to the Project to make reasonable inspections and obtain information required in connection with this Schedule. At the Project, such representatives shall make themselves known to the Transmission Customer's personnel, state the object of their visit, and conduct themselves in a manner that will not interfere with the construction or operation of the Project. NEP or its New England Affiliates will have control such that it may open or close the circuit breaker or disconnect and place safety grounds at the Point(s) of Receipt, or at the station, if the Point(s) of Receipt is (are) remote from the station.

22.14 Insurance Requirements: The Transmission Customer shall be subject to the insurance requirements specified in the Local Service Agreement.

23 Load Shedding and Curtailments

23.1 Transmission Constraints: During any period when NEP determines that a transmission constraint exists on the Non-PTF, and such constraint may impair the reliability of the New England Transmission System, NEP will take whatever actions, consistent with Good Utility Practice, that are reasonably necessary to maintain the reliability of the system. To the extent NEP determines that the reliability of the New England Transmission System can be maintained by redispatching resources, NEP will initiate procedures pursuant to contracts with owners of the identified resources to redispatch all Network Resources and NEP's own resources on a least-cost basis without regard to the ownership of such resources. Any redispatch under this Section may not unduly discriminate between NEP's use of the Non-PTF on behalf of its Native Load Customers and any Network Customer's use of the Non-PTF to serve its designated Network Load.

23.2 Cost Responsibility for Relieving Transmission Constraints: Whenever NEP implements least-cost redispatch procedures in response to a transmission constraint, NEP and the Network Customers will each bear a proportionate share of the total redispatch cost based on their respective Load Ratio Shares.

23.3 System Reliability: A Network Customer that fails to respond to established load shedding and curtailment procedures will be deemed by NEP of making unauthorized use of the Transmission System. If unauthorized use occurs, NEP will charge and the Transmission Customer will be obligated to pay a penalty equal to twice the standard rate for such a transaction, as described more fully in Section 24.15 of this Schedule. In all cases of unauthorized use of the Transmission System, the service will be considered non-firm and NEP will be under no obligation to provide any services for such use.

24 Compensation for Local Network Service

The following rates and charges may apply to Local Network Service as specified below. Charges under this Section shall include any applicable PTF costs not otherwise recovered under the OATT. To the extent that NEP enters into an incentive rate plan(s), the incentive rate terms shall be reflected in a separate filing with the Commission under Section 205 of the Federal Power Act. Additionally, all costs and revenues under such incentive rate plan(s) shall be excluded from NEP's PTF and Non-PTF Transmission Revenue Requirement. However, liquidated damages mandated by the Commission in

Docket No. RM02-1-000 shall be reflected in NEP's costs and included in its PTF and Non-PTF Transmission Revenue Requirement calculations.

24.1 Monthly Demand Charge: Any Network Customer utilizing NEP's PTF facilities either directly or indirectly shall pay a Monthly Demand Charge as calculated in accordance with Attachment OCC to this Schedule.

24.2 Monthly Non-PTF Demand Charge: Any Network Customer with Network Load qualifying as Non-PTF Network Load, shall pay a Monthly Non-PTF Demand Charge determined in accordance with Attachment OCC to this Schedule.

24.3 Transformer Surcharge: In the event that a Network Customer does not own the stepdown transformation from 69 kV or greater voltage to distribution voltage level, where it utilizes NEP's Transformation Facilities, the Network Customer will be subject to a Transformer Surcharge calculated in accordance with Attachment OCC to this Schedule.

24.4 Meter Surcharge: If the Network Customer neither owns nor supports metering equipment necessary for provision of Local Network Service, that customer will be subject to a Meter Surcharge calculated in accordance with Attachment OCC to this Schedule.

24.5 Power Factor Penalty: Pursuant to the requirements of Section 20.1 of this Schedule, the Network Customer may be subject to a Power Factor Penalty calculated in accordance with Attachment OCC to this Schedule.

24.6 Direct Assignment Facility Charge: The Direct Assignment Facility Charge compensates NEP for the annual costs of the facilities, expansions and upgrades that may be directly assigned by NEP or by the ISO, as appropriate, to the Transmission Customer. These costs may include, but are not limited to, the capital carrying cost, income tax, depreciation, operation and maintenance, administrative and general expenses and property tax. The Direct Assignment Facility Charge shall be calculated as specified in Attachment DAF to this Schedule. In no event shall the Direct Assignment Facilities Charge be less than $1,000.00 per year. If NEP enters into an agreement for use and support of facilities owned by other entities on behalf of a Transmission Customer, any charges incurred by NEP will be directly assigned to the Transmission Customer.

The Direct Assignment Facilities Charge in each year shall be billed based on forecast data for that year and shall be adjusted for experienced costs as soon as practicable after the close of the year. The charge so calculated shall commence on the date the facilities, expansions or upgrades are placed in service.

24.7 Distribution Service:

24.7.1 Specific Distribution Surcharge: Any Network Customer listed in Attachment OCC, VI, to this Schedule, which relies on the specific distribution facilities of NEP's New England Affiliate, Massachusetts Electric Company, as provided to NEP under the Integrated Facilities provision of NEP's FERC Electric Tariff No. 1 (Tariff No. 1), will be subject to a Specific Distribution Surcharge calculated in accordance with Attachment OCC to this Schedule.

24.7.2 Rolled-In Distribution Surcharge: To the extent that a Network Customer listed in Attachment OCC, VI, to this Schedule, utilizes distribution facilities in addition to the specific facilities identified in NEP's Tariff No. 1 (as of February 28, 1998), the Network Customer will pay the Rolled-In Distribution Surcharge calculated in accordance with Attachment DS to this Schedule for delivery service to load. To the extent that distribution service to a new Network Customer is subject to the direct jurisdiction of the Federal Energy Regulatory Commission, the provision of distribution service to that customer on or after March 1, 1998 shall be reflected in the Network Customer's Local Service Agreement.

In the event that the integrated distribution facilities under NEP's FERC Electric Tariff No. 1 are otherwise eliminated or superseded, the customers listed in Attachment OCC, VI, to this Schedule, will take distribution service entirely under the Rolled-In Distribution Surcharge calculated in accordance with Attachment DS to this Schedule.

24.8 Ancillary Services: Any Network Customer with Network Load qualifying as PTF Network Load will be subject to the Network Load Dispatch Surcharge calculated in accordance with Attachment OCC to this Schedule.

24.9 OASIS Charges: Identifiable usage-dependent costs of OASIS may be charged to the specific user in accordance with the Commission's Final Order 889 in Docket No. RM95-9-000, and any subsequent amendments thereto.

24.10 [Reserved]

24.11 EPRI Credit: The Network EPRI Credit, calculated in accordance with Attachment OCC to this Schedule, shall apply to any wholesale Network Customer, which is not also an Affiliate of NEP.

24.12 Pre-1997 RNS Revenue Credit: Pursuant to the compliance filing made by NEP in FERC Docket Nos. EC99-70-00 and ER99-2832-000 (Not Consolidated), Taunton Municipal Lighting Plant, Middleborough Gas and Electric Department and Pascoag Fire District will receive a credit in their monthly bill under this Schedule calculated in accordance with Attachment OCC to this Schedule.

24.13 Network Upgrade Charge: If network upgrades are required in association with a new load, the Network Customer shall be required to pay a Network Upgrade Charge. The monthly Network Upgrade charge shall be the higher of (i) the allocated Monthly Transmission Expenses for Local Network Service with the New Network Upgrades rolled-in; or (ii) an incremental monthly charge for service based upon the total costs of the Network Upgrades for which the Transmission Customer is responsible as determined by the formula in Attachment DAF to this Schedule.

24.14 Redispatch Charge: Pursuant to Section 23.2 of this Schedule, the Transmission Customer may be subject to charges for generation redispatch.

24.15 Unauthorized Use Penalty: Pursuant to Section 23.3 of this Schedule, the Transmission Customer may be subject to a penalty equal to twice the standard rate for unauthorized use of the Transmission System, based on the period of unauthorized use.

The annual standard rate per KW for unauthorized use of the Transmission System shall be derived from (i) the previous calendar year's annual transmission expenses as calculated in

Attachment RR, excluding any revenue credits associated with Section 24.1 of this Schedule divided by (ii) the average of the twelve Total Monthly Peak Loads from the previous year.[1]

The monthly standard rate per KW shall equal one-twelfth of the annual standard rate; the weekly standard rate per KW shall equal one-fifty-second of the annual standard rate; and the daily standard rate per KW shall equal one-fifth of the weekly standard rate.

The unauthorized use penalty charge for a single hour of unauthorized use shall be based on the daily standard rate, and more than one assessment for a given duration (e.g., daily) results in an increase of the penalty period to the next longest duration (e.g., weekly). The unauthorized use penalty charge for multiple instances of unauthorized use (i.e., more than one hour) within a day will be based on the daily standard rate. The unauthorized use penalty charge for multiple instances of unauthorized use isolated to one calendar week would result in a penalty based on the weekly standard rate. The unauthorized use penalty charge for multiple instances of unauthorized use during more than one week during a calendar month will be based on the monthly standard rate.

[1] The standard rate is analogous to the former Firm Local Point-To-Point Service rate that was eliminated from Schedule 21-NEP (Attachment J) effective November 1, 2007; *see Docket No. ER07-1323-000.*

ATTACHMENT C

Form of System Impact Study Agreement

This Agreement dated __________, is entered into by ____________ (the Transmission Customer) and New England Power Company (NEP), for the purpose of setting forth the terms, conditions and costs for conducting a System Impact Study relative to __________________________________.

1. The Transmission Customer agrees to provide, in a timely and complete manner, all required information and technical data necessary for NEP to conduct the System Impact Study. The Transmission Customer understands that it must provide all such information and data prior to NEP's commencement of the Study. Such information and technical data is specified in Exhibit 1 to this Agreement.

2. All work pertaining to the System Impact Study that is the subject of this Agreement will be approved and coordinated only through designated and authorized representatives of NEP and the Transmission Customer. Each party shall inform the other in writing of its designated and authorized representative.

3. NEP will advise the Transmission Customer of any additional studies as it may in its sole discretion deem necessary. Any such additional studies shall be conducted only if required by Good Utility Practice and shall be subject to the Transmission Customer's consent to proceed, such consent not be unreasonably withheld.

4. NEP contemplates that it will require _______ to complete the System Impact Study. Upon completion of the Study by NEP, NEP will provide a report to the Transmission Customer based on the information provided and developed as a result of this effort. If, upon review of the Study results, the Transmission Customer decides to pursue ___________, NEP will, at the Transmission Customer's direction, tender a Facilities Study Agreement within thirty (30) days. The System Impact and Facilities Studies, together with any additional studies contemplated in Paragraph 3, shall form the basis for the Transmission Customer's proposed use of NEP's transmission system and shall be furthermore utilized in obtaining necessary third-party approvals of any interconnection facilities and requested transmission services. The Transmission Customer understands and acknowledges that any use of study results by the Transmission Customer or their agents, whether in preliminary or final form, prior to application approval pursuant to Section I.3.9 of the Tariff, is completely at the Transmission Customer's risk and that NEP

will not guarantee or warrant the completeness, validity or utility of study results prior to application approval pursuant to Section I.3.9 of the Tariff.

5. The estimated costs contained within this Agreement are NEP's good faith estimate of its costs to perform the System Impact Study contemplated by this Agreement. NEP's estimates do not include any estimates for wheeling charges that may be associated with the transmission of facility output to third parties or with rates for station service. The actual costs charged to the Transmission Customer by NEP may change as set forth in this Agreement. Prepayment will be required for all study, analysis, and review work performed by NEP or its Designated Agent, all of which will be billed by NEP to the Transmission Customer in accordance with Paragraph 6 of this Agreement.

6. The payment required is $______ from the Transmission Customer to NEP for the primary system analysis, coordination, and monitoring of the System Impact Study. NEP will, in writing, advise the Transmission Customer in advance of any cost increases for work to be performed if total amount increases by 10% or more. Any such changes to NEP's costs for the study work shall be subject to the Transmission Customer's consent, such consent not to be unreasonably withheld. The Transmission Customer shall, within thirty (30) days of NEP's notice of increase, either authorize such increases and make payment in the amount set forth in such notice, or NEP will suspend the System Impact Study and this Agreement will terminate if so permitted by the Federal Energy Regulatory Commission.

In the event this Agreement is terminated for any reason, NEP shall refund to the Transmission Customer the portion of the above credit or any subsequent payment to NEP by the Transmission Customer that NEP did not expend in performing its obligations under this Agreement. Any additional billings under this Agreement shall be subject to an interest charge computed in accordance with the provisions of the OATT. Payments for work performed shall not be subject to refunding except in accordance with Paragraph 7 below.

7. If the actual costs for the work exceed prepaid estimated costs, the Transmission Customer shall make payment to NEP for such actual costs within thirty (30) days of the date of NEP's invoice for such costs. If the actual costs for the work are less than those prepaid, NEP will credit such difference toward NEP costs unbilled, or in the event there will be no additional billed expenses, the amount of the overpayment will be returned to the Transmission Customer with interest computed as stated in Paragraph 6 of this Agreement, from the date of reconciliation.

8. Nothing in this Agreement shall be interpreted to give the Transmission Customer immediate rights to wheel over or interconnect with NEP's Transmission or Distribution System. Such rights shall be provided for under separate agreement and in accordance with the OATT.

9. Within one (1) year following NEP's issuance of a final bill under this Agreement, the Transmission Customer shall have the right to audit NEP's accounts and records at the offices where such accounts and records are maintained, during normal business hours; provided that appropriate notice shall have been given prior to any audit and provided that the audit shall be limited to those portions of such accounts and records that relate to service under this Agreement. NEP reserves the right to assess a reasonable fee to compensate for the use of its personnel time in assisting any inspection or audit of its books, records or accounts by the Transmission Customer or their Designated Agent.

10. Each party agrees to indemnify and hold the other party and its Affiliates, including affiliated trustees, directors, officers, employees, and agents of each of them, harmless from and against any and all damages, costs (including attorney's fees), fines, penalties and liabilities, in tort, contract, or otherwise (collectively "Liabilities") resulting from claims of third parties arising, or claimed to have arisen as a result of any acts or omissions of either party under this Agreement. Each party hereby waives recourse against the other party and its Affiliates for, and releases the other party and its Affiliates from, any and all Liabilities for or arising from damage to its property due to a performance under this Agreement by such other party.

11. If either party materially breaches any of its covenants hereunder, the other party may terminate this Agreement by filing a notice of intent to terminate with the Federal Energy Regulatory Commission and serving notice of same on the other party to this Agreement.

12. This agreement shall be construed and governed in accordance with the laws of the Commonwealth of Massachusetts and with Part II of the Federal Power Act, 16 U.S.C. §§824d et seq., and with Part 35 of Title 18 of the Code of Federal Regulations, 18 C.F.R. §§35 et seq.

13. All amendments to this Agreement shall be in written form executed by both parties.

14. The terms and conditions of this Agreement shall be binding on the successors and assigns of either party.

15. This Agreement will remain in effect for a period of up to two years from its effective date as permitted by the Federal Regulatory Commission, and is subject to extension by mutual agreement. Either party may terminate this Agreement by thirty (30) days' notice except as is otherwise provided herein. If this Agreement expires by its own terms, it shall be NEP's responsibility to make such filing.

NEP:

By:______________________ _______________ ______________
Name Title Date

Transmission Customer:

By:______________________ _______________ ______________
Name Title Date

System Impact Study Agreement

EXHIBIT 1

Information to be Provided to NEP
by the Transmission Customer for System Impact Study

1.0 Facilities Identification

1.1 Requested capability in MW and MVA; summer and winter

1.2 Site location and plot plan with clear geographical references

1.3 Preliminary one-line diagram showing major equipment and extent of Transmission Customer ownership

1.4 Auxiliary power system requirements

1.5 Back-up facilities such as standby generation or alternate supply sources

2.0 Major Equipment

2.1 Power transformer(s): rated voltage, MVA and BIL of each winding, LTC and or NLTC taps and range, Z1 (positive sequence) and Z0 (zero sequence) impedances, and winding connections. Provide normal, long-time emergency and short-time emergency thermal ratings.

2.2 Generator(s): rated MVA, speed and maximum and minimum MW output, reactive capability curves, open circuit saturation curve, power factor (V) curve, response (ramp) rates, H (inertia), D (speed damping), short circuit ratio, X1 (leakage), X2 (negative sequence), and X0 (zero sequence) reactances and other data:

	Direct Axis	Quadrature Axis
saturated synchronous reactance	Xdv	Xqv

	Direct Axis	Quadrature Axis
unsaturated synchronous reactance	Xdi	Xqi
saturated transient reactance	X'dv	X'qv
unsaturated transient reactance	X'di	X'qi
saturated subtransient reactance	X"dv	X"qv
unsaturated subtransient reactance	X"di	X"qi
transient open-circuit time constant	T'do	T'qo
transient short-circuit time constant	T'd	T'q
subtransient open-circuit time constant	T"do	T"qo
subtransient short-circuit time constant	T"d	T"q

2.3 Excitation system, power system stabilizer and governor: manufacturer's data in sufficient detail to allow modeling in transient stability simulations.

2.4 Prime mover: manufacturer's data in sufficient detail to allow modeling in transient stability simulations, if determined necessary.

2.5 Busses: rated voltage and ampacity (normal, long-time emergency and short-time emergency thermal ratings), conductor type and configuration.

2.6 Transmission lines: overhead line or underground cable rated voltage and ampacity (normal, long-time emergency and short-time emergency thermal ratings), Z1 (positive sequence) and Z0 (zero sequence) impedances, conductor type, configuration, length and termination points.

2.7 Motors greater than 150 kW 3-phase or 50 kW single-phase: type (induction or synchronous), rated hp, speed, voltage and current, efficiency and power factor at ½, 3/4 and full load, stator resistance and reactance, rotor resistance and reactance, magnetizing reactance.

2.8 Circuit breakers and switches: rated voltage, interrupting time and continuous, interrupting and momentary currents. Provide normal, long-time emergency and short-time emergency thermal ratings.

2.9 Protective relays and systems: ANSI function number, quantity manufacturer's catalog number, range, descriptive bulletin, tripping diagram and three-line diagram showing AC connections to all relaying and metering.

2.10 CT's and VT's: location, quantity, rated voltage, current and ratio.

2.11 Surge protective devices: location, quantity, rated voltage and energy capability.

3.0 Other

3.1 Additional data to perform the System Impact Study will be provided by the Transmission Customer as requested by NEP.

3.2 NEP reserves the right to require specific equipment settings or characteristics necessary to meet the applicable criteria and standards.

ATTACHMENT D

Form of Facilities Study Agreement

This agreement dated __________, is entered into by ____________ (the Transmission Customer) and New England Power Company (NEP), for the purpose of setting forth the terms, conditions and costs for conducting a Facilities Study Agreement relative to ______________________________________. The Facilities Study will determine the detailed engineering, design and cost of the facilities necessary to satisfy the Transmission Customer's request for service over NEP's Transmission System.

1. The Transmission Customer agrees to provide, in a timely and complete manner, all required information and technical data necessary for NEP to conduct the Facilities Study. Where such information and technical data was provided for the System Impact Study, it should be reviewed and updated with current information, as required.

2. All work pertaining to the Facilities Study that is the subject of this Agreement will be approved and coordinated only through designated and authorized representatives of NEP and the Transmission Customer. Each party shall inform the other in writing of its designated and authorized representative.

3. NEP will advise the Transmission Customer of additional studies as may be deemed necessary by NEP. Any such additional studies shall be conducted only if required by Good Utility Practice and shall be subject to the Transmission Customer's consent to proceed, such consent not to be unreasonably withheld.

4. NEP contemplates that it will require ___ days to complete the Facilities Study. Upon completion of the study by NEP, NEP will provide a report to the Transmission Customer based on the information provided and developed as a result of this effort. If, upon review of the study results, the Transmission Customer decides to pursue its transmission service request, the Transmission Customer must sign a supplemental Service Agreement with NEP. The System Impact and Facilities Studies, together with any additional studies contemplated in Paragraph 3, shall form the basis for the Transmission Customer's proposed use of NEP's Transmission System and shall be furthermore utilized in obtaining necessary third-party approvals of any facilities and requested transmission services. The Transmission Customer understands and acknowledges that any use of the study results by the Transmission Customer or their agents, whether in preliminary or final form, prior to application approval

pursuant to Section I.3.9 of the Tariff, is completely at the Transmission Customer's risk and that NEP will not guarantee or warrant the completeness, validity or utility of the study results prior to application approval pursuant to Section I.3.9 of the Tariff.

5. The estimated costs contained within this Agreement are NEP's good faith estimate of its costs to perform the Facilities Study contemplated by this Agreement. NEP's estimates do not include any estimates for wheeling charges that may be associated with the transmission of facility output to third parties or with rates for station service. The actual costs charged to the Transmission Customer by NEP may change as set forth in this Agreement. Prepayment will be required for all study, analysis, and review work performed by NEP's or its Designated Agent's personnel, all of which will be billed by NEP to the Transmission Customer in accordance with Paragraph 6 of this Agreement.

6. The payment required is $____ from the Transmission Customer to NEP for the primary system analysis, coordination, and monitoring of the Facilities Study to be performed by NEP for the Transmission Customer's requested service. NEP will, in writing, advise the Transmission Customer in advance of any cost increases for work to be performed if the total amount increases by 10% or more. Any such changes to NEP's costs for the study work to be performed shall be subject to the Transmission Customer's consent, such consent not to be unreasonably withheld. The Transmission Customer shall, within thirty (30) days of NEP's notice of increase, either authorize such increases and make payment in the amount set forth in such notice, or NEP will suspend the study and this Agreement will terminate if so permitted by the Federal Energy Regulatory Commission. In the event this Agreement is terminated for any reason, NEP shall refund to the Transmission Customer the portion of the above credit or any subsequent payment to NEP by the Transmission Customer that NEP did not expend in performing its obligations under this Agreement. Any additional billings under this Agreement shall be subject to an interest charge computed in accordance with the provisions of the OATT. Payments for work performed shall not be subject to refunding except in accordance with Paragraph 7 below.

7. If the actual costs for the work exceed prepaid estimated costs, the Transmission Customer shall make payment to NEP for such actual costs within thirty (30) days of the date of NEP's invoice for such costs. If the actual costs for the work are less than that prepaid, NEP will credit such difference toward NEP costs unbilled, or in the event there will be no additional billed expenses, the amount of the overpayment will be returned to the Transmission Customer with interest computed in accordance with the provisions of the OATT.

8. Nothing in this Agreement shall be interpreted to give the Transmission Customer immediate rights to interconnect to or wheel over NEP's Transmission or Distribution System. Such rights shall be provided for under separate agreement.

9. Within one (1) year following NEP's issuance of a final bill under this Agreement, the Transmission Customer shall have the right to audit NEP's accounts and records at the offices where such accounts and records are maintained during normal business hours; provided that appropriate notice shall have been given prior to any audit and provided that the audit shall be limited to those portions of such accounts and records that relate to service under this Agreement. NEP reserves the right to assess a reasonable fee to compensate for the use of its personnel time in assisting any inspection or audit of its books, records or accounts by the Transmission Customer or their Designated Agent.

10. Each party agrees to indemnify and hold the other party and its Affiliates, including affiliated trustees, directors, officers, employees, and agents of each of them, harmless from and against any and all damages, costs (including attorney's fees), fines, penalties and liabilities, in tort, contract, or otherwise (collectively "Liabilities") resulting from claims of third parties arising, or claimed to have arisen as a result of any acts or omissions of either party under this Agreement. Each party hereby waives recourse against the other party and its Affiliates for, and releases the other party and its Affiliates from, any and all Liabilities for or arising from damage to its property due to performance under this Agreement by such other party.

11. If any party materially breaches any of its covenants hereunder, the other party may terminate this Agreement by filing a notice of intent to terminate with the Federal Energy Regulatory Commission and serving notice of same on the other party to this Agreement.

12. This agreement shall be construed and governed in accordance with the laws of the Commonwealth of Massachusetts and with Part II of the Federal Power Act, 16 U.S.C. §§824d et seq., and with Part 35 of Title 18 of the Code of Federal Regulations, 18 C.F.R. §§35 et seq.

13. All amendments to this Agreement shall be in written form executed by both parties.

14. The terms and conditions of this Agreement shall be binding on the successors and assigns of either party.

15. This Agreement will remain in effect for a period of up to two years from its effective date as permitted by the Federal Energy Regulatory Commission, and is subject to extension by mutual agreement.

Either party may terminate this Agreement by thirty (30) days' notice except as is otherwise provided herein. If this Agreement expires by its own terms, it shall be NEP's responsibility to make such filing.
NEP:

By:______________________ _______________ ______________
Name Title Date

Transmission Customer:

By:______________________ _______________ ______________
Name Title Date

ATTACHMENT E

Local Service Agreement

Policy and Practices for Protection Requirements
For New or Modified Load Interconnections

Any load facility, hereafter called a LF, desiring to interconnect with NEP's electrical system or modify an existing interconnection must meet the technical specifications and requirements set forth in this Policy and Practices. Once interconnected, NEP, in keeping with Good Utility Practice and in its sole discretion, may disconnect the LF if the LF departs from the technical specifications and requirements of this Policy and Practices. The LF must return to full compliance with this Policy prior to reconnecting with NEP's electrical system.

If it is possible for the LF to be a significant source of current flow into NEP's lines due to generation sources within the LF system then NEP may determine the LF to be considered a Generation Facility and the Policy and Practices for Protection Requirements for Generation Interconnections shall apply as set forth in the New England ISO OATT.

This document is divided into the following sections:

1. Protection Information Required from the LF for All Interconnections
2. General Protection Requirements for All LF Interconnections
3. Protection Equipment Requirements for All LF Interconnections
4. Requirements for Protection of NEP's System
5. Requirements for Protection of NEP's System: Facilities Having Sources
6. Requirements for Emergency Load Reduction
7. Protection System Testing and Maintenance
8. Changes to the LF's Protection System

1.) PROTECTION INFORMATION REQUIRED FROM THE LF FOR ALL INTERCONNECTIONS

A. The following information must be submitted by the LF for review and acceptance by NEP prior to finalizing the LF's protection design:

- A station one-line drawing.
- A one-line drawing showing the relays and metering including current transformer (CT) and voltage transformer (VT) connections and ratios.
- A three-line drawing showing the AC connections to the relays and meters.
- The LF's transformer nameplate information including rated voltage, rated KVA, positive and zero sequence impedances and winding connections.
- A list of protective relay equipment proposed to be furnished to conform with this Policy and Practices including: relay types, styles, manufacturer's catalog numbers, ranges and descriptive bulletins.
- Schematic drawings showing the control circuits for the interconnection breaker(s) or equivalent interrupting device(s).
- Equipment specifications for CTs and VTs relevant to the interconnection.
- Interconnection breaker or equivalent interrupting device operating time.
- Other information that may be determined by NEP as required for a specific interconnection.

B. Relay settings for all LF protective relays that affect the interconnection with NEP's system must be submitted by the LF for review and acceptance by NEP at least four weeks prior to the scheduled date for setting the relays.

C. If, due to the interconnection of the LF to the line, the fault interrupting, continuous, momentary or other rating of any of NEP's equipment or the equipment of others connected to NEP's system is exceeded, NEP shall have the right to require the LF to pay for the purchase, installation, replacement or modification of equipment to eliminate the condition. Where such action is deemed necessary by NEP, NEP will, where possible, permit the LF to choose among two or more options for meeting NEP's requirements as described in this Policy and Practices.

2.) GENERAL PROTECTION REQUIREMENTS FOR ALL LF INTERCONNECTIONS

A. A circuit breaker, or other fault interrupting method acceptable to NEP, shall be installed to isolate the LF from NEP's system. This will hereafter be called the "interconnection breaker". If there is more than one interconnection breaker, the requirements of this Policy and Practices apply to each one individually.

B. NEP will review the relay settings as submitted by the LF to assure adequate protection for NEP's facilities. NEP shall not be responsible for the protection of the LF's facilities. Providing the relaying is installed and maintained as reviewed, the LF shall not be responsible for the protection of NEP's facilities. The LF shall be responsible for protection of its system against possible damage resulting from interconnection with NEP.

If requested by the LF, NEP will provide system protection information for the line terminal(s) directly related to the interconnection. This protection information is provided exclusively for use by the LF in evaluating protection of the LF's facilities during parallel operation.

C. NEP shall specify whether the transformer, if any, between NEP's voltage and the LF's distribution voltage, hereafter called the "LF's transformer", is to be grounded or ungrounded at NEP's voltage.

3.) PROTECTION EQUIPMENT REQUIREMENTS FOR ALL LF INTERCONNECTIONS

A. The interconnection breaker control circuits shall be DC powered from a station battery.

B. The LF shall provide a switch at the Interconnection Point with NEP that can be opened for isolation. NEP shall have the right to open the interconnection during emergency conditions or with due notice to the LF at other times. NEP shall exercise such right in accordance with Good Utility Practice. The switch shall be gang operated, have a visible break when open, and be capable of being locked open, tagged and grounded on NEP side by NEP personnel. The switch shall be of a manufacture and type generally accepted for use by NEP.

C. Protective relaying control circuits shall be DC powered from a station battery. Solid state relays shall be self powered or DC powered from a station battery.

D. CT ratios and accuracy classes shall be chosen such that secondary current is less than 100 amperes and transformation errors are less than 10% under maximum fault conditions.

E. All protective relays required by this Policy and Practices shall meet ANSI/IEEE standard C37.90 and be of a manufacture and type generally accepted for use by NEP.

F. Protective relays provided by the LF as required per this Policy and Practices shall be sufficiently redundant and functionally separate so as to provide adequate protection, as determined by NEP, upon the failure of any one component. The use of a single all-inclusive relay package is not acceptable.

G. NEP may require the LF to provide two independent, redundant relaying systems in accordance with NPCC Criteria for the Protection of the Bulk Power System if the interconnection is to the Bulk Power System or if it is determined that delayed clearing of faults within the LF adversely affects the Bulk Power System.

H. A direct transfer tripping system, if provided, shall use equipment generally accepted for use by NEP and shall, at the option of NEP, use dual channels.

4.) REQUIREMENTS FOR PROTECTION OF THE TRANSMISSION SYSTEM

A. The LF must provide protective relays to detect any faults, whether phase-to-phase or phase-to-ground within the LF, and isolate the LF from NEP's line(s) such that the following criteria are met, as determined by NEP:

- The existing sensitivity of fault detection is not substantially degraded.
- The existing speed of fault clearing is not substantially degraded.
- The coordination margin between relays is not substantially reduced.
- The sustained unfaulted phase voltage during a line-to-ground fault is not increased beyond 1.25 times the normal phase-to-ground voltage. (This value may be further reduced if required to coordinate with existing system insulation levels and overvoltage protection.)
- Non-directional line relays will not operate for faults external to the line due to the LF's contribution.
- Proper settings for existing relays are achievable within their ranges.

NEP may perform engineering studies to evaluate the LF's protection compliance with respect to the above and may make recommendations to the LF on methods to achieve compliance.

If, due to the interconnection of the LF to NEP's system, any of the above criteria are violated for NEP's facilities or for the facilities of others connected to NEP's system, NEP shall have the right to require the

LF to pay for the purchase, installation, replacement or modification of protective equipment to eliminate the violation and restore the level of protection existing prior to the interconnection. This may include the addition of pilot relaying systems involving communications between all terminals. Where such action is deemed necessary by NEP, NEP will, where possible, permit the LF to choose among two or more options for meeting NEP's requirements as described in this Policy and Practices.

B. The LF is responsible for procuring any communications channels necessary between the LF and NEP's stations and for providing protection from transients and overvoltages at all ends of these communication channels.

C. The LF may be required to use high speed protection if time-delayed protection would result in degradation in the existing sensitivity or speed of the protection systems on NEP's lines.

D. The LF may be required to provide local breaker failure protection which may include direct transfer tripping to NEP's line terminal(s) in order to detect and clear faults within the LF that cannot be detected by NEP's back-up protection.

5.) REQUIREMENTS FOR PROTECTION OF THE TRANSMISSION SYSTEM: FACILITIES HAVING SOURCES

If it is possible for the LF to be a source of current flow into NEP's system, either due to generation within the LF system or due to connections within the LF system to other sources, the LF must provide protective relays to detect any faults, whether phase-to-phase or phase-to-ground on NEP's lines or within the LF, and isolate the LF from NEP's line(s) per the requirement of Section 4 above and the following:

A. A control interlock scheme that detects voltage on NEP's line(s) shall be used to prevent an interconnection breaker from closing to energize NEP's line(s).

B. A voltage transformer shall be provided by the LF, connected to NEP side of the interconnecting breaker. The voltage from this VT shall be used in the interlock as specified in Section 5A above. If the LF's connection is ungrounded at NEP voltage, this VT shall be a single three-phase device or three single-phase devices connected from each phase to ground, rated for phase-to-phase voltage and provided with two secondary windings. One winding shall be connected in open delta, have a loading resistor to prevent ferroresonance, and be used for the relay specified in Section 5C below.

C. If the LF's connection to NEP's system is un-grounded, the LF shall provide a zero sequence overvoltage relay fed from the open delta of the three phase VT specified in Section 5B above.

D. NEP's lines generally have automatic reclosing following a trip with reclosing times as short as five seconds and without regard to whether the LF is keeping the circuit energized. The LF is responsible for protecting its equipment from being reconnected out of synchronism with NEP's system by an automatic line reclosure operation. The LF may choose to install additional equipment such as direct transfer tripping from NEP's station(s) to insure the LF is off the line prior to the line reclosing.

6.) REQUIREMENTS FOR EMERGENCY LOAD REDUCTION

A. The LF shall provide a manual load shed lockout relay to trip and block closing of selected load feeders. This relay shall be operated via a signal sent from an area dispatching center to a remote terminal unit (RTU) provided by the LF and shall be manually reset. The selection of feeders to trip shall be in conformance with NPCC Emergency Operation Criteria and determined by the area control authority. Alternatively, the LF may elect to provide compensatory load reduction through contractual arrangements with other area customers or by other means.

B. During system conditions where local area load exceeds generation, NPCC Emergency Operation Criteria requires a program of phased automatic underfrequency load shedding of up to 25% of area load to assist in arresting frequency decay and to minimize the possibility of system collapse. In conformance to these criteria, the LF shall provide an underfrequency relay with a lockout function to trip and block closing of selected load feeders. Feeders so shed shall not be re-energized without the express permission of the area control authority. If desired, the LF may use the RTU specified in Section 6A above to receive a signal sent from an area dispatching center that would reset the lockout function and permit automatic restoration of the feeders. The underfrequency settings and the selection of feeders shall be in conformance with these Criteria and determined by the area control authority. Alternatively, the LF may elect to provide compensatory load reduction to conform with the requirements of this Section through contractual arrangements with other area customers or by other means.

C. The LF shall provide a voltage reduction function to reduce the feeder voltage regulation set point by 5% for all load feeders. This function shall be operated via a signal sent from an area dispatching center to an RTU provided by the LF and shall be remotely reset from the dispatching center or self reset in 4 hours.

D. Depending on the point of connection of the LF to NEP's system, NEP may require a dead station tripping function to disconnect the LF from NEP's lines following six minutes of de-energized NEP lines in order to assist in restoration of service following an area or system wide shutdown.

7.) PROTECTION SYSTEM TESTING AND MAINTENANCE

A. NEP shall have the right to witness the testing of protective relays and control circuits required by this Policy and Practices at the completion of construction and to receive a copy of all test data. The LF shall provide NEP with at least a one week notice prior to the final scheduling of these tests. Testing shall consist of:

- CT and CT circuit polarity, ratio, insulation, excitation, continuity and burden tests.
- VT and VT circuit polarity, ratio, insulation and continuity tests.
- Relay pick-up and time delay tests.
- Functional breaker trip tests from protective relays.
- Relay in-service test to check for proper phase rotation and magnitudes of applied currents and voltages.
- Breaker closing interlock tests.
- Other relay commissioning tests typically performed for the relay types involved.

B. The protective relays shall be tested and maintained by the LF on a periodic basis but not less than once every four years or as determined by NEP. The results of these tests shall be summarized by the LF and reported in writing to NEP.

For relays installed in accordance with the NPCC Criteria for the Protection of the Bulk Power System, maintenance intervals shall be in accordance with the NPCC Maintenance Criteria for Bulk Power System Protection. The status of conformance with the NPCC Maintenance Criteria for Bulk Power System Protection shall be reported in writing to NEP annually.

8.) CHANGES TO THE LF'S PROTECTION SYSTEM

The LF must provide NEP with reasonable advance notice of any proposed changes to be made to the protective relay system, relay settings, operating procedures or equipment that affect the interconnection. NEP will determine if such proposed changes require re-acceptance of the interconnection per the requirements of this Policy and Practices.

In the future, should NEP implement changes to the system to which the LF is interconnected, the LF will be responsible at its own expense for identifying and incorporating any necessary changes to its protection system. Those changes to the LF's protection system are subject to review and approval by NEP.

ATTACHMENT F

Local Service Agreement

Insurance Requirements

During the term of this Agreement, the interconnecting Transmission Customer, at its own cost and expense, shall procure and maintain insurance in the forms and amounts acceptable to NEP at the following minimum levels of coverage:

1) Statutory coverage for workers' compensation, and Employer's Liability Coverage with a limit no less than $500,000.00 per accident;

2) Comprehensive General Liability Coverage including Operations, Contractual Liability and Broad Form Property Damage Liability written with limits no less than $5,000,000.00 combined single limit for Bodily Injury Liability and Property Damage Liability; and

3) Automobile Liability for Bodily Injury and Property Damage to cover all vehicles used in connection with the work with limits no less than $1,000,000.00 combined single limit for Bodily Injury and Property Damage Injury.

Prior to commencing the work, the interconnecting Transmission Customer shall have its insurer furnish to NEP certificates of insurance evidencing the insurance coverage required above and the interconnecting Transmission Customer shall notify and send copies to NEP of any policies maintained hereunder written on a "claims-made" basis. NEP may at its discretion require the interconnecting Transmission Customer to maintain tail coverage for five years on all policies written on a "claims-made" basis.

Every contract of insurance providing the coverages required in this provision shall contain the following or equivalent clause: "No reduction, cancellation or expiration of the policy shall be effective until thirty (30) days from the date written notice thereof is actually received by the interconnecting Transmission Customer. Upon receipt of any notice of reduction, cancellation or expiration, the interconnecting Transmission Customer shall immediately notify NEP.

NEP and its Affiliates shall be named as additional insureds, as their interests may appear, on the Comprehensive General Liability and Automobile Liability policies described above.

The interconnecting Transmission Customer shall waive all rights of recovery against NEP for any loss or damage covered by said policies. Evidence of this requirement shall be noted on all certificates of insurance provided to NEP.

ATTACHMENT H

Methodology for Completing System Impact Study

When New England Power Company ("NEP") determines on a non-discriminatory basis that a System Impact Study is needed because its Transmission System will be inadequate to accommodate a request for service, the following outlines the study methodology that NEP will employ to estimate the transmission system impact of a request for firm Transmission Service and/or any Costs for System Redispatch, Direct Assignment Facilities or Network Upgrades that would be incurred in order to provide the requested transmission service.

1. **System Impact** will be estimated based on consideration of reliability requirements to

- meet obligations under agreements that predate the OATT;
- meet obligations of existing and pending Valid Requests under the OATT; and
- maintain thermal, voltage and stability system performance within acceptable regional practices

2. **Guidelines and Principles followed by NEP** - NEP is a Participating Transmission Owner under the TOA and the Tariff and a member of the NPCC. When performing the System Impact Study, NEP will apply the following, as amended and/or adopted from time to time.

- Good Utility Practice;
- Criteria rules and reliability standards applicable to the New England Transmission System;
- NPCC criteria and guidelines; and
- New England Power Service Company (or its successor) guides

3. **Transmission System Model Representation** - The Transmission System Model will be based on a library of loadflow cases prepared by the ISO for studies of the New England area. The models may include representations of other NPCC and neighboring systems. These loadflow cases include individual system model representations provided by members of the ISO and represent forecasted system conditions for up to ten years in to the future. This library of loadflow cases is maintained and updated as appropriate by the ISO, and is consistent with information filed under FERC Form 715. NEP will use system models that it deems appropriate for study of the Request for Service. Additional system models and operating conditions, including assumptions specific to a particular analysis, may be developed for

conditions not available in the library of loadflow cases. The system models may be modified, if necessary, to include additional system information on load, transfers and configuration, as it becomes available.

4. **System Conditions** - Loading of all transmission system elements shall be less than normal ratings for precontingency conditions and less than long-term emergency (LTE) ratings for post-contingency conditions. Post-contingency loading above LTE rating and less than short-term emergency (STE) rating may be allowed where demonstrated that loading can be reduced below the LTE rating within 15 minutes.

Transmission system voltages shall be within the applicable design ratings of connected equipment for normal and emergency conditions. Normal and post-contingency voltages shall be in accordance with NEP and ISO standards.

5. **Short Circuits** - Transmission system short circuit currents shall be within the applicable equipment design ratings.

6. **Study Analysis** - System impact of the integration of new generators will be evaluated to meet the requirements of design, identified in the guidelines and principles under Item 2, to provide sufficient transmission capability to maintain stability and to maintain thermal and voltage levels of lines and equipment within applicable limits. The same applies to the evaluation of transmission and delivery service under this tariff.

7. **Loss Evaluation** - The impact of losses on the Transmission System will be taken into account in the System Impact Study to ensure Good Utility Practice in the design and operation of its system.

8. **System Protection** - Protection requirements will be evaluated by NEP.

9. **Approvals** - NEP will conduct the System Impact Study to ensure compliance with its planning and design policies and practices. However, the actions to be taken by the Parties to implement the recommendations of the System Impact Study are subject to approval under the ISO New England Operating Procedures or Section I.3.9 of the Tariff, as amended and/or adopted from time to time.

10. Study Scope and Reporting - The study will determine the impacts and identify changes required, if any, to NEP's existing Transmission System. NEP will provide the Eligible Customer with a written report of the physical interconnection alternative(s), required NEP system additions and/or modifications, if any, associated study grade cost estimates (+/-25%) and the results of the analysis.

ATTACHMENT I

Real Power Losses Factors

Voltage Class kV	Losses as a % of Energy Delivered
Stepdown transformer*	1.00
69	1.25**
34.5	1.98
23	2.61
15	4.18
5	4.34
Dist. Secondary	0.52

*The transformer that steps the voltage from the transmission level to the delivery level.

**The loss factor for the 69 kV level applies only when the Point of Delivery is not directly interconnected with the PTF.

Note: When multiple voltage levels are present between the Point of Delivery and the metering point, the loss factors are additive.

ATTACHMENT DAF

Direct Assignment Facilities

This Attachment applies to all transactions that utilize any Direct Assignment Facilities or any other charges specifically assigned to a customer by NEP under this Schedule or the OATT. The formula set forth in this Attachment, as it may be amended from time to time, represents the Direct Assignment Facilities Charge which a Transmission Customer or Network Customer (together, "Transmission Customer") will pay in addition to the other applicable charges specified herein.

The determination of the annual Direct Assignment Facilities Charges chargeable to a specific Transmission Customer or group of Transmission Customers shall be calculated by the Annual Facility Charge formulas set forth below for transmission and distribution facilities. In no event will the Annual Facilities Charge be less than $1,000 per calendar year.

TRANSMISSION

Determination of Annual Facilities Charges for Transmission Facilities

The basis for this charge is data of NEP. The Annual Facilities Charge for NEP and its New England Affiliates shall equal the product of the year-end Gross Plant Investment associated with the facility and the average Annual Transmission Carrying Charge, for the life of the facility.

The Gross Plant Investment will be the investment from the plant accounting records associated with the facility.

The average Annual Transmission Carrying Charge shall be the Annual Transmission Revenue Requirement as determined in Attachment RR, Sections I. (A) through I. (H) to this Schedule, divided by the year-end balance of total transmission plant investment determined in accordance with Attachment RR, Section I. (A) (1) (a) to this Schedule.

To the extent that the Transmission Customer provides a Contribution in Aid of Construction the average Annual Transmission Carrying Charge calculation will be modified to exclude Sections I. (A) (1) (a), I. (A) (1) (d), I. (A) (1) (e), I. (A) (1) (f), I. (B), and I. (C) of Attachment RR to this Schedule.

If the Transmission Customer permanently terminates service prior to the normal expiration of its Service Agreement, the Transmission Customer may, at its option, close out its continuing obligation to pay the Annual Facilities Charge by paying NEP a lump sum payment equal to the net present value of the Return and Depreciation Expense on the net book value of the facility at the time of termination that would have been collected over the remaining life of the facility, plus any cost of removal if applicable. The return shall be equal to that found in Attachment RR, Section I. (A)(2) to this Schedule, in the year of termination. Depreciation Expense shall be based on a straight-line method. The discount rate in the net present value calculation shall be equal to the interest rate pursuant to Section 35.19(a) of the Commission's regulations effective at the time of termination.

Billings shall initially be based upon estimates calculated based on actual costs in the preceding year, such estimates being adjusted to actual as soon as practicable after such costs become known. The source of the data shall be NEP's accounting records.

DISTRIBUTION

Determination of the Annual Facilities Charge for Distribution Facilities

The basis for this charge is data of NEP's New England Affiliate(s) or any other Affiliate that shall assume ownership over the Facilities included under this attachment.

The Annual Facilities Charge shall equal the product of the year-end Gross Plant Investment associated with the facility and the average Annual Distribution Carrying Charge, for the life of the facility.

The Gross Plant Investment will be the investment from the plant accounting records associated with the facility.

The average Annual Distribution Carrying Charge shall be the Annual Distribution Revenue Requirement as determined in Attachment RR, Exhibit 1 to this Schedule, divided by the year-end balance of total distribution plant investment determined in accordance with Attachment RR, Exhibit 1, Section I. (A) (1) (a) to this Schedule.

To the extent that the Transmission Customer provides a Contribution in Aid of Construction the average Annual Distribution Carrying Charge calculation will be modified to exclude Sections I. (A) (1) (a), I. (A) (1) (d), I. (A) (1) (e), I. (A) (1) (f), I. (B), and I. (C) of Attachment RR, Exhibit 1 to this Schedule.

If the Transmission Customer permanently terminates service in advance of the term of its Service Agreement, the Transmission Customer may, at its option, close out its continuing obligation to pay the Annual Facilities Charge by paying NEP a lump sum payment equal to the net present value of the Return and Depreciation Expense on the net book value of the facility at the time of termination that would have been collected over the remaining life of the facility, plus any cost of removal if applicable. The return shall be equal to that found in Attachment RR, Exhibit 1, Section I.(A)(2) to this Schedule, in the year of termination. Depreciation Expense shall be based on a straight-line method. The discount rate in the net present value calculation shall be equal to the interest rate pursuant to Section 35.19(a) of the Commission's regulations effective at the time of termination.

Billings in accordance with this Schedule shall initially be based upon estimates calculated based on actual costs in the preceding year, such estimates being adjusted to actual as soon as practicable after such costs become known. The source of the data shall be NEP's or its applicable New England Affiliate's accounting records.

METERS

Determination of Annual Metering Charges

The Meter Maintenance Charge shall equal the product of NEP's installed metering costs for the customer and the Meter Carrying Charge determined in Attachment OCC, Exhibit 3 to this Schedule.

In accordance with the Meter Carrying Charge referenced above, the Annual Metering Charges will be updated on May 31 each year to reflect costs from the prior calendar year.

If the customer makes a CIAC, then the carrying charge in Attachment OCC, Exhibit 3 to this Schedule, will be adjusted accordingly.

ATTACHMENT DS

Rolled-In Distribution Surcharge

The monthly Rolled-in Distribution Surcharge shall be (i) the monthly cost per kilowatt of $2.77, multiplied by (ii) the annual peak load of the Transmission Customer on the distribution system of NEP's applicable New England Affiliate(s) from the prior calendar year. Notwithstanding the foregoing, this provision will not apply to the Transmission Customer's Network Load taking service under the Specific Distribution Surcharge.

ATTACHMENT OCC

Other Charges & Credits

The following charges and credits may apply to a Transmission Customer or Network Customer, as applicable:

I. Monthly Demand Charge:

Pursuant to Section 24.1 of this Schedule, the Network Customer will pay a monthly charge determined by multiplying its Load Ratio Share by the NEP's Monthly Local Network Transmission Expense as calculated in accordance with Exhibit 2 of this Attachment.

II. Monthly Non-PTF Demand Charge:

Pursuant to Section 24.2 of this Schedule, the Network Customer will pay a monthly charge determined by multiplying its Non-PTF Load Ratio Share by the Monthly Non-PTF Transmission Expense calculated in accordance with Attachment RR to this Schedule.

III. Transformer Surcharge:

Pursuant to Section 24.3 of this Schedule, the Transmission Customer or Network Customer will pay a monthly surcharge computed in accordance with Exhibit 1 of this Attachment.

This charge shall be multiplied by the Network Customer's Annual Peak Load, from the prior calendar year (coinciding with the calendar year used to calculate the Transformer Surcharge) in Exhibit 1 of this Attachment.

IV. Meter Surcharge:

The monthly meter surcharge shall be computed in accordance with Exhibit 3 of this Attachment multiplied by the number of NEP meters necessary to measure the delivery of transmission service to the Transmission Customer or Network Customer.

V. Power Factor Penalty:

Pursuant to Section 20.1 of this Schedule, a Network Customer or Transmission Customer will pay a Monthly Power Factor Penalty of $0.62 multiplied by the customer's deficient kilovars.

VI. Specific Distribution Surcharge:

The monthly Specific Distribution Surcharge shall be available to the following Network Customers

Georgetown Municipal Light Dept.
Ipswich Municipal Light Dept.
Princeton Electric Light Dept.
Hull Municipal Lighting Plant
Granite State Electric
Green Mountain Power Corp.
Groveland Municipal Light Dept.
Merrimac Municipal Light Dept.
Rowley Municipal Light Dept.

The monthly Specific Distribution Surcharge shall equal $.70 per KW month multiplied by the customer's Annual Peak Load from the prior calendar year.

VII. Network Load Dispatch Surcharge:

The monthly Network Load Dispatch Surcharge shall equal the monthly Dispatching Expense, Account 561, as defined in Attachment RR, Section I.G. to this Schedule, less any revenue received by NEP from the ISO for load dispatching services, multiplied by the Network Customer's Load Ratio Share.

VIII. [Reserved]

IX. Network EPRI Credit:

The Network EPRI Credit shall be determined by multiplying the Monthly Transmission-Related EPRI Expenses by the customer's Non-PTF Network Load Ratio Share.

The Monthly Transmission-Related EPRI Expenses shall equal themonthly EPRI Expenses as recorded in Account 930.

X. [Reserved]

XI. Pre-1997 RNS Revenue Credit:

The Pre-1997 RNS Revenue Credit will apply in the subsequent month's billing for the period June 1, 2001 through March 1, 2008, unless the transitional arrangements for the period prior to March 1, 2008 are otherwise amended.

ATTACHMENT OCC

EXHIBIT 1

Transformer Surcharge

I. No later than May 31 of each calendar year, the Transformer Surcharge will be calculated based on the prior calendar year's annual costs. The annual costs for Transformation Facilities service shall be the year-end balance of transmission plant investment in transformers included in Attachment RR, Section I. (A)(1)(a) to this Schedule multiplied by the Average Annual Carrying Charge.

II. The Average Annual Carrying Charge shall be the Annual Transmission Revenue Requirement as determined in Attachment RR, Sections I. (A) through I. (H) to this Schedule, divided by the year-end balance of total transmission plant investment included in Attachment RR, Section I. (A)(1)(a) to this Schedule.

III. To determine the monthly Transformer Surcharge rate, the annual costs for transformation service will be divided by the Annual Peak Loads of that portion of all Transmission Customers' or Network Customers' load receiving such transformation service under this Schedule, and further divided by 12.

ATTACHMENT OCC

EXHIBIT 2

Monthly Local Network Transmission Expense

I. The Monthly Local Network Transmission Expense shall be the monthly balance of PTF Transmission Plant investment included in Attachment RR, Section I. (A)(1)(a) to this Schedule multiplied by the Monthly Carrying Charge, less any revenue received from the ISO associated with transmission-related services provided under the OATT.

II. The Monthly Carrying Charge shall be the Monthly Transmission Revenue Requirement as determined in accordance with Attachment RR to this Schedule, excluding any revenue credits associated with Transmission-related revenues from the ISO and revenues under Section 24.1 of this Schedule and as specified in Attachment RR, Section I.(G) and (J) to this Schedule, divided by the monthly balance of Transmission Plant determined in accordance with Attachment RR, Section I.(A)(1)(a) to this Schedule.

ATTACHMENT OCC
EXHIBIT 3

Meter Surcharge

I. No later than May 31 of each calendar year, the Meter Surcharge will be calculated based on the prior calendar year's annual costs. The annual costs for metering service shall be the year-end balance of plant investment in meters included in Attachment RR, Section I. (A) (1) (a) to this Schedule multiplied by the Average Annual Carrying Charge.

II. The Average Annual Carrying Charge shall be the Annual Transmission Revenue Requirement as determined in Attachment RR, Sections I. (A) through I. (H) to this Schedule, divided by the year-end balance of transmission plant investment included in Attachment RR, Section I.(A) (1) (a) to this Schedule.

III. To determine the monthly Meter Surcharge rate, the annual costs for meter service will be divided by the number of NEP-Owned Billing Meters and further divided by twelve. The number of NEP-Owned billing meters shall equal the total number of meters owned by NEP and used for billing purposes under NEP's tariffs for wholesale all requirements and firm and non-firm transmission services.

ATTACHMENT OCC
EXHIBIT 4

Pre-1997 RNS Revenue Credit

The respective Pre-1997 RNS Revenue Credit to Taunton Municipal Lighting Plant, Middleborough Gas and Electric Department and Pascoag Fire District will be equal to

$$\left[1 - \frac{\text{EUA RNS Rate}}{\text{Combined RNS Rate}}\right] * [\text{customer's payment for RNS}]$$

Where:

EUA RNS Rate is former Montaup's 1999 Pre-1997 RNS rate as calculated under the NEPOOL Tariff.

Combined RNS Rate is equal to:

$$(A*B) + (C*D) / (B+D)$$

Where:

A = EUA's 1999 Pre-1997 RNS Rate as calculated under the NEPOOL Tariff.
B = EUA's 1999 12 CP Network Load (MW) as calculated under the NEPOOL Tariff.
C = NEP's 1999 Pre-1997 RNS Rate as calculated under the NEPOOL Tariff.
D = NEP's 1999 12 CP Network Load (MW) as calculated under the NEPOOL Tariff.

ATTACHMENT RR

Transmission Revenue Requirements

The Transmission Revenue Requirement will be determined based on the calculation shown below. In determining the rate for Local Network Service, the Revenue Requirement calculation as set forth below will be determined on a monthly basis.

I. The Transmission Revenue Requirement shall equal the sum of NEP's (A) Return and Associated Income Taxes, (B) Transmission Depreciation Expense, (C) Transmission-Related Amortization of Loss on Reacquired Debt, (D) Transmission-Related Amortization of Investment Tax Credits, (E) Transmission-Related Amortization of FAS 109, (F) Transmission-Related Municipal Tax Expense, (G) Transmission Operation and Maintenance Expense, (H) Transmission-Related Administrative and General Expense, (I) Transmission-Related Integrated Facilities Credit, (J) Transmission Revenue Credit, (K) Distribution-Related Integrated Facilities Credit, and plus (L) Billing Adjustments; plus (M) Reactive Power Expense; plus (N) Bad Debt Expense.

A. Return and Associated Income Taxes shall equal the product of the Transmission Investment Base and the Cost of Capital Rate.

1. Transmission Investment Base

The Transmission Investment Base will be (a) Transmission Plant, plus (b) Transmission-Related General Plant, plus (c) Transmission Plant Held for Future Use, plus (d) Transmission-Related Construction Work in Progress, less (e) Transmission-Related Depreciation Reserve, less (f) Transmission-Related Accumulated Deferred Taxes, plus (g) Transmission-Related Loss on Reacquired Debt, plus (h) Other Regulatory Assets, less (i) Allowance for Funds Used During Construction (AFUDC) Regulatory Liability, plus (j) Transmission Prepayments, plus (k) Transmission Materials and Supplies, plus (l) Transmission-Related Cash Working Capital.

(a) Transmission Plant will equal the balance of NEP's Total Investment in Transmission Plant, plus NEP's Total Investment in Distribution Plant excluding NEP's capital leases in the Hydro-Quebec DC facilities (HQ leases). NEP's investment in PTF transmission plant and step-down transformers beyond NEP's Point of Delivery, including associated equipment, shall be included but stated separately. NEP's investment in wholesale metering, including associated equipment, shall also be included but stated separately.

(b) Transmission-Related General Plant shall equal NEP's balance of investment in General Plant excluding General Plant related to NEP's generation facilities as specifically identified in NEP's CTC.

(c) Transmission Plant Held for Future Use shall equal the balance of investment in FERC Account 105.

(d) Transmission-Related Construction Work In Progress shall equal the portion of NEP's investment in Transmission-related projects as recorded in FERC Account 107 consistent with Commission orders.

(e) Transmission-Related Depreciation Reserve shall equal the balance of Total Depreciation Reserve, excluding any generation-related depreciation reserve associated with assets identified in NEP's CTC.

(f) Transmission-Related Accumulated Deferred Taxes shall equal NEP's balance of Total Accumulated Deferred Income Taxes, excluding any Accumulated Deferred Taxes associated with non-utility assets or generation facilities as identified in the CTC.

(g) Transmission-Related Loss on Reacquired Debt shall equal NEP's balance of Total Loss on Reacquired Debt excluding losses associated with NEP Generation as specifically identified in the CTC, or any generation-related losses associated with pollution control bonds.

(h) Other Regulatory Assets shall equal NEP's balance of FAS 109 excluding FAS 109 balances associated with NEP Generation as specifically identified in the CTC.

(i) AFUDC Regulatory Liability shall equal the unamortized balance of the capitalized AFUDC booked on NEP's Transmission-related projects as recorded in FERC Account 254 consistent with Commission orders.

(j) Transmission Prepayments shall equal NEP's balance of prepayments excluding any prepayments related to NEP's ongoing generation-related activities.

(k) **Transmission Materials and Supplies** shall equal NEP's balance of Transmission-related Materials and Supplies.

(l) **Transmission-Related Cash Working Capital** shall be a 12.5% allowance (45 days/360 days) of Transmission Operation and Maintenance Expense and Transmission-Related Administrative and General Expense.

2. Cost of Capital Rate

The Cost of Capital Rate will equal (a) NEP's Weighted Cost of Capital, plus (b) the Yankee Adjustments plus (c) Federal Income Tax plus (d) State Income Tax.

(a) **The Weighted Cost of Capital** will be calculated based upon the capital structure at the end of each month and will equal the sum of:

(i) **the long-term debt component**, which equals the product of the actual weighted average embedded cost to maturity of NEP's long-term debt excluding any debt associated with pollution control bonds then outstanding and the ratio that long-term debt is to NEP's total capital less the end-of-year investment in Yankee Units.

(ii) **the preferred stock component**, which equals the product of the actual weighted average embedded cost to maturity of NEP's preferred stock then outstanding and the ratio that preferred stock is to NEP's total capital less the end-of-year investment in Yankee Units.

(iii) **the return on equity component (ROE),** which equals the product of the allowed based ROE of 10.57% and the ratio that common equity is to NEP's total capital less the end-of-year investment in Yankee Units.

For purposes of implementing the exclusion of the FERC-approved adders from Section J. below, the following ROEs will be applied to the corresponding investment:

post-2003 to pre-2009 PTF transmission plant investment in Regional System Plan approved by ISO-NE	11.74%%

remaining PTF transmission plant investment	11.07%
remaining transmission plant investment	10.57%

plus any ROE incentive approved by the FERC under Order No. 679 for other plant investments.[2]

(b) **The Yankee Adjustment** shall be calculated in accordance with FERC Opinion Nos. 49 and 49(a) issued in NEP's R-10 rate case and FERC Opinion No. 158 issued in NEP's W-3 rate case.

(c) **Federal Income Tax** shall equal

$$\frac{A \times FT}{1 - FT}$$

Where FT is the Federal Income Tax Rate and A is the sum of the preferred stock component and the return on equity component, as determined in Section (I)(A)(2)(a)(ii), and Section (I)(A)(2)(a)(iii) above.

(d) **State Income Tax** shall equal

$$\frac{(A + \text{Federal Income Tax}) \times ST}{1 - ST}$$

where ST is the State Income Tax Rate, A is the sum of the preferred stock component and the return on equity component determined in Section (I)(A)(2)(a)(ii) and Section (I)(A)(2)(a)(iii) above, and Federal Income Tax is the rate determined in Section (I)(A)(2)(c) above.

B. **Transmission Depreciation Expense** shall equal the Depreciation Expense associated with the Transmission Plant, Transmission-Related General Plant and Transmission Plant Held for Future Use as described in Sections I.A.(a)(1), (b) and (c), less the amortization of AFUDC regulatory credit as recorded in FERC Account 407.4.

C. **Transmission-Related Amortization of Loss on Reacquired Debt** shall equal NEP's Amortization of the balance on Loss on Reacquired Debt as defined in Section I.A.(1)(f).

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[2] FERC Form-730 contains a list of transmission projects for which FERC has granted incentives under Order No. 679

D. **Transmission-Related Amortization of Investment Tax Credits** shall equal NEP's Amortization of Investment Tax Credits, excluding any ITC credits specifically identified as generation-related in NEP's CTC.

E. **Transmission-Related Amortization of FAS 109** shall equal the Amortization of NEP's Balance of FAS 109, as identified in Section I.A.(1)(q) over a ten-year period beginning on the Divestiture Date of NEP's Generating Assets as defined in the CTC.

F. **Transmission-Related Municipal Tax Expense** shall equal NEP's total municipal tax expense excluding specifically identified generation-related municipal taxes or payments in lieu of such generation-related municipal taxes.

G. **Transmission Operation and Maintenance Expense** shall equal all expenses charged to FERC Account Numbers 560 through 598. Account Number 565, Transmission by Others, shall only include those expenses in support of facilities that are integrated with NEP's Transmission System or other transmission systems. Transmission Operation and Maintenance Expense shall include any expenses associated with transmission-related administrative services provided by the ISO and the expenses associated with providing Transmission Customers with the Pre-1997 Revenue Credit as described in Attachment OCC to this Schedule.

H. **Transmission-Related Administrative and General Expenses** shall equal NEP's Administrative and General Expenses, less Production-related Administrative and General Expense associated with joint-owned production units, plus Payroll Taxes,

I. **Transmission-Related Integrated Facilities Credit** shall equal NEP's transmission payments to its New England Affiliates for use of the integrated transmission facilities of those New England Affiliates.

J. **Transmission Revenue Credit** shall equal NEP's total transmission revenue, FERC Account Number 456, transmission-related sub-accounts of 447, and those revenues received from the ISO associated with the provision of transmission services under the OATT excluding the revenue received under the terms set forth in Section 24.2 of this Schedule, excluding any revenue received for the Hydro-Quebec DC facilities, excluding any revenue directly credited to Network Customers under Section 24.11 of this Schedule, excluding distribution revenues associated with expenses that have been excluded from

NEP's Transmission Revenue Requirement, and excluding any incremental revenues associated with FERC-approved adders for RTO participation and new transmission investment in accordance with Section II.A.2.(a)(iii) of Attachment F under the OATT . To the extent that NEP's transmission-related revenue under FERC Electric Tariff No. 1 is not reflected in the above-reference accounts on or after July 9, 1996, such revenue will be imputed under the formula set forth in the OATT and included in the Transmission Revenue Credit in accordance with the above specifications. Any Transmission Revenue Credit related to Section 24.1 of this Schedule shall be stated separately. Any revenue from the ISO associated with the provision of transmission service under the OATT, shall also be included but stated separately.

K. Distribution-Related Integrated Facilities Credit shall be equal to the credit applied to the purchased power bill of Massachusetts Electric Company under NEP's Tariff No. 1 for use of its distribution facilities used in support of wholesale transactions.

L. Billing Adjustments shall be plus or minus any billing adjustments from the prior transmission billing periods, including ISO adjustments. Billing adjustments shall include, but not be limited to, adjustments due to metering errors, corrections to any value included in this Attachment RR, or the Load Ratio Share. Such adjustments may be corrected prospectively. However, if the error is substantial, or substantially affects an individual Network or Transmission Customer, NEP reserves the right to credit and rebill customers for each affected billing month in which the error occurred.

M. Reactive Power Expense shall be set at zero as of the Second Effective Date, as defined in the NEPOOL Agreement.

N. Bad Debt Expense shall be the bad debt expense as reported in Account 904 related to transmission billing.

O. Miscellaneous Provisions In the event that the FERC accounts listed above are renumbered, renamed, or otherwise modified, the above sections shall be deemed amended to incorporate such renumbered, renamed, modified or additional accounts.

EXHIBIT 1

Distribution Cost of Service

Pursuant to Attachment DAF to this Schedule, the Distribution Cost of Service shall be calculated as follows for the applicable New England Affiliate:

I. The Primary Distribution System Cost of Service shall equal the sum of (A) Return and Associated Income Taxes, (B) Primary Depreciation Expense, (C) Primary Related Amortization of Loss on Reacquired Debt, (D) Primary Related Amortization of Investment Tax Credits, (E) Primary Related Municipal Tax Expense, (F) Primary Operation and Maintenance Expense, (G) Primary Related Administrative and General Expense, and (H) Primary Revenue Credit.

A. Return and Associated Income Taxes shall equal the product of the Primary Investment Base and the Cost of Capital Rate.

(1) Primary Investment Base will be (a) Total Primary Distribution Plant, plus (b) Primary Related General Plant, plus (c) Primary Plant Held for Future Use, less (d) Primary Depreciation Reserve, less (e) Primary Related Accumulated Deferred Income Taxes, plus (f) Primary Related Loss on Reacquired Debt, plus (g) Other Regulatory Assets, plus (h) Primary Materials and Supplies, plus (i) Primary Related Prepayments, plus (j) Primary Related Cash Working Capital.

(a) Total Primary Distribution Plant shall equal the New England Affiliate's Plant Accounts 360 to 373 multiplied by allocation factors from the Distribution Engineering Study.

(b) Primary Related General Plant shall equal the New England Affiliate's Investment in General Plant, multiplied by the Primary Wages & Salaries Allocation Factor. The Primary Wages & Salaries Allocation Factor shall equal the ratio of Total Distribution Wages & Salaries to the Total New England Affiliate's Wages & Salaries excluding A&G, multiplied by the ratio of Primary Distribution related O&M to Total Distribution O&M (Primary O&M Allocation Factor).

(c) Primary Plant Held for Future Use shall equal the New England Affiliate's Account 105, multiplied by the Primary Land Allocation Factor from the Distribution Engineering Study.

(d) Primary Depreciation Reserve shall equal the New England Affiliate's Depreciation Reserve multiplied by the ratio of Primary Depreciable Distribution Plant to Total Depreciable Distribution Plant (Primary Depreciable Plant Allocation Factor), plus an allocation of average General Plant Depreciation Reserve calculated by multiplying beginning and end of year General Plant Depreciation Reserve by the Primary Wages and Salaries Allocation Factor described in Section (I)(A)(1)(b) above.

(e) Primary Related Accumulated Deferred Income Taxes shall equal the Total Accumulated Deferred Income Taxes, multiplied by the ratio of average Primary Plant in Service to average Total Plant in Service excluding General Plant (Primary Plant Allocation Factor).

(f) Primary Related Loss on Reacquired Debt shall equal the Total Loss on Reacquired Debt, multiplied by the Primary Plant Allocation Factor described in Section (I)(A)(1)(e) above.

(g) Other Regulatory Assets shall equal the New England Affiliate's balance of FAS 106, multiplied by the Primary Wages and Salaries Allocator described in Section (I)(A)(1)(b), plus the New England Affiliate's balance of FAS 109, multiplied by the Primary Plant Allocation Factor described in Section (I)(A)(1)(c) above.

(h) Primary Materials and Supplies shall equal the New England Affiliate's Distribution Plant Materials and Supplies, multiplied by the Primary O&M Allocation Factor as described in Section (I)(A)(1)(b) above.

(i) Primary Related Prepayments shall equal the New England Affiliate's Prepayments, multiplied by the Primary Wages and Salaries Allocator described in Section (I)(A)(1)(b) above.

(j) Primary Related Cash Working Capital shall be a 45 day allowance or 12.5% of Primary Operation and Maintenance Expense and Primary Related Administrative and General Expense.

(2) Cost of Capital Rate will equal (a) the New England Affiliate's Weighted Cost of Capital, plus (b) Federal Income Tax, plus (c) State Income Tax.

(a) The Weighted Cost of Capital will be calculated based upon the capital structure at the end of each year and will equal the sum of:

i) the long-term debt component, which equals the product of the actual dollar weighted average embedded cost to maturity of the New England Affiliate's long-term debt then outstanding and the ratio that long-term debt is to the New England Affiliate's total capital.

ii) the preferred stock component, which equals the product of the actual weighted average embedded cost to maturity of the New England Affiliate's preferred stock then outstanding and the ratio that preferred stock is to the New England Affiliate's total capital.

iii) the return on equity component, which equals the product of 10.57% and the ratio that common equity is to the New England Affiliate's total capital.

(b) Federal Income Tax shall equal

$$\frac{A \times FT}{1\text{-}FT}$$

where FT is the Federal Income Tax Rate and A the sum of the preferred stock component and the return on equity component determined in Section (I)(A)(2)(a)(ii) and Section (I)(A)(2)(a)(iii) above.

(c) State Income Tax shall equal

$$\frac{(A + \text{Federal Income Tax}) \times ST}{1\text{-}ST}$$

where ST is the State Income Tax Rate, A is the sum of the preferred stock component and the return on equity component determined in Section (I)(A)(2)(a)(ii) and Section (I)(A)(2)(a)(iii) above, and Federal Income Tax is Federal Income Tax as determined in Section (I)(A)(2)(b) above.

B. Primary Depreciation Expense shall equal Depreciation Expense for Distribution Plant, multiplied by the Primary Depreciable Plant Allocation Factor as described in Section (I)(A)(1)(d) above, plus an allocation of General Plant Depreciation Expense calculated by multiplying General Plant Depreciation Expense by the Primary Wages and Salaries Allocation Factor described in Section (I)(A)(1)(b) above.

C. **Primary Related Amortization of Loss on Reacquired Debt** shall equal the New England Affiliate's Amortization of Loss on Reacquired Debt, multiplied by the Primary Plant Allocation Factor described in Section (I)(A)(1)(e) above.

D. **Primary Related Amortization of Investment Tax Credits** shall equal the New England Affiliate's Amortization of Investment Tax Credits, multiplied by the Primary Plant Allocation Factor described in Section (I)(A)(1)(e) above.

E. **Primary Related Municipal Tax Expense** shall equal a pro-rata share of the New England Affiliate's total municipal taxes allocated by the Primary Plant Allocation Factor described in Section (I)(A)(1)(e) above.

F. **Primary Operation and Maintenance Expense** shall the sum of all expenses charged to FERC Account Numbers 580 through 598, allocated to Primary as indicated by the Distribution Engineering Study.

G. **Primary Related Administrative and General Expenses** shall equal the New England Affiliate's Administrative and General Expenses, plus Payroll Taxes, multiplied by the Primary Wages & Salaries Allocation Factor described in Section (I)(A)(1)(b) above.

ATTACHMENT L

Creditworthiness Policy

1. Introduction & Applicability

This policy establishes creditworthiness standards for transmission service and/or interconnection service customers ("Customers") entering into new, amended or assigned service agreements with NEP under the ISO-NE OATT. The following describes NEP's qualitative and quantitative credit review procedures and the types of security that are acceptable to NEP to protect against the risk of default.

2. Information Requirements

For purposes of determining the ability of a Customer to meet its obligations, NEP may require the Customer to submit financial information for the credit review, including credit ratings, credit reports and audited financial statements. In addition, the following factors may be considered in evaluation of the Customer's creditworthiness: applicant's history; nature of organization and operating environment; management; contractual obligations; governance, financial / accounting policies, risk management and credit policies; market risk including price exposures, credit exposures, and operational exposures; and event risk. All information required under this Attachment should be forwarded to the NEP account manager as specified on the NEP OASIS website.

3. Creditworthiness Evaluation

NEP will evaluate the creditworthiness of Customers entering into new or amended transmission or interconnection service agreements with NEP in order to assess a Customer's credit risk relative to the exposure or "Total Outstanding Obligation" as defined in Section 3.1 below, created by the transaction or transactions that NEP has with the Customer.

3.1 Total Outstanding Obligation

The Customer's Total Outstanding Obligation to NEP will be the sum total of the following components:

3.1.1 If the Customer is making payments to NEP for ongoing expenses (including, but not limited to, O&M expenses related to interconnections or other monthly charges such as monthly transmission charges under Schedule 21-NEP of the ISO-NE OATT) the Customer will be required to provide security pursuant to Section 3.2 below, for four months' worth of the Customer's average payment obligation for such charges

3.1.2 Whenever, in accordance with the provisions of the ISO-NE OATT, a Customer pays a Contribution in Aid of Construction ("CIAC") or transfers ownership of facilities to NEP for transmission or interconnection facilities that are to be constructed on behalf of a Customer at the Customer's sole expense, and NEP determines in good faith that the receipt of CIAC payments or property from the Customer are non-taxable, NEP will require a form of security from the Customer pursuant to Section 3.2 below for the amount of the potential tax liability to NEP that would occur if such facilities were deemed taxable.

3.1.3 Whenever, in accordance with the provisions of the ISO-NE OATT, a Customer pays a formula rate over time for return of and on the cost of capital incurred by NEP on behalf of a Customer at the Customer's sole expense, the Customer will be required to provide security pursuant to Section 3.2 below, for the unamortized balance of plant in service reserved for the sole use of the Customer.

3.2 Creditworthiness Requirements

A Customer will be considered creditworthy upon satisfying at least one of the following conditions, or a combination of those conditions, at the time that the Customer enters into a transmission or interconnection service agreement and for so long as the Customer maintains satisfaction of at least one of these conditions for any outstanding obligations thereunder:

3.2.1 The Customer maintains a minimum credit rating of BBB from Standard & Poor's Long-term Issuer Credit Rating or Baa2 from Moody's Investors Service Long-term Issuer Credit Rating, so long as the Customer's Total Outstanding Obligation plus any other unsecured obligation with NEP and its Affiliates does not exceed the Credit Limits discussed in Section 5 below.[3] If unrated, the Customer's financial statements will be reviewed to determine an equivalent rating based on the Customer's unsecured credit limits and/or financial statements.

3.2.2 The Customer provides and maintains in effect during the term of and until full and final payment and performance of the service agreement an unconditional and irrevocable Letter of Credit for the Total Outstanding Obligation in the form and substance and issued by a bank acceptable to NEP. A draft, acceptable form letter of credit is posted on OASIS. Any such bank must satisfy the creditworthiness criteria described in 3.2.1 above.

3.2.3 The Customer's parent or an Affiliate company satisfies the creditworthiness criteria described in 3.2.1 above and, subject to the Credit Limits stated in Section 4 below, such company submits to NEP and maintains in effect a Letter of Guaranty acceptable to NEP as to amount, form and substance for the term of and until full and final payment and performance of the service agreement.

3.2.4 The Customer is a municipal that is a member of the Massachusetts Municipal Wholesale Electric Cooperative (MMWEC). In such instances, MMWEC must meet the criteria set out in 3.2.1 or 3.2.2 above and provide to NEP a Letter of Guaranty that MMWEC will be unconditionally responsible for all financial obligations associated with the Customer's receipt of transmission or interconnection service from NEP.

3.2.5 The Customer makes an advance payment to NEP in immediately available funds for the Total Outstanding Obligation.

If, at any time, the credit rating of the Customer, Customer's bank, or Customer's parent or Affiliate providing the Guaranty as set out in 3.2.1, 3.2.2 or 3.2.3 above falls below investment grade (BBB- from Standard and Poor's and or Baa3 from Moody's), the Customer will be required to provide (i) notification to NEP within 10 days and, (ii) another form of security acceptable to NEP, as described in this Section 3.2, within 30 days.

4. Customer Costs Requiring Prepayment

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[3] When NEP reviews a Customer's rating from two or more rating agencies and a split rating is present, the lower debt rating will apply. In the event that the Customer only has a rating from either Standard & Poor's or Moody's Investors Service, a rating from Duff & Phelps or Fitch and Weiss may also be used with acceptable ratings equivalent to those from either Standard and Poor's or Moody's Investors Service.

Whenever, in accordance with the provisions of the ISO-NE OATT, a Customer pays a CIAC for transmission or interconnection facilities to be constructed by NEP on behalf of a Customer at the Customer's sole expense, the Customer will have the option to (i) prepay the CIAC in immediately available funds to NEP, or (ii) make periodic CIAC progress payments, as defined in the Customer's service agreement, to prepay in increments capital costs scheduled to be incurred by NEP. If NEP determines in good faith that such payments or property transfers made by the Customer should be reported as income subject to taxation, the Customer shall also prepay all costs associated with the cost consequences of the current tax liability imposed on NEP by those facilities (the "Tax Gross- up").

5. Credit Limits

NEP reserves the right to limit the total amount of unsecured credit extended to a Customer under 3.2.1 and 3.2.3 above such that the sum of all unsecured credit that such Customer has with NEP and its Affiliates, including the Total Outstanding Obligation, shall not exceed the Credit Limits defined below. Such limitations are based on an assessment of the Customer's or its Guarantor's credit rating and the net worth of the Customer's or its Guarantor's assets.

Standard and Poor's (or Equivalent) Rating	Unsecured Credit Limit as Percent of Customer's or Guarantor's Tangible Net Worth
A and above	1.0%
A-	0.5%
BBB+	0.2%
BBB	0.1%
BBB-	0.0%

6. Contesting Creditworthiness Determinations

A Customer may contest NEP's determination of creditworthiness by submitting a written request to NEP for re-evaluation within 20 calendar days of being notified of the creditworthiness determination. Such request should provide information supporting the basis for a request to re-evaluate the Customer's creditworthiness. NEP will review and respond to the request within 20 calendar days.

7. Process for Changing Credit Requirements

In the event that NEP plans to revise its requirements for credit levels or collateral requirements as detailed in this Attachment L, NEP shall submit such changes in a filing to the Federal Energy Regulatory Commission ("Commission") under Section 205 of the Federal Power Act. NEP shall follow the notification requirements pursuant to Section 3.04(a) of the Transmission Operating Agreement and reflected herein.

7.1 General Notification Process

7.1.1 NEP shall provide written notification to ISO-NE and stakeholders of any filing described above, at least 30 days in advance of such filing. Filing notifications shall include a detailed description of the filing, including a redlined document containing revised change(s) to the Creditworthiness Policy. NEP shall consult with interested stakeholders upon request.

7.1.2 Following Commission acceptance of such filing and upon the effective date, NEP shall revise its Attachment L Creditworthiness Policy and an updated version of Schedule 21-NEP shall be posted on the ISO-NE website.

7.2 Customer Responsibility

7.2.1 Upon the effective date of any revision to these creditworthiness requirements or upon the date of the Commission's order accepting such revisions, whichever is later, the Customer shall have 30 days to forward updated financial information to NEP and indicate whether the revised creditworthiness requirements impair the Customer's ability to comply with the revised requirements. In such cases, the Customer must take all reasonable steps to comply with the revised requirements of the Creditworthiness Policy within 45 days of the effective date of the change.

7.3 Notification for Active Customers

7.3.1 Active Customers are defined as any current Customer that has a Service Agreement currently in effect and has posted an irrevocable letter of credit, letter of guaranty or prepayment in accordance with Sections 3.2.2, 3.2.3, 3.2.4, or 3.2.5, above.

7.3.2 All Active Customers will be served with copies of any filing submitted to the Commission to modify the NEP's creditworthiness requirements.

8. Suspension of Service

NEP may, immediately suspend service (with notification to Commission) to a customer, and may initiate proceedings with Commission to terminate service, if the customer does not meet the terms described in this Attachment. A customer is not obligated to pay for Transmission Service that is not provided as a result of a suspension of service.

ATTACHMENT S-1

Local Scheduling, System Control and Dispatch Service

This service is required to schedule the movement of power through, out of, within, or into a Control Area over Non-PTF. The Transmission Customer or Network Customer must purchase this service from NEP. The charges for Scheduling, System Control and Dispatch Service shall be based on the Local Network Load Dispatch Surcharge set forth in Attachment OCC to this Schedule. To the extent the ISO performs this service for NEP, charges to the Transmission Customer are to reflect only a pass-through of the costs charged to NEP by the ISO.

EXHIBIT 5

PENGAD 800-631-6989

Estimated Annual New England Wholesale Transmission Charges
Applicable to Block Island Power Company
Using CY 2010 Data unless otherwise noted

			c/kWh
ISO-NE RNS Charge:	$	141,521	1.308 *
<u>NEP Charges</u>			
PTF Demand Charge:		-11,485	-0.106
non-PTF Demand Charge:		24,055	0.222
Load Dispatch Charge:		1,116	0.010
Attachment DAF Charge:		91,740	0.848
Cable Surcharge:		34,817	0.322
Transformer Surcharge:		17,301	0.160 *
Rolled-in Distribution Surcharge:		119,807	1.107 *
Meter Surcharge:		955	0.009 *
Total estimated:	$	419,826	3.881

* 2012 rates are used in this calculation.