

Notice of Bad Debt Losses

February 28, 2003

The NYISO has incurred bad debt losses totaling \$11,384,400, as further described below. This amount will be recovered in three, equal monthly Rate Schedule 1 charges to be included in the customer invoices issued in March, April, and May of 2003. Allocation of the charges and any future charges attributable to unpaid true-up amounts will be made according to customers' load ratio shares for February, 2003. These funds will be applied to replenish amounts that have been drawn from the NYISO's working capital fund.

Enron

As a result of a Chapter 11 bankruptcy filing by **Enron Power Marketing, Inc.**, the NYISO has incurred a bad debt loss attributable to nonpayment of invoices totaling \$10,274,034 for May and June, 2000. The NYISO has filed a proof of claim in the pending bankruptcy proceeding and is asserting rights in \$1,098,362 currently in its possession.

As a result of a Chapter 11 bankruptcy filing by **Enron Energy Services, Inc.**, the NYISO has incurred a bad debt loss attributable to nonpayment of invoices totaling \$907,842 for November through March, 2002. The NYISO has filed a proof of claim in the pending bankruptcy proceeding and is asserting rights in \$2,899,761 currently in its possession.

Pursuant to Article 1.0 of Attachment U of the OATT, the funds held by the NYISO shall be set aside pending a determination of the bankruptcy court or NYISO counsel regarding their appropriate disposition. The NYISO will return all available funds to customers ratably according to the same allocation that was used to recover the bad debt losses through Rate Schedule 1.

Metromedia

As a result of nonpayment of invoices for the service month of November, 1999, by **Metromedia Energy, Inc.**, the NYISO has incurred a bad debt loss in the amount of \$17,009. This amount reflects payment of additional amounts to be made by Metromedia pursuant to a settlement agreement in an action filed by the NYISO to recover unpaid invoice amounts in the United States District Court for the Southern District of New York on September 10, 2002. The settlement agreement between NYISO and Metromedia represents a prudent avoidance of litigation costs by the NYISO. Funds recovered through the settlement agreement will be applied to replenish amounts that have been drawn from the NYISO's working capital fund.

Federal Gas & Electric

As a result of nonpayment of invoices for the service month of October, 2001, by **Federal Electric & Gas Corp.**, the NYISO has incurred a bad debt loss in the amount of \$185,515. The NYISO filed an action in the United States District Court for the Eastern District of New York on May 21, 2002, to recover this amount. The NYISO will return any funds recovered to customers ratably according to the same allocation that was used to recover the bad debt loss through Rate Schedule 1.

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