



290 Washington Avenue Ext., Albany, NY 12203

May 17, 2002

Mr. Wesley Yeomans, Chairperson
NYISO Operating Committee
Niagara Mohawk, A National Grid Company
300 Erie Blvd West
Syracuse, NY 13210

Re: Class 2001 Cost Allocation Report - for approval at the May 23, 2002 OC Meeting

Dear Wes:

Enclosed is the NYISO staff report, "Cost Allocation of New Interconnection Facilities to the New York State Transmission System for the Class Year 2001," along with supplemental appendices. The report documents the results of the studies performed by the NYISO staff in cooperation with Market Participants, and the resultant proposed cost allocation for the Class 2001. The studies and proposed cost allocation were prepared in accordance with the NYISO "Rules to Allocate Responsibility for the Cost of New Interconnection Facilities," (Attachment S of the Open Access Transmission Tariff), and are hereby submitted to the Operating Committee for consideration for approval.

Also enclosed is a report prepared by GE for the NYISO, "Assessment of Short-Circuit Analysis for the Class 2001 Cost Allocation Studies." GE was contracted by the NYISO staff to evaluate the short-circuit analyses conducted by the Transmission Owners, Con Edison and LIPA in particular, that were used in part by the NYISO staff for its studies. The GE report is provided here as supplemental documentation to the NYISO staff report.

These reports were jointly reviewed and discussed by the Transmission Planning Advisory Subcommittee (TPAS) and the Interconnection Issues Task Force (IITF) at the May 15, 2002 TPAS/IITF meeting. A vote of the participants at that meeting indicated a majority recommendation for approval of the subject report and cost allocation. The results of the vote were: 10 For Approval, 7 Against, and 6 Abstained. Participants against approval may separately submit position papers for discussion.

Please call either Jim Mitsche, Chairperson of TPAS and IITF, or myself if you have any questions regarding this matter.

Sincerely,

Steven L. Corey

Manager, Transmission Planning

cc: J. V. Mitsche
G. A. Campoli
E. G. Cardone