

October 22, 2002

Mr. Ray Kinney
Chair, Scheduling & Pricing Working Group
c/o New York State Electric & Gas Corp.
P.O. Box 5224
Binghamton, NY 13902-5224

RE: Allocation of Rate Schedule 1 Charges

Dear Ray:

This letter is written on behalf of a number of market participants (see Attachment A, page 3), with reference to the FERC's order dated, September 25, 2002, in Docket No. ER01-1961, addressing the allocation of the NYISO's Rate Schedule 1 costs.

To accommodate FERC's expectations, these parties request the following steps be taken by an outside consulting firm:

- Review and update the NYISO's cost allocation materials produced in the spring of 2001;
- Specifically address the impact of the substantial Information Technology investments, as proposed in the 2003 budget, on the cost allocation; and,
- Identify which types of NYISO customers use or benefit from specific Rate Schedule 1 functions to assess if Rate Schedule 1 should be allocated to NYISO customers by component or grouping of components (i.e., similar to PJM methodology) according to the benefits received.

We would expect that this study would be conducted in a timely and independent manner, so that the NYISO may advise the FERC of the outcome of the study in accordance with the FERC's September 25 Order.

Please contact me with any questions.

Sincerely,

Thomas L. Rudebusch

Thomas L. Rudebusch
Attorney for the Municipal Electric
Utilities Association of New York State

Attachment A

Columbia University

Refined Sugars

New York Presbyterian Hospital

Mount Sinai Medical Center

Beth Israel Medical Center

New York University

Consolidated Edison Company of New York

City of New York

Multiple Intervenors

Strategic Power Management, Inc.

Bath Electric, Gas & Water Systems

Freeport Electric

Jamestown Board of Public Utilities

Village of Fairport

Plattsburgh Municipal Lighting Dept.

Village of Rockville Centre

Village of Westfield