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December 17, 2002

VIA OVERNIGHT COURIER

The Honorable Roman Magalie Salas
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, DC 20426

Re: New England Power Pool, FERC Docket No. ER03-_____-000
Eighty-Eighth Agreement Amending Restated NEPOOL Agreement
(Schedule 16 Revenue Requirements Formula Amendment)

Dear Secretary Salas:

Pursuant to Section 205 of the Federal Power Act, the New England Power Pool (“NEPOOL”) Participants Committee hereby files on behalf of the NEPOOL Participants¹ an original and six (6) copies of this transmittal letter and the Eighty-Eighth Agreement Amending Restated NEPOOL Agreement (Schedule 16 Revenue Requirements Formula Amendment) (the “88th Agreement”), which amends and simplifies the formula under Ancillary Service Schedule 16 (“Schedule 16”) to the NEPOOL Open Access Transmission Tariff (the “NEPOOL Tariff”) for determining the compensation that an eligible generator owner can receive under the NEPOOL arrangements for providing black start-related system restoration and planning service within and for the NEPOOL Control Area.

The Participants Committee requests that the Commission waive its notice requirements and permit the proposed amendment to become effective as of January 1, 2003. An effective date as of the first of the calendar year will reduce the administrative burden associated with administering the existing formula rate for part of calendar year 2003.

I. BACKGROUND

A. Need for and Nature of the 88th Agreement

¹ Capitalized terms used but not defined in this Report are intended to have the same meanings given to such terms in Section 1 of the Restated NEPOOL Agreement, in Section 1 of the NEPOOL Tariff or in Schedule 16.

NEPOOL's black start-related system restoration and planning service ("SRPS") is designed to ensure that within the NEPOOL Control Area there are black start capable generators ("Black Start Generators") of sufficient capacity and geographic distribution to re-energize the transmission system following a system-wide blackout.² NEPOOL's black start-related SRPS depends upon voluntary agreement of the owners of Black Start Generators to make their units available to provide black start-related SRPS under the terms and conditions set forth in Schedule 16. To be compensated under Schedule 16, the owner of a Black Start Generator must contractually commit: (1) to make its unit available for the purpose of providing black start-related SRPS for a minimum of three years; (2) to provide one year notice of its intent to cease providing the service; and, (3) to assure that during this period the black start capabilities of its unit are maintained, the unit is kept operational and the unit's black start capabilities are periodically tested.

The key element under the NEPOOL arrangements for encouraging such voluntary participation by these generator owners is the compensation the owners will receive pursuant to Schedule 16 for providing the service as required by Schedule 16. As currently implemented in NEPOOL, Schedule 16 sets forth a formula rate which provides for the recovery by Black Start Generator owners of their annual cost of service for providing black start-related SRPS through a Monthly Restoration Service Rate ("MRSR") paid by Transmission Customers taking service under NEPOOL's Tariff. Schedule 16 requires that each Black Start Generator owner submit annually its black start-related revenue requirement determined in accordance with the formula in Schedule 16 and based on the previous calendar year's data. The formula reflects a cost of service compensation methodology intended to compensate Black Start Generator owners who make their Black Start Generators available to provide the service for the incremental costs that they incur in making the unit black start capable, and in maintaining that capability and satisfying the annual testing requirement.

² The Commission has previously distinguished between (a) planning for system restoration capability and (b) providing "blackstart service" as a source of power that would allow a power producer to restart generating units. See FERC Stats. & Regs. ¶ 31,036 at 31,711-12 (1996) ("Order 888"), order on reh'g, Order No. 888-A, FERC Stats. & Regs. ¶ 31,048 (1997), order on reh'g, Order No. 888-B, 81 FERC ¶ 61,248 (1997), order on reh'g, Order No. 888-C, 82 FERC ¶ 61,046 (1998). The obligation to plan for restoration capability is a system control area function that rests with the transmission provider and the operator of the control area in which the transmission provider is located. The transmission provider (or its associated control area operator) generally makes arrangements with enough generators to provide the system with this capability at strategic locations on the transmission system. Schedule 16 relates solely to this system restoration planning, although the same units may also be used for "blackstart service" to allow the restarting of other generating units either owned by the same owner or by other generation owners.

The 88th Agreement amends the formula for determining the compensation a Black Start Generator owner receives for providing black start-related SRPS in accordance with the requirements of Schedule 16. The 88th Agreement does not amend the provisions of Schedule 16 for allocating among Transmission Customers the total amounts paid for black start-related SRPS, determining the monthly charge to Transmission Customers for black start-related SRPS, the criteria for determining whether a generating unit is eligible to provide the service, or the requirements for providing the service, including but not limited to the three year contractual commitment, the annual testing requirement and the one year notice period for terminating service.

The 88th Agreement changes the compensation formula to address a concern of NEPOOL's independent system operator, ISO New England Inc. ("ISO"), that the present formula has some conceptual problems and may not in the long term provide an adequate incentive to generator owners to provide black start-related SRPS pursuant to Schedule 16. These issues are discussed more fully below.

The 88th Agreement was recommended by a 73% vote of the Tariff Committee and an 85% vote by the Participants Committee through balloting. That Participants Committee vote is tabulated in Attachment 3 hereto.

B. Schedule 16 Generally

The history of Schedule 16 is detailed more fully in a series of Commission orders and the pleadings and submissions underlying those orders, which are briefly summarized herein.

In its April 6, 1999 order in New England Power Pool, 87 FERC ¶ 61,045 (1999), the Commission discussed, among other things, the issue of black start service contracts necessary for the re-energizing of the generation and transmission system following a system-wide black out, but deferred to the NEPOOL governance process to address the matter. On May 12, 2002, in compliance with a March 30, 2000 Order, New England Power Pool, 90 FERC ¶ 61,323 (2000), NEPOOL filed the Fifty-Fifth Agreement Amending the Restated NEPOOL Agreement (the "55th Agreement"), which proposed a new Schedule 16 to the NEPOOL Tariff, including but not limited to a proposal for compensating generator owners for providing black start-related SRPS. The 55th Agreement was reviewed by the Commission in Docket Nos. ER00-2485-000 and ER00-1572-001. By order dated July 12, 2000, New England Power Pool, 92 FERC ¶ 61,020 (2000), the Commission accepted the 55th Agreement, with certain modifications, to become effective September 1, 1998.

In the July 12, 2000 order, the Commission determined that black start-related SRPS is required for transmission reliability purposes and is a transmission cost which should be borne by transmission customers; resolved certain issues regarding the use of a proxy capital structure

and proxy cost of capital in the cost of capital component of the proposed Schedule 16 revenue requirements formula; and accepted the proposal that the ISO shall have the right and responsibility to audit Schedule 16 charges. On August 10, 2000, in compliance with the July 12, 2000 order, NEPOOL filed the Sixty-First Agreement Amending the Restated NEPOOL Agreement (the “61st Agreement”). The Commission accepted the 61st Agreement by order dated June 27, 2001, New England Power Pool, 95 FERC ¶61,449.³

On February 11, 2002, NEPOOL filed the Eighty-Second Agreement Amending the Restated NEPOOL Agreement (the “82nd Agreement”). One purpose of that filing was to correct an error in the definition of the term “Plant Allocation Factor” in the revenue requirements formula. A second purpose of the filing was to amend the criteria for determining which generators are eligible to recover costs under the NEPOOL arrangements for providing black start-related SRPS to NEPOOL to include black start generating units that recover their black start costs under retail rates, provided that they credit the revenues collected from NEPOOL for the costs incurred in providing black start-related SRPS to NEPOOL against the costs they collect in retail rates for the same service. By letter order dated April 4, 2002 in Docket No. ER02-1003, New England Power Pool, the Commission accepted the 82nd Agreement for filing.

II. NATURE AND RATIONALE FOR THE PROPOSED AMENDMENT

A. Concerns Regarding the Present Schedule 16 Revenue Requirements Formula

To review the concerns identified by ISO as to the adequacy of the compensation mechanism under Schedule 16 and to formulate a response, NEPOOL’s Tariff Committee created a working group (the “BSWG”). The BSWG, which was open to any Participant, was chaired by the Chair of the Tariff Committee (an ISO representative) and included, among its members, representatives of generator owners currently providing black start-related SRPS, representatives of transmission owning entities and transmission customers, and representatives of the ISO charged with the responsibility under Schedule 16 for auditing the revenue requirement submissions of generator owners seeking compensation under Schedule 16.

³ On April 3, 2001, NEPOOL filed pursuant to Section 205 a proposed Ancillary Service Schedule 16 Implementation Rule (the “Schedule 16 Implementation Rule”), which provided additional detail as to how NEPOOL would make the annual calculation of Schedule 16 revenue requirements in light of the Commission’s direction in the July 12, 2000 order that Schedule 16 be placed into effect retroactively to September 1, 1998. The Commission accepted the Schedule 16 Implementation Rule by letter order also dated June 27, 2001 issued in Docket No. ER01-1741, New England Power Pool.

The BSWG met several times over a period of several months and considered, among other things:

1. Whether the current compensation formula in Schedule 16 (cost of service methodology based on embedded costs) provides an appropriate incentive to owners of Black Start Generators to make their units available to provide black start-related SRPS in accordance with the requirements of Schedule 16.
2. Whether and to what extent the documentation and audit requirements in the present Schedule 16 operate as barriers to the owners of Black Start Generators with respect to making their units available to provide black start-related SRPS in accordance with the requirements of Schedule 16.
3. Whether it was necessary to modify Schedule 16 to provide a more appropriate compensation mechanism and, if so, how the compensation mechanism should be structured to address these concerns.

To be compensated under Schedule 16 for providing black start-related SRPS in NEPOOL, the owner of an eligible generating unit must contractually commit to make its unit available for the purpose of providing black start-related SRPS for a minimum of three years, to provide one year notice of its intent to cease providing the service, and to assure that during this period the black start capabilities of its unit are maintained, the unit is kept operational and the unit's black start capabilities are periodically tested. The BSWG considered the cost risks that such a commitment presents, particularly with respect to units that are thirty years old or older, or otherwise close to the end of their service life, and may be only marginally competitive in the market environment. The BSWG further considered whether these cost risks were adequately addressed by the present Schedule 16 formula. For example, to the extent that Schedule 16 provides simply for the recovery of the incremental cost of providing the service without considering and providing compensation for the cost risks inherent in conducting the annual testing required under Schedule 16, the formula may not provide an adequate incentive to the generator owner to make its unit available to provide the service.

Schedule 16 requires that each generator owner seeking compensation under Schedule 16 submit annually its black start-related revenue requirements, based on prior calendar year's data, and provides that ISO shall periodically audit the submissions to assure that they are in compliance with the requirements of Schedule 16. The present Schedule 16 revenue requirements formula is modeled virtually entirely on the formula used in Attachment F of the Tariff for determining the transmission-related revenue requirements and charges for NEPOOL's transmission-owning Participants. The Attachment F formula is a cost of service formula

designed for and to be utilized by entities that are public utilities under the Federal Power Act subject to the Commission's system of accounts.

ISO's and NEPOOL's recent experiences auditing the Attachment F formula rate for seven companies that currently maintain records in accordance with the Commission's system of accounts has underscored the complexity and human resources necessary to complete such an audit. The Attachment F audit took more than two years to complete, showed net adjustments over a three year period of only 1.0% of the Attachment F charges, and was hundreds of thousands of dollars overbudget.⁴ That audit is also the subject of a pending proceeding before the Commission.⁵

Given the similarities between the Attachment F and Schedule 16 formulas, the audit of Schedule 16 charges, unfortunately, appears to be headed down the same path. The auditor has identified issues with Schedule 16 that are somewhat similar to the issues raised in the audit of Attachment F charges, raising the possibility of a prolonged and costly audit process and the need to resolve various issues in a litigated context. The BSWG considered that the potential for a generator owner to face a retroactive disallowance of previously submitted revenue requirements based on the litigated outcome of an audit provides a substantial disincentive to that generator owner to make its units available for black start-related SRPS.

ISO representatives involved in developing and monitoring the adequacy of NEPOOL's black start-related SRPS reported anecdotally that the owners of a number of units that are black start capable have indicated that if their units were required and available when the need arose, they would make their units available to provide black start-related SRPS. They are unwilling, however, to make the three year formal contractual commitment required by Schedule 16 to receive compensation for providing the service. The owners of these units identified the administrative burden and expense of complying with the requirements of Schedule 16 for documenting revenue requirements under the present formula and failure of the formula to provide adequate economic incentives as reasons why they will not formally submit their units to provide the service.

⁴ The auditors concluded that NEPOOL's total RNS Revenue Requirement for the period under audit had been understated by \$8,181,129, or by 1.0%. Accordingly, if the audit results are implemented without change, the RNS rate for this period will be adjusted upward by 1.0%.

⁵ Commission Docket No. OA97-237-012, New England Power Pool. NEPOOL's April 24, 2002 filing in that docket provides more detail regarding the nature of the difficulties encountered in completing that audit, including interpretational and implementation issues with respect to Attachment F that were identified in that audit.

Similar concerns were voiced by those generator owners who have committed to provide black start-related SRPS and have sought compensation under Schedule 16. Some of these generator owners have reported substantial difficulties in providing the documentation required in audit to support their revenue requirement submissions. In contrast to the transmission owning Participants, many of the generator owners are unregulated entities who are not obligated to and do not necessarily use the Commission's system of accounts. In many cases, the generator owner acquired the asset as a result of the divestiture of the asset by a previously vertically integrated utility, and did not obtain the historical records or information needed to demonstrate compliance with the documentation requirements of the present Schedule 16 formula in an audit of their revenue requirement submission.

Some of these generator owners reported responding to the problem of lack of available documentation by not seeking to recover a particular component of the formula where they did not believe they had adequate documentation to support recovery. Other generator owners in the same circumstances utilized proxy figures or allocations for a component, thereby subjecting themselves to the risk of a disallowance in audit for failing to properly document their revenue requirement or otherwise failing to comply with the requirements of Schedule 16. In both cases, the result may be that a generator owner is not properly incented to make its unit available to provide black start-related SRPS pursuant to the terms of Schedule 16 due primarily to perceived or actual difficulties it anticipates encountering in providing the documentation necessary to support its revenue requirement submission.

For all of these reasons, the BSWG reached a consensus that the present cost of service recovery mechanism based on embedded costs reflected in Schedule 16 may not, either conceptually or practically, provide an appropriate incentive to encourage voluntary participation by generator owners in NEPOOL's black start-related SRPS, and reached a further consensus that an administratively simpler mechanism based on replacement cost recovery may provide a more appropriate incentive.

B. NEPOOL's Proposed Approach

Given this conclusion, the BSWG sought to identify an alternative formula rate that addressed the ISO's concerns, was simple, was fair and had administrative costs that fairly reflected the issue at hand. Consistent with this objective, the BSWG reached a consensus that, to the extent Schedule 16 should be amended, a streamlined formula based on a proxy cost concept should be implemented. There was a further consensus that the proxy cost reflect or be based on replacement costs. Accordingly, the BSWG proposed to replace the existing Schedule 16 revenue requirements formula with the following formula:

$$C_i = (\$Y/kw\text{-yr}/12) \times (\text{the unit's Monthly Claimed Capability for that month})$$

In the amended formula, the term “Ci” is the compensation to be paid to a specific Black Start Generator owner with respect to a specific unit. The formula for determining each Transmission Customer’s monthly restoration service rate (or MRSR) charge is also modified to include a “C” component defined as “the sum of Ci for that month for each Black Start Generator.” A generator’s Monthly Claimed Capability is defined as the MWs the unit is able to generate in that month determined as of the beginning of that month. If the generator owner’s Monthly Claimed Capability in a month is 0, the generator owner will not receive compensation in that month for providing black start-related SRPS since the generator is not available to provide the service.

In analyzing the level of the “Y” component to recommend for approval by NEPOOL, the BSWG considered several data points.⁶ The BSWG first considered the actual annual payments made to eligible generators under Schedule 16 to date for service provided for the period September 1, 1998 through and including December 31, 2001. Based on the unaudited Schedule 16 revenue requirement submissions of generator owners for the period through the end of calendar year 2001, generator owners were compensated for providing black start-related SRPS pursuant to Schedule 16 at the average rate of \$1.67/kW-yr for calendar year 1998, rising to \$2.64/kW-yr in calendar year 1999, \$2.70/kW-yr in calendar year 2000 and \$3.13/kW-yr in calendar year 2001.⁷

The BSWG was also aware of the results of a recent study of the cost to equip a new diesel generator unit with black start capabilities. The generators involved were the diesel generating units located in Dartmouth, Massachusetts. These units were selected as possible replacement units for the Somerset jet turbines (the “Somerset Jets”), which NRG in 1999 proposed to retire in 2000. The data developed at that time considered costs for both one-time charges for engineering, training and electrical connections, as well as monthly lease charges for the three diesel generators. If those one time charges were spread over three years, the ISO determined at that time that the cost to equip the Dartmouth units to make them black start capable, thereby replacing the black start capability provided by the retiring Somerset Jets, ranged from \$8.00/kW-yr to \$8.90/kW-yr. Documentation reflecting the ISO’s conclusion is included as Attachment 7 hereto.

⁶ The BSWG attempted to, but was unable to, obtain information from PJM and the NYISO regarding the \$/kW-yr costs of providing black start-related system restoration and planning service within those control areas.

⁷ As with the Attachment F formula rate for transmission service, payments each calendar year are based on prior year’s data and reflect a substantial lag in recovery for the entity providing the service. Calendar year 2001 is the last year for which actual data is available.

Lastly, the Black Start Generator owners providing SRPS pursuant to Schedule 16, when asked to identify what they would consider an appropriate level of compensation to them for providing the service, considering the level of their capital investment (including acquisition premiums), their targeted returns, and their own calculation of the full costs, including lost opportunity costs, to them of maintaining a Black Start Generator pursuant to the terms of Schedule 16, provided figures ranging from \$3.60/kW-yr to \$5.00/kW-yr.

Based on these various data points, the BSWG suggested the following “Y” values, which the Tariff Committee subsequently endorsed, by a 73% vote, as a recommendation to the Participants Committee, and which the Participants subsequently approved by an 85% vote: \$3.75 for the period from the Commission-determined effective date for the 88th Agreement through and including December 31, 2003, increasing to \$4.00 for calendar year 2004, to \$4.25 for calendar year 2005; and to \$4.50 for calendar year 2006, and remaining at that level thereafter subject to periodic review and adjustment. The BSWG recommended “Y” values were determined to be a reasonable middle ground compromise among varying Participant interests, based on the data points available to the BSWG. The figures chosen for “Y” in the proposed formula are greater than the cost of providing the service as defined by the presently effective formula (presumably reflected in the unaudited revenue requirement submissions) but less than the highest rate proposed by the generator owners to the BSWG (which presumably reflect optimal recoveries for the generator owners providing the service).

The proposed amended formula also provides several other important benefits. As noted above, the actual, potential and/or perceived administrative burdens and economic risks inherent with documentation and audit issues under the present formula operate as a significant disincentive to generator owners to voluntarily commit their units to provide black start-related service in accordance with the terms and conditions set forth in Schedule 16. The proposed amendment eliminates those barriers, while providing a cost recovery mechanism that is transparent to all Participants and produces a result that is certain, known and knowable year-to-year. In addition, the proposed formula, by eliminating the need for audit, eliminates potentially substantial audit costs, which are shared by all Participants.

III. ADDITIONAL SUPPORTING INFORMATION

This filing proposes an amendment to Schedule 16 of the NEPOOL Tariff to change the formula by which eligible generator owners are compensated for providing black start-related SRPS. The changes proposed by this filing will potentially increase rates. Accordingly, the NEPOOL Participants Committee submits the following information in compliance with the identified filing regulations of the Commission:

35.13(b)(1) - Materials included herewith are as follows:

- ♦ This transmittal letter;
- Revised sheets of the NEPOOL Tariff (Attachment 1);
- Revised sheets of the NEPOOL Tariff marked to show the changes to be effected by this filing (Attachment 2);
- Result of balloting the Eighty-Eighth Agreement (Attachment 3);
- List of NEPOOL Participants Committee members and alternates (Attachment 4);
- List of governors and utility regulatory agencies in Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont to which a copy of this filing has been sent (Attachment 5);
- A draft form of notice, suitable for publication in the Federal Register (Attachment 6), and a diskette containing this form of notice; and
- Documentation regarding conversion of the Dartmouth diesel generator (Attachment 7).

35.13(b)(2) – NEPOOL respectfully requests that the Commission accept this filing to become effective as of January 1, 2003, and requests waiver of the Commission's notice requirements pursuant to Section 35.11 of the Commission's regulations to the extent required in order to permit the Tariff changes reflected herein to become effective as of January 1, 2003. If this effective date is granted, the adjusted charges would not be billed to Participants until their bill issued in February 2003, which would be due on or about February 20, 2003. The current Schedule 16 revenue requirements formula determination is based on prior calendar year data. Permitting the 88th Agreement to become effective January 1, 2003 would remove an administrative burden on both the Black Start Generator Owners and the ISO by eliminating the need for the Generator Owners to file and the ISO to evaluate any Schedule 16 revenue requirements data pursuant to the currently existing formula for any portion of the 2003 calendar year in which the 88th Agreement is not in effect. NEPOOL had anticipated filing the 88th Agreement on or before October 31, 2002, which would have permitted a January 1, 2003 effective date without the need to request a waiver. The delay in filing was caused in part by the death in mid-October of the Chair of NEPOOL's Tariff Committee, an ISO representative who had been instrumental in developing the consensus reflected in the 88th Agreement. The Participants have been aware since October 4, 2002, when the 88th Agreement was presented to the Participants Committee, of the proposed changes reflected in the 88th Agreement, which is more than 70 days prior to the date of this filing. The Participants Committee respectfully submits that no Participants will be adversely affected by a January 1, 2003 effective date and

waiver of the Commission's notice requirements, and that implementation of these changes as of January 1, 2003 is desirable.

35.13(b)(3) - Attachment 4 to this transmittal letter shows the names and addresses of all Participants Committee members and alternates, which include all of the electric utilities rendering or receiving services under the Restated NEPOOL Agreement, as well as each of the independent power producers, power marketers, power brokers, load aggregators and end users that are currently Participants in NEPOOL. All Participants and Non-Participant Transmission Customers have been furnished with a copy of this filing, together with this transmittal letter and the accompanying materials.⁸ This transmittal letter and the accompanying materials have also been sent to the governors and electric utility regulatory agencies for the six New England states which comprise the NEPOOL Control Area, and to the New England Conference of Public Utility Commissioners, Inc. The names and addresses of these governors and regulatory agencies are shown in Attachment 5. In accordance with Commission rules and practice, there is no need for the entities identified on Attachments 4 and 5 to be included on the Commission's official service list in the captioned proceedings unless such entities become intervenors in this proceeding.

35.13(b)(4) - A description of the materials submitted pursuant to this filing is contained in this transmittal letter.

35.13(b)(5) - The reasons for this filing are discussed in the background section to this transmittal letter.

35.13(b)(6) - The changes proposed in this filing have been approved by the NEPOOL Participants Committee. Actions by the Participants Committee regarding amendments to the NEPOOL Tariff must be approved by an affirmative vote equal to, or in excess of, two-thirds of the aggregate Sector Voting Shares, provided the Minimum Response Requirement of the Restated NEPOOL Agreement has been satisfied. The 88th Agreement was approved in balloting by an 85% vote in favor and the ten business day period for appealing that action within NEPOOL ended on October 18, 2002.⁹

⁸ Pursuant to changes to Section 21.13 (e) of the Restated NEPOOL Agreement, which was accepted by the Commission in New England Power Pool, 90 FERC ¶ 61,019 (2000), NEPOOL Participants are being served electronically rather than by hard copy.

⁹ The 88th Agreement was presented to the Transmission Owners Committee at a teleconference meeting. A motion to vote on the 88th Agreement failed for want of a second at that Committee. The issue of the locus of unilateral filing rights pursuant to Section 205 of the Federal Power Act with respect to the transmission-related provisions of the Restated NEPOOL Agreement and the NEPOOL Tariff is the subject of dispute which is reserved pursuant to

35.13(b)(7) - The NEPOOL Participants Committee has no knowledge of any relevant expenses or costs of service that have been alleged or judged in any administrative or judicial proceeding to be illegal, duplicative, or unnecessary costs that are demonstrably the product of discriminatory employment practices.

35.13(b)(8) - Submitted as Attachment 6 to this transmittal letter is a draft form of notice concerning this filing that is suitable for publication in the Federal Register in accordance with Section 35.8 of the Commission's Regulations. A diskette containing this form of notice is also enclosed.

35.13(c)(1) - The 88th Agreement provides for the collection of additional amounts that cannot be precisely determined or reliably estimated at this time because such payments depend, in part, on the characteristics of the eligible units that participate in NEPOOL's black start-related SRPS and the monthly claimed capability of each participating unit. Based on available data for calendar year 2001, payments under Schedule 16 totaled \$2,966,003 or approximately \$3.13/kW-yr. If the 88th Agreement, as proposed, had been implemented effective January 1, 2001, and the rate of \$3.75/kW-yr proposed for the first year of the implementation of the new formula was in effect, payments to generator owners under Schedule 16 for 2001 would have totaled \$3,553,517, a \$587,514 increase.

35.13(c)(2) - The Participants do not jointly provide services under other rate schedules that are similar to the wholesale for resale and transmission services jointly provided by them under the Restated NEPOOL Agreement.

35.13(c)(3) - No specifically assignable facilities have been or will be installed or modified in order to supply service under the 88th Agreement.

Section 17A.7 of the Restated NEPOOL Agreement. Nothing in this submittal is intended to express, assert or concede any position on behalf of any NEPOOL Participant or group of Participants (including the NEPOOL Participants Committee and the NEPOOL Transmission Owners Committee) as to the reserved issue.

The Honorable Roman Magalie Salas
December 17, 2002
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Correspondence and communications regarding this filing should be addressed to NEPOOL Representatives as follows:

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Please acknowledge receipt of this filing by date-stamping and returning the extra copy of this transmittal letter in the enclosed pre-posted, pre-addressed envelope.

Respectfully submitted,
New England Power Pool Participants
Committee

David T. Doot
Its Counsel

DTD/spm
Enclosures
cc: Entities identified in Attachments 4 and 5

ATTACHMENT 1

I. Rate Formulas

A Transmission Customer Purchasing either Regional Network Service under Schedule 9 of this Agreement or Internal Point to Point Service under Schedule 10 of this Agreement, or a Transmission Customer making Unauthorized Use shall be required to pay NEPOOL for its share of Black Start Restoration and Planning Service (“Black Start Responsibility”) as determined in accordance with the following formulas:

$$\text{MRSR} = \left(\frac{1}{(\text{NL} + \text{IPP} + \text{UAU})} \right) (\text{C})$$

Where:

MRSR = The Transmission Customers’ Monthly Restoration Service Rate.

NL = The aggregate of the individual sums of each Participant’s or Non-Participant’s Network Load for the billing month.

IPP = The aggregate of the individual sums of each Participant’s or Non-Participant’s maximum Reserved Capacity for Internal Point-To-Point Service for each load served within a Local Network or Network(s) during the billing month.

UAU = The aggregate of the individual sums of each Participant’s or Non-Participant’s Maximum Unauthorized Use associated with Internal Point-To-Point Service for each load served within a Local Network or Network(s) during the month.

C = The sum of C_i for that month for each Black Start Generator, as defined in Section II below.

Each individual Participant's or Non-Participant's charge in any billing month would be calculated by the following formula:

$$MC = (MRSR)(NL_i + IPP_i + UAU_i)$$

Where

MC = The Monthly Charge.

NL_i = The sum of a Participant's or Non-Participant's Network Load for the billing month.

IPP_i = The sum of a Participant's or Non-Participant's maximum Reserved Capacity for Internal Point-To-Point Service for each load served within a Local Network or Network(s) during the billing month.

UAU_i = The sum of a Participant's or Non-Participant's Maximum Unauthorized Use associated with Internal Point-To-Point Service for each load served within a Local Network or Network(s) during the month.

A separate charge for this service based upon the above rates will be added to the Transmission Customer's monthly bill.

II. Compensation to Generators

A. Eligibility. In order to be designated as a “Black Start Generator” providing System Restoration Service and to be eligible for compensation under this Schedule 16 of the NEPOOL Open Access Transmission Tariff, a generator must meet the following criteria:

1. The unit is “Black Start Capable” in that it has the ability of being started without energy from other NEPOOL generating units in such a way that it meets all of the requirements stated in Operating Procedure 11 (Black Start Capability Eligibility & Testing Requirements); and
2. The unit owner, NEPOOL, and the System Operator agree that the unit should be designated Black Start Capable and accordingly is listed as a Black Start unit in Operating Procedure 11.

Each generator which is eligible for and seeks compensation under the NEPOOL Open Access Transmission Tariff for providing System Restoration Service shall execute an agreement with NEPOOL incorporating the terms and conditions of service set forth in this Schedule 16.

B. Compensation. A Black Start Generator shall be entitled to compensation in a month based on the following formula:

$$C_i = (\$Y/\text{kw-yr}/12) \times (\text{the unit's Monthly Claimed Capability for that month})$$

Where

“Y” = \$3.75 for the period from the effective date as determined by the Commission through and including December 31, 2003; \$4.00 for calendar year 2004, \$4.25 for calendar year 2005; and \$4.50 for calendar year 2006 and thereafter.

C. Terms and Conditions of Service.

1. Generator Owner's commitment to provide System Restoration and Planning Service:
 - (a) Generators need to commit initially for at least three years to provide System Restoration and Planning Service from the date of the last black-start/system restoration study. The most recent study was conducted in October 1998.

- (b) All succeeding commitments must be at least for three years.
- (c) Generators may, and are encouraged to, commit to provide System Restoration and Planning Service for periods greater than three years with System Operator and NEPOOL concurrence.
- (d) Generators need to give at least one-year notice that they will no longer be able to provide System Restoration and Planning Service. This one-year notice cannot truncate the generator's commitment to provide System Restoration and Planning Service except as noted in item 1(e) or 1(f) below.
- (e) If due to an event of Force Majeure a Generator Owner cannot provide System Restoration and Planning Service, the above notification requirements stated in items 1(a) and 1(b) are not binding.
- (f) If an owner of a generation unit that is designated Black Start Capable decides to retire that unit, then the three year requirement to provide System Restoration and Planning Service from that unit is not binding. The one-year notice, however, is binding.

2. Performance obligations of generators that are providing System Restoration and Planning Service:
- (a) Generators that are providing System Restoration and Planning Service will be tested in accordance with Operating Procedure 11 or its successor, which may be revised from time to time.
 - (b) Units that are providing System Restoration and Planning Service must start- up within the prescribed time stipulated in Operating Procedure 11 (Black Start Capability Eligibility & Testing Requirements). Not all unmanned units that are providing System Restoration and Planning Service will be asked to start-up at the same time.
 - (c) If a unit fails a System Restoration and Planning Service test, the owner must incur the necessary costs to make that unit capable of passing the test within a reasonable amount of time. Until the unit passes another System Restoration and Planning Service test, it would not be compensated for providing System Restoration and Planning Service. All costs associated with System Restoration and Planning Service unit re-tests are at the owner's expense.

3. Obligations by System Operator and NEPOOL to generators that are providing System Restoration and Planning Service:
 - (a) Generators that commit to provide System Restoration and Planning Service will not have their Black Start Capable designation terminated within the time period of their commitment.
 - (b) The System Operator and NEPOOL must provide at least one-year notice to the owner or owners of generation units that are providing System Restoration and Planning Service prior to terminating that unit's designation as Black Start Capable.
 - (c) There are no additional restrictions on generation maintenance of designated Black Start Capable units beyond what exists for non-Black Start units except that designated Black Start generation units cannot take seasonal outages.

SCHEDULE 17

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ATTACHMENT 2

I. Rate Formulas

A Transmission Customer Purchasing either Regional Network Service under Schedule 9 of this Agreement or Internal Point to Point Service under Schedule 10 of this Agreement, or a Transmission Customer making Unauthorized Use shall be required to pay NEPOOL for its share of Black Start Restoration and Planning Service ("Black Start Responsibility") as determined in accordance with the following formulas:

$$\text{MRSR} = (1/12) \left(\frac{1}{(\text{NL} + \text{IPP} + \text{UAU})} \right) (\text{C})$$

Where:

MRSR = The Transmission Customers' Monthly Restoration Service Rate.

NL = The aggregate of the individual sums of each Participant's or Non-Participant's Network Load for the billing month.

IPP = The aggregate of the individual sums of each Participant's or Non-Participant's maximum Reserved Capacity for Internal Point-To-Point Service for each load served within a Local Network or Network(s) during the billing month.

UAU = The aggregate of the individual sums of each Participant's or Non-Participant's Maximum Unauthorized Use associated with Internal Point-To-Point Service for each load served within a Local Network or Network(s) during the month.

C = ~~The annual cost of Service as determined from Supplement 1.~~ sum of C_i for that month for each Black Start Generator, as defined in Section II below.

Each individual Participant's or Non-Participant's charge in any billing month would be calculated by the following formula:

$$MC = (MRSR)(NL_i + IPP_i + UAU_i)$$

Where

MC = The Monthly Charge.

NL_i = The sum of a Participant's or Non-Participant's Network Load for the billing month.

IPP_i = The sum of a Participant's or Non-Participant's maximum Reserved Capacity for Internal Point-To-Point Service for each load served within a Local Network or Network(s) during the billing month.

UAU_i = The sum of a Participant's or Non-Participant's Maximum Unauthorized Use associated with Internal Point-To-Point Service for each load served within a Local Network or Network(s) during the month.

A separate charge for this service based upon the above rates will be added to the Transmission Customer's monthly bill. ~~The above rates are based upon generator expense as determined by Supplement 1.~~

II. Compensation to Generators

A. Eligibility. In order to be designated as a "Black Start Generator" providing System Restoration Service and to be eligible for compensation under this Schedule 16 of the NEPOOL Open Access Transmission Tariff, a generator must meet the following criteria:

1. The unit is "Black Start Capable" in that it has the ability of being started without energy from other NEPOOL generating units in such a way that it meets all of the requirements stated in Operating Procedure 11 (Black Start Capability Eligibility & Testing Requirements); and
2. The unit owner, NEPOOL, and the System Operator agree that the unit should be designated Black Start Capable and accordingly is listed as a Black Start unit in Operating Procedure 11.

Each generator which is eligible for and seeks compensation under the NEPOOL Open Access Transmission Tariff for providing System Restoration Service shall execute an agreement with NEPOOL incorporating the terms and conditions of service set forth in this Schedule 16.

B. **Compensation.** A Black Start Generator shall be entitled to compensation in a month based on the following formula:

$$\underline{C_i} = \underline{(\$Y/kw-yr/12) \times (the\ unit's\ Monthly\ Claimed\ Capability\ for\ that\ month)}$$

Where

"Y" = \$3.75 for the period from the effective date as determined by the Commission through and including December 31, 2003; \$4.00 for calendar year 2004, \$4.25 for calendar year 2005; and \$4.50 for calendar year 2006 and thereafter.

~~III. Effective Date. This Schedule 16 shall be effective as of September 1, 1998.~~

Supplement 1
To Schedule 16

~~System Restoration and Planning Service Revenue Requirement~~

~~The annual Revenue Requirement for System Restoration and Planning Service will be the sum of the annual revenue requirements for each generator which is designated in NEPOOL Operating Procedure 11 as providing Black Start Service and which has provided to the System~~

~~Operator, along with work papers and supporting documents, a calculation of its annual Revenue Requirement, determined in accordance with this Supplement 1.~~

~~Each Black Start Generator's Revenue Requirement will reflect the generator's costs for its Black Start equipment as listed in Exhibit 1. Each Generator's Revenue Requirement will be an annual calculation based on the previous calendar year's data and supplied to the ISO in time for a June 1 informational filing. The calculation is set forth below:~~

~~The Generator's Revenue Requirement shall equal the sum of generator's (A) Return and Associated Income Taxes, (B) Black Start Plant Depreciation Expense, (C) Black Start Related Amortization of Loss on Reacquired Debt, (D) Black Start Related Amortization of Investment Tax Credits, (E) Black Start Related Municipal Tax Expense, (F) Black Start Operation and Maintenance Expense, and (G) Black Start Related Administrative and General Expense.~~

~~A. Return and Associated Income Taxes shall equal the product of the Black Start Plant Investment Base and the Cost of Capital Rate.~~

~~1. The Black Start Plant Investment Base will consist of (a) Black Start Plant in FERC 345 or equivalent accounts, plus (b) Related~~

~~General Plant in FERC 389 through 399 inclusive or equivalent accounts, less (c) Related Depreciation Reserve, less (d) Related Accumulated Deferred Taxes, plus (e) Related Loss on Reacquired Debt, plus (f) other regulatory assets, plus (g) Prepayments, plus (h) Materials and Supplies, plus (i) Related Cash Working Capital.~~

- a. ~~Black Start Plant will equal the calculated average balance of generator's investment in the Exhibit 1 facilities based upon GAAP records and engineering studies and evaluations categorized similar in principal to FERC 345 or equivalent accounts.~~
- b. ~~Black Start Related General Plant shall equal generator's calculated average balance of investment in general plant based upon GAAP records and engineering studies and evaluations categorized similar in principal to FERC 389 through 399 inclusive or equivalent accounts multiplied by the ratio of Black Start related wages and salaries utilizing a standard labor rate to the generator's total wages and salaries of the black start facilities, and excluding administrative and general wages and salaries ("Black Start Allocation Factor").~~

- e. ~~Black Start Related Depreciation Reserve shall equal the average balance of total Black Start depreciation reserve for the Black Start Plant plus the average balance of Black Start Related General Plant depreciation reserve. The Black Start Plant depreciation reserve shall be the average balance of the total Black Start Plant depreciation recovered by the generator for providing system restoration services. Black Start Related General Plant depreciation reserve shall equal the product of the Black Start General Plant reserve and the Black Start Allocation Factor.~~
- d. ~~Black Start Related Accumulated Deferred Taxes shall equal generator's average balance of total accumulated deferred income taxes, multiplied by the ratio of total investment in Black Start Plant plus Black Start Related General Plant to total plant in service excluding general plant ("Plant Allocation Factor").~~
- e. ~~Black Start Related Loss on Reacquired Debt shall equal generator's average balance of total loss on reacquired debt multiplied by the Plant Allocation Factor described in Section (A) (1) (d).~~

- f. ~~Other Regulatory Assets shall equal generator's average balance of FAS 106 multiplied by the Black Start Allocation Factor described in Section (A) (1) (b) above and the balance of FAS 109, net of FAS 109 liability multiplied by the Plant Allocation Factor described in Section (A) (1) (d) above.~~
- g. ~~Black Start Prepayments shall equal generator's average balance of prepayments multiplied by the Black Start Allocation Factor described in Section (A) (1) (b) above.~~
- h. ~~Black Start Materials and Supplies shall equal generator's average balance of plant materials and supplies multiplied by the Plant Allocation Factor described in Section (A) (1) (d) above or the actual materials and supplies utilized in the operation and maintenance of Black Start equipment.~~
- i. ~~Black Start Related Cash Working Capital shall be a 12.5% allowance (45 days / 360 days) of Black Start operation and maintenance expense and related administrative and general expense.~~
2. ~~The Cost of Capital Rate shall equal (a) the Weighted Cost of Capital, plus (b) Federal Income Taxes, plus (c) State Income Taxes.~~

- a. ~~The Weighted Cost of Capital will be the weighted average cost of debt and common equity, using a proxy capital structure based upon a 50% debt and 50% equity split.~~
- i) ~~The Return on Equity Component shall be the average of the NEPOOL Transmission Providers' return on equity pursuant to the NEPOOL Tariff.~~
- ii) ~~The Cost of Debt component shall equal the current interest rate of a 30 year U.S. Treasury Bond.~~
- b. ~~Federal Income Taxes shall equal~~

$$\frac{\cancel{(A)(FT)}}{\cancel{1-FT}}$$

~~where FT is the federal income tax rate (35%) and A is the Return on Equity Component, as determined in Section (A) (2) (a) (i).~~

- c. ~~State Income Taxes shall equal~~

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

~~Where ST is the state income tax rate for the applicable state and A is the Return on Equity Component, as determined in Section (A) (2) (a) (i), and Federal Income Tax is the rate determined in Section (A) (2) (b) above.~~

~~B. Black Start Depreciation Expense shall equal the sum of depreciation expense for Black Start Plant plus an allocation of general plant depreciation expense calculated by multiplying general plant depreciation expense by the Black Start Allocation Factor, described in Section (A) (1) (b) above.~~

~~C. Black Start Related Amortization of Loss on Reacquired Debt shall equal generator's amortization of loss on reacquired debt multiplied by the Plant Allocation Factor described in Section (A) (1) (d) above.~~

[Next Sheet is 245]

~~D. Black Start Related Amortization of Investment Tax Credits shall equal generator's amortization of investment tax credits multiplied by the Plant Allocation Factor described in Section (A) (1) (d) above.~~

- ~~E. — Black Start Related Municipal Tax Expense shall equal generator's total municipal tax expense multiplied by the Plant Allocation Factor described in Section (A) (1) (d) above.~~
- ~~F. — Black Start Operation and Maintenance Expense shall equal all expenses charged directly to Black Start equipment.~~
- ~~G. — Black Start Related Administrative and General Expenses shall equal generator's administrative and general expenses, plus payroll taxes, multiplied by the Black Start Allocation Factor described in Section (A) (1) (b) above.~~

~~Exhibit 1 to Supplement 1~~

~~Additional Black Start Cost of Service Methodology Details~~

~~The objective of this methodology is to apply cost of service principles to determine the amount of compensation providers of black start service receive. Black Start Generators are only compensated for the incremental costs that are incurred in making and maintaining a unit black start capable and do not include any other costs. Generators shall not recover those black start costs for which they are otherwise compensated through other rate schedules or divestiture contracts.~~

~~O&M includes equipment wear and tear, training, black start labor costs associated with testing, and periodic maintenance. It is assumed that there are 25 worker hours per black start unit per year of training. Wear and tear associated with testing black start units will be prorated based on number of hours between maintenance activities. For example, if a maintenance activity occurs every 1,000 hours, and black start testing lasts 1 hour per year, then 0.1% of the costs associated with that maintenance activity will be recovered through black start charges.~~

~~Fuel costs are those actual, average in tank fuel costs including emission allowances/credits used in testing Black Start Generators and their actual use in system restoration. Fuel costs include fuel consumed due to minimum run requirements.~~

~~Cash and Working Capital include spare parts associated with the equipment that makes a generating unit black start capable.~~

~~The list of equipment below is equipment commonly associated with making generating units Black Start Capable. The exact equipment varies depending on the specific generator. In addition, some generating units are made Black Start Capable by having a stand alone generating unit that is not connected to the bulk power system (and therefore cannot participate in any of the NEPOOL markets). This stand alone generating unit provides the means by which the black start generating unit is Black Start Capable.~~

~~The following equipment is assumed to be depreciated over the following number of years (unless a different depreciation is required by FERC):~~

~~Air compressors 10 years
Air tanks 30 years
Batteries/Chargers 10 years
DC motors 25 years
DC Controllers 25 years
DC/AC Inverters 10 years~~

~~Supplement 2~~

~~To Schedule 16~~

~~Black Start System Restoration and Planning Service Terms and Conditions~~

- ~~1. Definition of System Restoration and Planning Service. A unit is defined to provide "System Restoration and Planning Service" if both of the following conditions are met:~~
- ~~A. The unit is "Black Start Capable" in that it has the ability of being started without energy from other NEPOOL generating units in such a way that it meets all of the requirements stated in Operating Procedure 11 (Black Start Capability Eligibility & Testing Requirements); and~~

~~B. The unit owner, NEPOOL, and the System Operator agree that the unit should be designated Black Start Capable.~~

C. Terms and Conditions of Service.

1.2. Generator Owner's commitment to provide System Restoration and Planning Service:

~~A.~~(a) Generators need to commit initially for at least three years to provide System Restoration and Planning Service from the date of the last black-start/system restoration study. The most recent study was conducted in October 1998.

- ~~B.~~(b) All succeeding commitments must be at least for three years.
- ~~C.~~(c) Generators may, and are encouraged to, commit to provide System Restoration and Planning Service for periods greater than three years with System Operator and NEPOOL concurrence.
- ~~D.~~(d) Generators need to give at least one-year notice that they will no longer be able to provide System Restoration and Planning Service. This one-year notice cannot truncate the generator's commitment to provide System Restoration and Planning Service except as noted in item ~~2(E)~~ 1(e) or ~~2(F)~~ 1(f) below.
- ~~E.~~(e) If due to an event of Force Majeure a Generator Owner cannot provide System Restoration and Planning Service, the above notification requirements stated in items ~~2(A)~~ 1(a) and ~~2(B)~~ 1(b) are not binding.
- ~~F.~~(f) If an owner of a generation unit that is designated Black Start Capable decides to retire that unit, then the three year requirement to provide System Restoration and Planning Service from that unit is not binding. The one-year notice, however, is binding.

3 2. Performance obligations of generators that are providing System Restoration and Planning Service:

- ~~A.~~(a) Generators that are providing System Restoration and Planning Service will be tested in accordance with Operating Procedure 11 or its successor, which may be revised from time to time.
- ~~B.~~(b) Units that are providing System Restoration and Planning Service must start- up within the prescribed time stipulated in Operating Procedure 11 (Black Start Capability Eligibility & Testing Requirements). Not all unmanned units that are providing System Restoration and Planning Service will be asked to start-up at the same time.
- ~~C.~~(c) If a unit fails a System Restoration and Planning Service test, the owner must incur the necessary costs to make that unit capable of passing the test within a reasonable amount of time. Until the unit passes another System Restoration and Planning Service test, it would not be compensated for providing System Restoration and Planning Service. All costs associated with System Restoration and Planning Service unit re-tests are at the owner's expense.

4 3. Obligations by System Operator and NEPOOL to generators that are providing System Restoration and Planning Service:

~~A.~~(a) Generators that commit to provide System Restoration and Planning Service will not have their Black Start Capable designation terminated within the time period of their commitment.

~~B.~~(b) The System Operator and NEPOOL must provide at least one-year notice to the owner or owners of generation units that are providing System Restoration and Planning Service prior to terminating that unit's designation as Black Start Capable.

~~C.~~(c) There are no additional restrictions on generation maintenance of designated Black Start Capable units beyond what exists for non-Black Start units except that designated Black Start generation units cannot take seasonal outages.

~~If a Generator Owner makes System Operator and NEPOOL approved capital investments necessary to System Restoration and Planning Service, then that owner will recover all of the associated costs of that investment, including on and of capital, unless the owner voluntary removes that unit from providing System Restoration and Planning Service prior to the recovery of its investment costs in accordance with the cost of service methodology approved for the recovery of System Restoration and Planning Service costs. If a Generator Owner voluntary removes a unit from providing System Restoration and Planning Service prior to the recovery of all of its investment costs, then that owner only receives that portion of its investment cost that was recovered during the period that its unit was providing System Restoration and Planning Service.~~

~~The System Operator or its designated agent shall have the right to independently audit the accounts and records of each generator receiving payments under this rate schedule. The generator shall make its accounts and records available at its offices at a mutually agreeable time for this audit. Such audit shall extend only to those areas relating specifically to this rate schedule. Any errors identified as a result of such audit shall be corrected with interest in accordance with FERC policy with refunds and surcharges, as appropriate, for any amounts previously over or under charged due to such errors.~~

SCHEDULE 17

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ATTACHMENT 3

NEPOOL PARTICIPANTS COMMITTEE

Eighty-Eighth Agreement

ATTACHMENT
Balloting Ended 10/16/02

TALLY

<u>GENERATION SECTOR</u>	Votes *	<u>IN FAVOR</u>	<u>OPPOSED</u>	<u>ABSTAINED</u>
Duke Energy North America LLC	F	3.333		
FPL Energy LLC	F	3.333		
Indeck-Pepperell Power Associates, Inc.	F	3.333		
Mirant New England, LLC	F	3.333		
TransCanada Power Marketing Ltd.	F	3.333		
Wisvest-Connecticut LLC	F	3.333		
Subtotal	6	20	0	0

While there are 10 voting members in the Generation Sector, only 6 members voted on this amendment. Because this satisfied the Sector Quorum Requirements for the Generation Sector, the Member Adjusted Voting Share for voting Participants was 3.333 %.

<u>TRANSMISSION SECTOR</u>	Votes *	<u>IN FAVOR</u>	<u>OPPOSED</u>	<u>ABSTAINED</u>
Boston Edison Company	O	--	5	
Central Maine Power Company	O	--	5	
New England Power Company	A	--		1
Northeast Utilities System Companies	F	5		
The United Illuminating Company	O	--	5	
Subtotal	4	5	15	1

While there are 7 voting members in the Transmission Sector, only 4 members voted on this amendment, (abstentions are not counted). Because this satisfied the Sector Quorum Requirements for the Transmission Sector, the Member Adjusted Voting Share for voting Participants was 5%.

<u>SUPPLIER SECTOR</u>	Votes *	<u>IN FAVOR</u>	<u>OPPOSED</u>	<u>ABSTAINED</u>
AES Londonderry	F	2.222		
Constellation Power Source, Inc.	F	2.222		
El Paso Merchant Energy, LP	F	2.222		
H.Q. Energy Services (U.S.) Inc.	F	2.222		
LIPA	F	2.222		
PG&E Energy Trading-Power, LP	F	2.222		
Sempra Energy Trading Corp.	F	2.222		
Strategic Energy Ltd.	F	2.222		
UNTIL Service Corp. Participants Companies	F	2.222		
Subtotal	9	20	0	0

While there are 46 voting members in the Supplier Sector, only 9 members voted on this amendment. Because this satisfied the Sector Quorum Requirements for the Supplier Sector, the Member Adjusted Voting Share for voting Participants was 2.222%.

<u>Publicly Owned Entity Sector</u>	Votes *	<u>IN FAVOR</u>	<u>OPPOSED</u>	<u>ABSTAINED</u>
Ashburnham Municipal Light Plant	F	0.645		
Belmont Municipal Light Department	F	0.645		
Boylston Municipal Light Department	F	0.645		
Braintree Electric Light Department	F	0.645		
Concord Municipal Light Plant	F	0.645		
Danvers Electric Division	F	0.645		
Georgetown Municipal Light Department	F	0.645		
Groton Electric Light Department	F	0.645		
Hingham Municipal Lighting Plant	F	0.645		
Holden Municipal Light Department	F	0.645		
Holyoke Gas & Electric Department	F	0.645		
Hudson Light and Power Department	F	0.645		
Hull Municipal Lighting Plant	F	0.645		
Ipswich Municipal Light Department	F	0.645		
Mansfield Municipal Electric Department	F	0.645		

NEPOOL PARTICIPANTS COMMITTEE

ATTACHMENT
Balloting Ended 10/16/02

Eighty-Eighth Agreement

TALLY

	Votes *	<u>IN FAVOR</u>	<u>OPPOSED</u>	<u>ABSTAINED</u>
Marblehead Municipal Light Department	F	0.645		
Mass. Municipal Wholesale Electric Company	F	0.645		
Middleborough Gas and Electric Department	F	0.645		
Middleton Municipal Electric Department	F	0.645		
North Attleborough Electric Department	F	0.645		
Pascoag Utility District	F	0.645		
Paxton Municipal Light Department	F	0.645		
Peabody Municipal Light Plant	F	0.645		
Rowley Municipal Lighting Plant	F	0.645		
Shrewsbury Electric Light Plant	F	0.645		
South Hadley Electric Light Department	F	0.645		
Sterling Municipal Electric Light Department	F	0.645		
Templeton Municipal Lighting Plant	F	0.645		
Wakefield Municipal Gas and Light Department	F	0.645		
West Boylston Municipal Lighting Plant	F	0.645		
Westfield Gas & Electric Light Department	F	0.645		
Subtotal	31	20	0	0

While there are 40 voting members in the Publicly Owned Entity Sector, only 31 members voted on this amendment, (abstentions are not counted). Because this satisfied the Sector Quorum Requirements for the Publicly Owned Entity Sector, the Member Adjusted Voting Share for voting Participants was 0.645%.

<u>End Users Sector</u>	Votes *	<u>IN FAVOR</u>	<u>OPPOSED</u>	<u>ABSTAINED</u>
Associated Industries of Massachusetts	F	1.429		
Connecticut, State of, Office of Consumer Counsel	F	1.429		
Forster, Inc.	F	1.429		
Gardiner Paperboard	F	1.429		
Industrial Energy Consumer Group	F	1.429		
Maine Skiing, Inc.	F	1.429		
Mass. Energy Buyers Coalition (MEBC)	F	1.429		
Mead Oxford Corporation	F	1.429		
New Hampshire Office of Consumer Advocate	F	1.429		
PowerOptions, Inc.	F	1.429		
Texas Instruments	F	1.429		
The Energy Consortium	F	1.429		
The Energy Council of Rhode Island (TEC-RI)	F	1.429		
Union of Concerned Scientists	F	1.429		
Subtotal	14	20	0	0

While there are 27 voting members in the End User Sector, only 14 members voted on this amendment. Because this satisfied the Sector Quorum Requirements for the End User Sector, the Member Adjusted Voting Share for voting Participants was 1.429%.

TOTAL	64	85.00	15.00	1.00
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*Votes: F = In Favor
*Votes: O = Opposed
*Votes: A = Abstention

ATTACHMENT 4

**New England Governors
and Utility Regulatory
and Related Agencies**

December 17, 2002

Connecticut

The Honorable John G. Rowland
State Capitol
210 Capitol Ave.
Hartford, CT 06106

Connecticut Department of Public Utility
Control
10 Franklin Square
New Britain, CT 06051-2605

Maine

The Honorable Angus S. King, Jr.
One State House Station
Rm. 236
Augusta, ME 04333-0001

Maine Public Utilities Commission
State House, Station 18
242 State Street
Augusta, ME 04333-0018

Massachusetts

The Honorable Jane Swift
Office of the Governor
Rm. 360 State House
Boston, MA 02133

Massachusetts Department of Telecommunications
and Energy
One South Station
Boston, MA 02110

New Hampshire

The Honorable Jeanne Shaheen
State House Rm. 208
Concord, NH 03301

New Hampshire Public Utilities Commission
8 Old Suncook Road - Building #1
Concord, NH 03301

Rhode Island

The Honorable Lincoln Almond
State House Rm. 143
Providence, RI 02903

Rhode Island Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

Vermont

The Honorable Howard Dean
109 State Street
Montpelier, VT 05609

Vermont Public Service Board
112 State Street, Drawer 20
Montpelier, VT 05620-2701

**New England Governors
and Utility Regulatory
and Related Agencies**

December 17, 2002

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ATTACHMENT 5

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December 17, 2002

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ATTACHMENT 6

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

New England Power Pool

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Docket No. ER03- -000

NOTICE OF FILING

(December , 2002)

Take notice that on December 18, 2002, the New England Power Pool ("NEPOOL") Participants Committee submitted the Eighty-Eighth Agreement Amending New England Power Pool Agreement, which changes the formula in Scheduling 16 of the NEPOOL Open Access Transmission Tariff (the "NEPOOL Tariff") for determining the compensation owners of eligible generators will receive for providing black-start related system restoration and planning services to NEPOOL pursuant to Schedule 16. A January 1, 2003 effective date was requested for each of these Agreements.

The NEPOOL Participants Committee states that copies of these materials were sent to the NEPOOL Participants, Non-Participant Transmission Customers and the New England state governors and regulatory commissions.

Any person desiring to intervene or to protest this filing should file with the Federal Energy Regulatory Commission, 888 First Street, N.E., Washington, D.C. 20426, in accordance with Rules 211 and 214 of the Commission's Rules of Practice and Procedure (18 CFR 385.211 and 385.214). Protests will be considered by the Commission in determining the appropriate action to be taken, but will not serve to make protestants parties to the proceeding. Any person wishing to become a party must file a motion to intervene. All such motions or protests should be filed on or before the comment date, and, to the extent applicable, must be served on the applicant and on any other person designated on the official service list. This filing is available for review at the Commission or may be viewed on the Commission's web site at <http://www.ferc.gov>, using the "FERRIS" link. Enter the docket number excluding the last three digits in the docket number filed to access the document. For assistance, contact FERC Online Support at FERCOnlineSupport@ferc.gov or toll-free at (866)208-3676, or for TTY, contact (202)502-8659. Protests and interventions may be filed electronically via the Internet in lieu of paper; see 18 CFR 385.2001(a)(1)(iii) and the instructions on the Commission's web site under the "e-Filing" link. The Commission strongly encourages electronic filings.

Comment Date: January _____ , 2003

Magalie R. Salas
Secretary

ATTACHMENT 7

ISO NEW ENGLAND, INC.

DATE: June 9, 2000
TO: Members and Alternates of the NEPOOL Participants Committee
FROM: Stephen G. Whitley *St D Whitley*
SUBJECT: Black Start Alternative to Somerset Jet 2

Pursuant to your direction to ISO New England, for the last 90 days, we have worked with all interested Participants to identify arrangements to address the negative impact on reliability that would result from NRG's retirement of Somerset Jet 2. We explored in multiple publicly-noticed meetings ways to persuade NRG to keep Somerset Jet 2 in operation. Alternatively, we investigated available options to replace the black start capability from that unit. At this time, we are recommending that the Participants Committee authorize ISO New England to enter into black start arrangements with an alternate supplier at an annual price to Participants not to exceed \$800,000. We recommend that the costs of such arrangement be allocated on the same basis as other black start costs.

In early March, the NPC denied NRG's Section 18.4 application to retire Somerset Jet 2. ISO New England and the NPC were concerned that the loss of Somerset Jet 2 places a void in the NEPOOL black start capability and system restoration plan for one particular zone of the transmission grid. The negotiation period required by Section 18.5 of the Restated NEPOOL Agreement expired on June 2, 2000 without agreement on a plan that would keep Somerset Jet 2 in operation. On June 6, 2000, NRG notified ISO New England that it would remove Somerset Jet 2 from operation on July 6, 2000.

In connection with the Somerset negotiations, two potential alternate generators were identified that, if equipped with additional equipment – diesel generators, 4-kV switch, etc. – could provide adequate black start capability to this same zone. No other viable alternatives were identified. Based on preliminary engineering assessments, this retrofit work could be accomplished in less than two months.

With the retirement of Somerset Jet 2 now certain and imminent, it is necessary to put in place arrangements that will ensure a viable black start plan for this section of the regional grid. We recommend an arrangement that would cover for one year the cost of equipping the Dartmouth unit with full black start capability to replace such capability lost from Somerset. That capability will be provided from diesel generators at the Dartmouth site that will be leased on a monthly basis. The total costs for this capability, including the lease costs,

additional up front equipment costs, and the training, operations and maintenance costs are estimated to be at or below \$800,000 for the first year. In connection with the finalization of any arrangements, ISO New England will verify that these estimates fairly reflect expected actual costs.

The debate over how to allocate black start costs in New England is currently pending before the FERC. We recommend that the black start costs incurred under the arrangements to equip, operate and maintain such capability at Dartmouth be allocated in the same way that the FERC determines to allocate other black start costs.

While we would prefer to have all of these arrangements covered under the Black Start schedule as it is ultimately approved by the FERC, we need arrangements in place now given the timing of NRG's withdrawal of Somerset Jet 2 from operation. The owner of Dartmouth is unwilling to install new black start capability at its unit without price certainty from a fixed cost arrangement. We have explored numerous other options. As mentioned, only two options appear to be viable. The Dartmouth option is sound electrically and the most feasible based on input from other participants.

I expect to participate in the June NPC conference call to discuss this matter and to answer your questions. Since we need to have a black start plan in place before the next NPC meeting in July, we urge NPC approval of these recommendations at the June teleconference meeting.

BlackStartLtr.SGW:mdr
LETTERS.SGW