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Attorney

December 2, 2019

VIA ETARIFF

Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

Re: *The United Illuminating Company*, Docket No. ER20-______-000

Dear Secretary Bose:

Pursuant to section 205[1] of the Federal Power Act ("FPA") and Part 35 of the Federal Energy Regulatory Commission's ("Commission") regulations,[2] The United Illuminating Company ("UI")[3] hereby submits proposed tariff revisions to Attachment F of Section II of the ISO New England Inc. ("ISO-NE") Transmission, Markets and Services Tariff, referred

[1] 16 U.S.C. § 824d (2012).

[2] 18 C.F.R. Part 35 (2017).

[3] UI as a Participating Transmission Owner, and not ISO-NE, has the Federal Power Act section 205 rights to make revisions to the ISO-NE Tariff. This filing is being submitted through the eTariff system by ISO-NE on behalf of UI given ISO-NE's capacity as administrator of the ISO-NE Tariff in the eTariff system.

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AVANGRID

to as the ISO-NE Open Access Transmission Tariff ("ISO-NE Tariff").[4]

UI proposes to modify the Attachment F revenue requirement calculation in the ISO-NE OATT to include one hundred percent construction work in progress ("CWIP") associated with the Pequonnock Substation Project in rate base. The Attachment F formula enables calculation of the Pool Transmission Facility ("PTF") revenue requirements used to determine the Regional Network Service ("RNS") transmission rate that is charged to regional transmission customers under Schedule 9 of the ISO-NE OATT.

In *The United Illuminating Company*, 167 FERC ¶ 61,126 (2019), *reh'g pending* (the *"Pequonnock Order"*), the Commission granted in part and denied in part UI's request for transmission rate incentives for the Pequonnock Substation Project pursuant to FPA section 205 and Order No. 679.[5] In the *Pequonnock Order*, the Commission authorized UI to include one hundred percent CWIP related to the Pequonnock Substation Project in rate base ("Pequonnock CWIP"), effective May 15, 2019. In this filing, UI is not seeking authorization for additional incentives under Order No. 679, but is seeking Commission approval of tariff changes to enable UI to recover return on Pequonnock CWIP, an incentive the Commission approved at UI's request in the *Pequonnock Order*, through

[4] Capitalized terms used but not otherwise defined in this filing have the meanings ascribed thereto in the ISO-NE Tariff.

[5] *Promoting Transmission Investment through Pricing Reform*, Order No. 679, 71 Fed. Reg. 43,294 (July 31, 2006), FERC Stats. & Regs. ¶ 31,222 ("Order No. 679"), *order on reh'g*, Order No. 679-A, 72 Fed. Reg. 1152 (Jan. 10, 2007), FERC Stats & Regs. ¶ 31,236 (2006) ("Order No. 679-A"), *order on reh'g*, 119 FERC ¶ 61,062 (2007).

RNS rates under the ISO-NE OATT.

The purpose of this filing is to obtain Commission authorization to revise Attachment F of the ISO-NE Tariff so that UI may begin recovering Pequonnock CWIP that is booked to rate base from RNS customers. The Attachment F Implementation Rule is used to determine the RNS rate under the ISO-NE OATT. Consistent with the Commission's orders authorizing certain New England Transmission Owners[6] to recover one hundred percent of CWIP associated with project costs that are expected to be designated Pool-Supported PTF[7] in accordance with Schedule 12 and recoverable through the RNS rate, UI believes it is appropriate to recover one hundred percent of Pequonnock CWIP in the same manner.

I. BACKGROUND

A. Description of The United Illuminating Company

UI is a public utility company specially chartered and operated under the laws of the State of Connecticut, with its principal place of business in Orange, Connecticut. UI is a wholly-owned subsidiary of UIL Holdings Corporation and a wholly-owned indirect

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[6] *See Central Maine Power Co*., 128 FERC ¶ 61,143 (2009)("*Central Maine*"), *order on reh'g*, 135 FERC ¶ 61,139 (2011); and *Ne Utilis Serv. Co. and Nat'l Grid USA*, 135 FERC ¶ 61,195 (2011) ("*NU"*).

[7] *See* Schedule 12 of the ISO-NE OATT at § B(5) ("The cost for all Regional Benefit Upgrades, as well as all *transmission facilities that were PTF as of December 31, 2003 and upgrades to such facilities that meet the definition of PTF under this OATT*, shall be included in the Pool-Supported PTF costs recoverable under this OATT for so long as such Transmission Upgrades and such existing PTF continue to meet the definition of PTF under this OATT and allocated to Transmission Customers taking service under this OATT.") (Emphasis added).

subsidiary of Avangrid, Inc., and is engaged principally in the purchase, transmission, distribution and sale of electricity, and serves an area consisting of about 335 square miles in southwestern Connecticut. UI is a Participating Transmission Owner ("PTO") in ISO-NE, the Regional Transmission Organization ("RTO") in New England, under the terms of the Transmission Operating Agreement by and among the New England PTOs and ISO-NE. UI's current transmission infrastructure investments include both high-voltage transmission lines commonly referred to as PTF and Non-PTF used to provide local transmission and distribution service. On February 1, 2005, upon commencement of the operation of ISO-NE as an RTO, UI transferred operational control of its transmission facilities to ISO-NE, which is responsible for providing service over those facilities as set forth in the ISO-NE OATT.[8] Service over UI's PTF is provided under Schedule 8 and Schedule 9 of the ISO-NE OATT. Service over UI's Non-PTF is provided under Schedule 21-UI of the ISO-NE OATT.

B. Two-Tiered Transmission Rate Structure in New England

New England's PTOs, such as UI, recover their transmission revenue requirements through a combination of regional and local rates.[9] UI recovers most of the costs associated

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[8] Section II of the ISO-NE Transmission, Markets and Services Tariff.

[9] The terms and conditions for service over the PTOs' PTFs are set forth in Schedule 9 of the ISO-NE OATT. Schedule 21-UI contains the terms and conditions for the provision of local transmission service by UI. UI and the other PTOs determine their annual Attachment F revenue requirements that are used to calculate the RNS rate for service over Pool Supported PTF.

with its PTF through RNS rates under the ISO-NE OATT. UI's Localized Costs and costs associated with non-PTF are not included in the Pool-Supported PTF costs recoverable in RNS rates, and instead, are recovered under Schedule 21-UI of the ISO-NE OATT. Revenues received from the RNS rate for transmission service over the PTF are treated as a revenue credit to UI's Schedule 21-UI revenue requirements. UI's Schedule 21-UI revenue requirements, therefore, reflect the recovery of these residual transmission costs under the Local Network Service ("LNS") rate.

C. The Existing Pequonnock Substation

The existing Pequonnock substation is a 115-kV / 13.8-kV air-insulated transmission substation coupled to a 13.8-kV metal-clad switchgear distribution station located on a 1.5 acre parcel owned by UI at 1 Atlantic Street, in south-central Bridgeport, Connecticut. The substation was originally placed in service in 1956 and has since undergone various modifications. The existing Pequonnock substation serves a substantial portion of the City of Bridgeport, including critical facilities, such as police, fire, and hospital.

The existing Pequonnock substation is bounded by and situated within a 58.8 acre fenced industrial property owned by PSEG Power Connecticut ("PSEG"). Specifically, the existing Pequonnock substation is bordered to the north by a PSEG access road and to the south and west by PSEG property associated with the Bridgeport Harbor Station ("BHS") electric generating facility, and to the east by Bridgeport Harbor. Ferry Access Road, which extends to the Bridgeport-Port Jefferson ferry terminal, is located north of the existing Pequonnock substation, outside of the PSEG fence line. The Metro-North/Amtrak Railroad corridor, which provides primary rail service along the eastern seaboard, is aligned to the north and generally parallel to Ferry Access Road.

There are a total of eight 115-kV transmission lines, including five overhead and three underground that interconnect to the existing Pequonnock substation. Four of the overhead transmission lines are aligned along the adjacent Metro-North/Amtrak Railroad corridor, and are located on bonnets on top of railroad catenary structures. These lines connect the existing Pequonnock substation to UI's Ash Creek and Congress substations, as well as to The Connecticut Light and Power Company d/b/a Eversource Energy's Compo substation. The fifth overhead transmission line is located on PSEG property and connects the existing Pequonnock substation to PSEG's BHS Unit 3. The three underground lines connecting to the existing Pequonnock substation consist of two high-pressure gas filled cables, which cross beneath Bridgeport Harbor, and a cross-linked polyethylene ("XLPE") cable, which extends from UI's Singer substation in Bridgeport.

D. Overview of Pequonnock[10]

UI's Pequonnock Substation Project will replace the existing Pequonnock substation

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[10] A detailed discussion that justifies the regional need for Pequonnock was included in UI's request for incentives in Docket No. ER19-1359-000. *See e.g.*, Direct Testimony of David Bradt; See *also Pequonnock Order* at PP 3-4.

and will include (1) a new 115-kV/13.8-kV gas insulated substation; (2) the relocation and installation of existing 115-kV overhead transmission lines including new galvanized steel monopole structures; and (3) the relocation and installation of 115-kV underground high-pressure gas filled cables and one underground XLPE cable, each ranging in length from about 500 feet to 730 feet. The Pequonnock Substation Project is approximately a $101.6 million[11] electric transmission investment and is expected to be placed in service on or before December 1, 2023.[12]

The Pequonnock Substation Project will be constructed 750 feet further inland from and at an elevation that is substantially higher than the existing Pequonnock substation on a 3.7-acre project site.

E. The *Peqonnock Order*

On March 15, 2019, in Docket No. ER19-1359-000, UI submitted an application requesting certain transmission rate incentives pursuant to FPA sections 205 and 219, including (1) a return on equity ("ROE") incentive adder for the risks and challenges of the project; (2) one hundred percent recovery of prudently incurred costs in the event the Pequonnock Substation Project is abandoned, in whole or in part, for reasons outside of

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[11] Amount includes the Cost of Removal of the existing Pequonnock substation. UI expects to include $96.3 million of Pequonnock CWIP in rate base.

[12] UI has experienced project delays due to challenges faced in obtaining site control of the real estate necessary to construct the Pequonnock Substation Project and is therefore projecting an in-service date of December 1, 2023.

UI's control ("Abandoned Plant Incentive")' and (3) inclusion of one hundred percent Pequonnock CWIP in rate base. In the *Pequonnock Order*, the Commission granted UI's request for the Abandoned Plant Incentive and inclusion of Pequonnock CWIP in rate base, but denied[13] UI's request for the ROE incentive adder.

With respect to Pequonnock CWIP, the Commission accepted UI's proposal to include one hundred percent of Pequonnock CWIP in rate base, effective May 15, 2019. The Commission found that UI "has shown a nexus between the requested 100 percent CWIP recovery and its investment in the Pequonnock Project[,]" which "will help insulate United Illuminating's customers from rate shock that might otherwise accompany the use of AFUDC."[14]

Pursuant to Order No. 679 and 18 C.F.R. § 35.25, a utility seeking CWIP incentive treatment must propose accounting procedures to ensure that customers will not be charged for both capitalized Allowance for Funds Used During Construction ("AFUDC") and corresponding amounts of CWIP in rate base. In the *Pequonnock Order*, the Commission found that UI "sufficiently demonstrated that it has appropriate accounting procedures and controls in place to prevent [double] recovery[,]" *i.e.*, double whammy.[15] UI proposed and

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[13] The Commission's denial of UI's request for an ROE Incentive Adder is currently before the Commission on rehearing. *See* order granting rehearing for further consideration, Docket No. ER19-1359-000 (July 15, 2019).

[14] *See Pequonnock Order*, at P 36.

[15] *Id.*, at P 37.

the Commission approved, UI's use of footnote disclosures to provide comparability of financial information demonstrating the economic effects of including Pequonnock CWIP in rate base. The Commission also accepted UI's proposal to use the FERC Form No. 730 for Pequonnock CWIP and construction status reporting purposes.

II. PROPOSAL TO REVISE ATTACHMENT F TO RECOVER PEQUONNOCK CWIP FROM RNS CUSTOMERS

Pursuant to section 3.04(a)(i) of the Transmission Operating Agreement ("TOA") between ISO-NE and the PTOs "[e]ach PTO other than a Publicly-Owned PTO shall have the authority to submit filings under Section 205 of the Federal Power Act ... to establish and to revise: the revenue requirements for all Transmission Facilities of such PTO used for the provision of Transmission Service..." In approving the Central Maine Power Company's request to revise the Attachment F Implementation Rule, the Commission found that section 3.04(a)(i) of the TOA "allocates to Central Maine the right to submit unilateral section 205 filings that revise the Attachment F Implementation Rule."[16]

In accordance with Commission precedent stemming from its approvals in *Central Maine* and *NU,* UI's proposal to revise the Attachment F Implementation Rule to recover one hundred percent of Pequonnock CWIP in RNS rates is appropriate. UI seeks to

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[16] *Central Maine*, at P 31.

incorporate Pequonnock CWIP as a line item in the revenue requirement recovered through the formula rate set forth in the Attachment F Implementation Rule, but does not propose to change the formula rate itself. As the Commission explained in *Central Maine*, "Attachment F is not a regional rate, but rather is a methodology for determining one input (an individual revenue requirement) into the regional rate."[17] In its approval of *NU*, the Commission determined that "[t]he addition of NEEWS CWIP as an input in the Attachment F Implementation Rule does not change the relationship among the variables that constitute the formula rate."[18] Similarly, UI sets forth here, that the addition of Pequonnock CWIP as an input in the Attachment F Implementation Rule will not change the relationship among the variables that constitute the formula rate or the formula itself. The formula that is used to calculate the RNS rate annually under Schedules 8, 9, and 12 will remain unchanged.[19] UI's proposed revision is a company specific revision to its revenue requirements for the recovery of the costs of its PTF, and like the requests made in *Central Maine* and *NU*, this request falls squarely "within the purview of TOA section

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[17] *Id*., at P 39.

[18] *NU*, at P 27. ("NEEWS" refers to the New England East-West Solution transmission project jointly developed and placed in service by affiliates of Eversource Energy and New England Power).

[19] *See id*., at n. 41, citing *Southwest Power Pool, Inc*., 125 FERC ¶ 61,292 (2008); *Virginia Electric and Power Company*, 123 FERC ¶ 61,098 (2008) ("when the Commission approves a company's request for a formula rate, it approves the formula itself, which becomes the filed rate. Any data used therein is merely an input and is not part of the formula rate").

3.04(a)(i), which permits a transmission owner to unilaterally propose revisions to its own transmission revenue requirement for all of its transmission facilities, regardless of whether the transmission facilities' costs were allocated regionally or not."[20]

On November 1, 2019, consistent with Section 3.04(a) of the TOA, UI provided the Participating Transmission Owners – Administrative Committee, the New England Power Pool Transmission Committee, and the Executive Director of the New England Conference of Public Utilities Executive Director, advance thirty days' notice of this filing to implement recovery of Pequonnock CWIP in regional rates.[21] In view of the orders issued in *Central Maine* and *NU* allowing those utilities to recover CWIP in RNS rates, UI hereby requests the Commission allow it to recover return on Pequonnock CWIP in accordance with the proposed input in the Attachment F revenue requirement calculation under the ISO-NE OATT. The Commission has recognized that the inclusion of CWIP in rate base affects only the timing of cost recovery, not the level of cost recovery, because the capitalization of AFUDC will be replaced by the inclusion of CWIP in rate base.[22] Further, as discussed in the *Pequonnock Order*, the Commission found that:

> allowing United Illuminating to include 100 percent of CWIP in

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[20] *NU*, at P 28.

[21] *See* Exhibit No. UI-6.

[22] *See* Order No. 679-A, at P 38.

> rate base 'removes a disincentive to construction of transmission, which can involve very long lead times and considerable risk to the utility that the project may go forward.'[23] Additionally, we find that the CWIP Incentive will help insulate United Illuminating's customers from rate shock that might otherwise accompany the use of AFUDC.[24]

Under UI's proposal, effective as of January 31, 2020, UI will include its Pequonnock CWIP balances (including Pequonnock CWIP accrued through December 31, 2019) in rate base used to calculate its Attachment F revenue requirements. Further, costs that are incurred on a going-forward basis will be included as Pequonnock CWIP in the Attachment F rate base. In accordance with the Commission's regulations, 18 C.F.R. § 35.25(e), to reflect that RNS customers will be paying return on CWIP and to ensure that there is no double charging, UI has discontinued the accrual of AFUDC as of the *Pequonnock Order's* May 15, 2019 effective date. These measures are further described in the Direct Testimony of James Clemente.

III. REVISION OF ATTACHMENT F TO PROVIDE RECOVERY OF PEQUONNOCK CWIP FROM RNS CUSTOMERS IS JUST AND REASONABLE

UI's proposal to revise Attachment F of the ISO-NE Tariff to implement the Commission's ruling in the *Pequonnock Order* to provide recovery of Pequonnock CWIP from RNS customers is appropriate and just and reasonable. The Pequonnock Substation

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[23] *Pequonnock Order*, at P 36 citing Order No. 679, at P 117.

[24] *Pequonnock Order*, at P 36.

Project is an asset condition project, which will replace the existing Pequonnock substation, a transmission facility that was considered PTF as of December 31, 2003. The ISO-NE OATT provides that "transmission facilities that were PTF as of December 31, 2003 and upgrades to such facilities that meet the definition of PTF under this OATT, shall be included in the Pool-Supported PTF costs[,]"[25] allocated regionally and recovered in RNS rates subject to a Schedule 12 Transmission Cost Allocation determination. An estimate of the Pool-Supported PTF costs associated with the Pequonnock Substation Project will be submitted to ISO-NE in a Transmission Cost Allocation application and UI expects that substantially all of the associated costs will be deemed eligible for regional cost recovery through the RNS rate under the ISO-NE OATT.[26]

UI's proposal revise the ISO-NE Tariff so that it may recover return on Pequonnock CWIP from RNS customers is consistent with the Commission's rulings in *Central Maine* and *NU*. In those orders, the Commission granted company requests to recover project CWIP from regional RNS customers. Specifically, the Commission approved each of those proposals, granting the requests to revise the revenue requirement formula in the Attachment F Implementation Rule to add project-specific CWIP as a line item in

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[25] *See* Schedule 12 of the ISO-NE OATT at § B(5).

[26] The Pequonnock Substation Project is eligible for region-wide cost allocation, subject to the outcome of ISO-NE's cost allocation determination pursuant to Schedule 12 to the ISO-NE OATT.

the formula, and allowing each company to recover project CWIP in rate base from RNS customers.

IV. ADDITIONAL REQUIREMENTS RELATING TO CWIP

As discussed in the Direct Testimony of Mr. James Clemente (Exhibit No. UI-1), in accordance with Section 35.25(f)(1) of the Commission's regulations, UI has procedures and controls in place that will ensure it will not charge customers for both capitalized AFUDC and corresponding amounts of return on Pequonnock CWIP.[27] Typically, CWIP balances booked to Account 107 are subject to the accrual of AFDUC during construction of the assets. As of the effective date of the *Pequonnock Order*, UI ceased accruing AFUDC in Account 107 because of its intentions to implement the Commission's *Pequonnock Order* and revise the Attachment F Implementation Rule to begin recovering Pequonnock CWIP included in rate base. As described further in the Direct Testimony of Mr. James Clemente and consistent with Commission precedent,[28] UI will use footnote disclosures in its financial statements to satisfy the Commission's requirement for comparability of financial information. In accordance with Section 35.25(f)(2) of the Commission's regulations, Mr. Clemente explains that there will not be

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[27] *Pequonnock Order*, at P 37 (finding that UI "has sufficiently demonstrated that it has appropriate procedures and internal controls in place to prevent recovery of AFUDC to the extent CWIP is allowed in rate base.").

[28] *Id*. (approving UI's "proposed accounting procedures and the use of footnote disclosures to provide comparability of financial information.").

a duplicative recovery of Pequonnock CWIP and corresponding AFUDC capitalized as a result of different accounting or ratemaking treatments by state or local authorities through the use of CWIP.

V. TARIFF REVISIONS

UI's proposal to recover return on Pequonnock CWIP from RNS customers requires revisions to Attachment F of the ISO-NE OATT. Currently, Attachment F does not provide for rate base treatment of Pequonnock CWIP. UI is proposing tariff revisions that would provide for this recovery. Attachments A and B set forth UI's proposed changes to Attachment F of the ISO-NE OATT to implement the *Pequonnock Order* and include Pequonnock CWIP in its Attachment F revenue requirement calculations. These changes coincide with the revisions accepted by the Commission in *Central Maine* and *NU*, and are further discussed in the Direct Testimony of James Clemente.

VI. INFORMATION REQUIRED BY 18 C.F.R. § 35.13

Pursuant to the Commission's regulations, UI notes that the following information required by Section 35.13(b) and (c) of the Commission's regulations is included in this filing:

- A description of the rate change and reasons for this Filing are provided in Sections I-V of this Transmittal Letter;
- None of the costs related to this filing have been alleged in any administrative or judicial proceeding to be illegal, duplicative, or unnecessary costs that are demonstrably the product of discriminatory practices; and
- Summary of Estimated Return, Associated Taxes and Depreciation showing the effect of the proposed recovery of Pequonnock CWIP as discussed in the Direct

Testimony of James Clemente and provided in Exhibit No. UI-3.

As discussed further in Section IX, UI seeks waiver of the cost of service statements required under Section 35.13(h) of the Commission's regulations on the basis that these statements are not relevant to UI's application. As noted, Attachment F contains a formula rate and this filing does not affect the formula rate's components other than those specifically identified in Attachments A and B.

VII. COMMUNICATIONS

All communications and service related to this filing should be directed to the following:

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UI respectfully requests waiver of Rule 203(b)(3) of the Commission's regulations,[29] in

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[29] 18 C.F.R. § 385.203(b)(3) (2017).

order to permit designation of more than two persons for service in this proceeding. Therefore, UI requests that the individuals identified above be placed on the Commission's official service list in this proceeding and be designated for service pursuant to Rule 2010.[30]

VIII. CONTENTS OF THE FILING

In addition to this Transmittal Letter, which provides support for the approval of the proposed revisions to the ISO-NE Tariff requested herein, this filing contains the following components:

- Exhibit No. UI-1: Direct Testimony of James Clemente;
- Exhibit No. UI-2: Accounting Procedures for Pequonnock CWIP;
- Exhibit No. UI-3: Summary of Estimated Return, Associated Taxes and Depreciation;
- Exhibit No. UI-4: Updated capital spending for Pequonnock (2019 through 2023);
- Exhibit No. UI-5: UI Notice to New England Power Pool Stakeholders of Proposed Modifications to Attachment F;
- Attachment A: Clean Tariff including revisions to Attachment F of the ISO-NE OATT; and
- Attachment B: Redlined Tariff showing revisions to Attachment F of the ISO-NE OATT.

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[30] 18 C.F.R. § 385.2010 (2017).

IX. REQUEST FOR WAIVERS AND EFFECTIVE DATE

UI respectfully requests the submitted tariff revisions to become effective on January 31, 2020. In addition, although UI is providing the Commission with several revenue requirement impact statements, it hereby requests waiver of certain cost-of-service information that the Commission granted in *Central Maine*, *NU*, and the *Pequonnock Order*. As noted above, UI recovers its annual transmission revenue requirement through the application of the RNS and Schedule 21 formula rates under the ISO-NE OATT, all of which are Commission-accepted formula rates. Pequonnock CWIP will be included in rates through the application of the RNS formula rate. However, because the changes will be to the input to this Commission-approved formula rate, Commission precedent does not require cost-of-service information referenced in 18 C.F.R. § 35.13 to support this modification.[31]

To the extent necessary, UI respectfully requests waiver of the Commission's other filing requirements related to CWIP, which the Commission granted UI in its approval of UI's request for the CWIP Incentive in the *Pequonnock Order*,[32] including, (i) Section 18 C.F.R. § 35.13(h)(38), which requires an applicant to submit a Statement BM, which serves as an applicant's description of its long-range program for providing reliable and

[31] *See e.g., Pequonnock* Order, at P 71; Central *Maine*, at P 87; *United Illuminating Co*., 119 FERC ¶ 61,182 (2007) at PP 92-93 (granting waiver from sections 35.13(a)(2)(iv), (d)(1) – (2), (d)(6), and (h)).

[32] *See* P 71.

economic power, including an assessment of alternatives and an explanation of why the program is consistent with a least-cost energy supply program; (ii) Section 18 C.F.R. § 35.25(c)(4), which requires the development of forward-looking allocation ratios and an evaluation of potential effects of CWIP recovery including "price squeeze" and "double whammy" concerns; and (iii) Section 18 C.F.R. § 35.25(g), which requires an applicant to provide additional information regarding the potential anti-competitive impacts of CWIP recovery, including the proposed CWIP levels included in wholesale and retail rates. UI notes that the Commission has recognized that the Statement BM was designed primarily for CWIP associated with new generation projects in mind,[33] and that the Commission has waived the requirement to submit the Statement BM for utilities that have or have a pending proposal to have, formula transmission rates.[34] Similarly, the Commission's "double whammy" and "price squeeze" requirements relate to concerns that are not present in the case of transmission upgrades in rate base, and the Commission has previously permitted waiver of these requirements for other transmission rate incentive applicants.[35]

Finally, UI requests waiver of any Commission rule or regulation as may be necessary to permit this filing to be accepted by the Commission and made effective as

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[33] *Mid-Tex Elec. Coop. v. FERC*, 773 F.2d 327 (D.C. Cir. 1985).

[34] *Commonwealth Edison Co.*, 119 FERC ¶ 61,238, at PP 92, 94 (2007); *See also New York Transco, LLC*, 151 FERC ¶ 61,004 at PP 48, 80-83 (2015).

[35] *See N. Ind. Pub. Serv. Co.*, 141 FERC ¶ 61,231 at PP 31-34 (2012).

requested.

X. POSTING AND SERVICE

Pursuant to Section 35.2(e) of the Commission's Regulations, a copy of this filing is being served on representatives of the six state public utility commissions in New England. It is also available for public inspection, during regular business hours, in a convenient form and place, at the offices of UI. Additionally, through the auspices of ISO-NE, which is the transmission provider under the ISO-NE OATT, this filing is being posted on ISO-NE's website, https://www.iso-ne.com/participate/filings-orders/pto/. UI requests waiver of the requirement to post by mailing paper copies to customers under the ISO-NE OATT. Waiver of paper service is consistent with the Commission's decision to establish electronic service as the default method of service lists maintained by the Commission Secretary for Commission proceedings.[36] While Order No. 653 did not amend the posting requirements, application of its rules to initial rate filings would be consistent with the Commission's "efforts to reduce the use of paper in compliance with the Government Paperwork Elimination Act."[37] Applying amended Section 385.2010(f) to this filing, this filing will be posted to the FERC filings section of the ISO-NE internet site. This is consistent with other New England transmission owners' requests for similar waiver of paper service with regard to filings associated with the ISO-NE OATT.

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[36] Order No. 653, FERC Stats. & Regs. ¶ 31,176 (2005).

[37] Id. at P 2 citing 44 U.S.C. § 3504.

Prior notice of this filing was communicated electronically to ISO-NE, NEPOOL Transmission Committee members, the Participating Transmission Owners Administrative Committee, and the Executive Director of the New England Conference of Public Utilities.

XI. CONCLUSION

UI respectfully requests that the Commission make this filing effective on January 31, 2020. To the extent necessary, UI requests that the Commission grant all necessary waivers of Commission regulations to accomplish that effective date. As set forth herein, UI's proposal to include Pequonnock CWIP in the Attachment F Implementation Rule of the ISO-NE Tariff is just and reasonable, consistent with Commission policy and precedent, and should be accepted by the Commission, without suspension or hearing.

Respectfully submitted,

/s/ *Nicholas J. Cicale*
Nicholas J. Cicale
UIL Holdings Corporation

Attorney for The United Illuminating Company

Dated: December 2, 2019

EXHIBIT NO. UI-1

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

The United Illuminating Company	**)**	**Docket No. ER20-XX-000**

DIRECT TESTIMONY OF JAMES CLEMENTE

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is James Clemente and my business address is 100 Marsh Hill Road, Orange, Connecticut, 06477.

Q. WHO IS YOUR CURRENT EMPLOYER AND WHAT POSITION DO YOU HOLD?

A. I am the Manager of Revenue Requirements for The United Illuminating Company ("UI"). UI is a wholly-owned subsidiary of UIL Holdings Corporation ("UIL"). UIL is a wholly owned subsidiary of Avangrid Networks, Inc. ("Networks"). Networks is a wholly owned subsidiary of Avangrid, Inc. ("Avangrid").

Q. WHAT ARE YOUR RESPONSIBILITIES AS MANAGER OF REVENUE REQUIREMENTS FOR UI?

A. I am primarily responsible for the calculation of UI's transmission revenue requirements, transmission compliance, management of UI's tariff administration and other transmission related duties.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL EXPERIENCE.

A. I have held numerous financial and management positions in my 20 year career at UI. Prior to my career at UI, I spent 4 years in the telecommunications industry and 6 years in Public Accounting, of which the last three were as a Certified Public Accountant. I received a Bachelor of Science Degree in Accounting from Central Connecticut State University.

Q. HAVE YOU TESTIFIED BEFORE THIS OR ANY OTHER REGULATORY COMMISSION?

A. Yes, I have testified before the Commission in Docket No. ER19-1359-000 regarding UI's request for transmission rate incentives for the Pequonnock Substation Project ("Pequonnock"). I have also testified before the Connecticut Public Utilities Regulatory Authority ("PURA") in PURA's Annual Review of the Rate Adjustment Mechanisms of The United Illuminating Company in Docket Nos. 16-03-02 and 18-03-02.

Q. PLEASE EXPLAIN THE PURPOSE OF YOUR UNDERLYING TESTIMONY SUBMITTED IN THIS PROCEEDING.

A. In this proceeding, UI, is proposing recovery of and return on Construction Work In Progress ("CWIP") related to the Pequonnock Substation Project. The purpose of my testimony is to identify and describe the revisions that UI is requesting to the Attachment F Implementation Rule under Section II of the ISO New England Inc. ("ISO-NE") Transmission, Markets and Services Tariff, which is the Open Access Transmission Tariff ("OATT"). UI will seek to recovery Pequonnock CWIP beginning with submission of its revenue requirements in the Annual Update submitted in Docket Nos. RT04-2-000, et al. by the Participating Transmission Owners Administrative Committee ("PTO AC"), on behalf of New England's Participating Transmission Owners ("PTOs"). In my testimony, I will describe (1) the transmission rate structure in New England; (2) UI's proposal to provide for the recovery of and return on Pequonnock CWIP in rate base in the Attachment F revenue requirements calculation, which is recovered from Regional Network Service ("RNS") customers; (3) the proposed tariff revisions to Attachment F of the ISO-NE OATT; (4) the accounting procedures to ensure that RNS customers will not be charged for both capitalized Allowance for Funds Used During Construction ("AFUDC") and corresponding amounts of return on Pequonnock CWIP, in accordance with Section 35.25(f) of the Commission's regulations, 18 C.F.R. § 35.25(f) (2002); and (5) describe the impact that the requested one hundred percent CWIP in rate base will have on the Attachment F revenue requirements used to calculate the RNS rate under the ISO-NE OATT.

Q. ARE YOU SPONSORING ANY EXHIBITS?

A. Yes, I am sponsoring the following exhibits:

Exhibit No. UI-2 Accounting Procedures for Pequonnock CWIP;

Exhibit No. UI-3 Summary of UI's PTF Summary of Estimated Return, Associated Taxes and Depreciation;

Exhibit No. UI-4 Updated capital spending for Pequonnock (2019-2023); and

Exhibit No. UI-5: UI Notice to New England Power Pool Stakeholders of Proposed Modifications to Attachment F.

Q. WAS THIS TESTIMONY PREPARED BY YOU OR UNDER YOUR DIRECT SUPERVISION AND CONTROL?

A. Yes, it was.

II. <u>TRANSMISSION RATE STRUCTURE IN NEW ENGLAND</u>

Q. PLEASE PROVIDE AN OVERVIEW OF UI'S TRANSMISSION RATE STRUCTURE.

A. UI has a formula rate. Under Schedule 21-UI, UI's transmission facilities are grouped into three Transmission Investment Categories: (1) Pool Transmission Facility ("PTF"), (2) Non-Pool Supported PTF ("NPS"), and (3) Non-PTF. UI calculates its Annual Primary Transmission Revenue Requirement ("APTRR") pursuant to Attachment D to Schedule 21-UI. The APTRR is calculated for each of the three Transmission Investment Categories and for UI's entire "Local

Network," which is the total APTRR for the three Transmission Investment Categories. Expenses, adjustments to rate base, and revenues are calculated for UI's entire Local Network and are allocated to the three Transmission Investment Categories on the basis of the ratio of the gross plant investment in each category to the gross plant investment of UI's entire Local Network, unless identified as being directly assigned to a specific category. Schedule 21-UI rates reflect UI's most recent FERC Form 1 costs and estimated costs of providing service over transmission facilities that will be placed into service during the year the rates will be in effect. UI's formula also includes an annual true-up adjustment based on the total actual transmission-related costs as compared to estimated costs.

UI also calculates its annual revenue requirement for PTF using a formula set forth in the ISO-NE OATT. All New England PTOs, including UI, submit their annual PTF revenue requirements calculated pursuant to this formula to ISO-NE. ISO-NE then calculates the regional costs and rates for RNS and bills customers in New England accordingly. ISO-NE remits to each PTO, including UI, the portion of the RNS revenues that relates to its pro rata share of the costs of PTF used to provide RNS. Under its formula rate, UI recovers the balance of its cost of providing transmission service through its rates for local service.

III. PROPOSED RECOVERY OF CWIP

Q. WHAT IS UI PROPOSING IN THIS PROCEEDING?

A. UI is proposing recovery of and return on Pequonnock CWIP from regional customers taking RNS service under the ISO-NE OATT. Specifically, beginning with the Annual Informational Filing Regarding ISO Tariff Charges in Effect as of June 1, 2020; submitted to the Commission by the PTO AC on behalf of New England's PTOs, UI will include CWIP balances for the Pequonnock Substation Project in the Attachment F rate base calculation used to determine Attachment F revenue requirements. These revenue requirements will then be used to calculate RNS rates under Schedule 9 of the ISO-NE OATT. UI ceased accruing AFUDC on the Pequonnock Substation Project on May 14, 2019, the date the Commission approved UI's request for transmission rate incentives by way of the following order: *The United Illuminating Co.*, 167 FERC ¶ 61,126 (2019) ("*Pequonnock Order*").

Q. PLEASE DESCRIBE THE TARIFF REVISIONS TO THE ISO-NE OATT TO IMPLEMENT UI'S RECOVERY OF AND RETURN ON PEQUONNOCK CWIP THROUGH ATTACHMENT F REVENUE REQUIREMENTS.

A. Attachment A contains revised tariff sheets for Attachment F of the ISO-NE OATT to implement UI's recovery of Pequonnock CWIP from RNS customers.

The redlined tariff sheets showing the proposed changes are available at Attachment B. Proposed changes to the ISO-NE OATT Attachment F are discussed below.

Specifically, UI proposes to modify the ISO-NE OATT Attachment F Implementation Rule (the revenue requirement formula) to add the following as a line item in the formula: "Pequonnock Substation Project Construction Work In Progress ("Pequonnock CWIP") shall equal UI's CWIP balance as recorded in FERC Account No. 107 for costs determined to be Pool Supported PTF in Accordance with Schedule 12 of the OATT." The Pequonnock Substation Project is an asset condition project, which will replace the existing Pequonnock substation, a transmission facility that was considered PTF as of December 31, 2003. The ISO-NE OATT provides that "transmission facilities that were PTF as of December 31, 2003 and upgrades to such facilities that meet the definition of PTF under this OATT, shall be included in the Pool-Supported PTF costs[,]"[1] allocated regionally and recovered in RNS rates subject to a Schedule 12 Transmission Cost Allocation determination. UI is proposing to implement recovery of Pequonnock CWIP in the same manner as the cost allocation determined under Schedule 12 for the entire Pequonnock Substation Project so that it will be recovered in regional rates to the same extent that the project costs

[1] *See* Schedule 12 of the ISO-NE OATT at § B(5).

are determined to be Pool-Supported PTF under the ISO-NE OATT. Attachment F does not currently provide for the rate base treatment of Pequonnock CWIP and therefore UI has proposed these tariff revisions to provide for the recovery of Pequonnock CWIP in RNS rates.

The revisions to the regional formula rate contained in Attachment F would add "Pequonnock CWIP" to the definition of "Transmission Investment Base" in the Attachment F Implementation Rule. Pequonnock CWIP is defined as "the balance recorded by UI in FERC Account No. 107 for the Pequonnock Substation Project and separately identified in accordance with UI's Accounting Procedures for Pequonnock CWIP." The tariff revisions also add "Forecasted Pequonnock Construction Work in Progress" ("FPCWIP"), which is defined as "UI's estimated year-end balance of Pequonnock CWIP for the Forecasted Period" to the definitions contained in Appendix C to the Attachment F Implementation Rule. Finally, the revisions to Appendix C to the Attachment F Implementation Rule add the definition of "Pequonnock Cost of Capital" ("PCOC") and modify the definition of "Forecasted Transmission Revenue Requirement" ("FTRR") to include FPCWIP multiplied by the PCOC. The resulting product will be included in the Forecasted Transmission Revenue Requirement subject to annual true-up and associated interest consistent with all other provisions of Appendix C.

Q. DOES UI'S PROPOSAL IN THIS PROCEEDING REQUIRE ANY CHANGES TO SCHEDULE 21-UI?

A. No. The tariff revisions to Schedule 21-UI approved by the Commission in *The United Illuminating Company*, 119 FERC ¶ 61,182 (2007), enable UI to recover the small amount of Pequonnock CWIP that may be allocated to Connecticut customers only. Schedule 21-UI is designed to recover UI's total cost of owning and operating its transmission system, including costs incurred to provide RNS service under the ISO-NE OATT. The revenues received from other sources, including RNS revenues, are credited to UI's total revenue requirements, thereby assuring that Schedule 21-UI customers are not double charged.

Q. WILL THERE BE ANY CWIP AMOUNTS RECORDED IN THE PTF/HTF TRANSMISSION PLANT ALLOCATION FACTOR OR PLANT ALLOCATION FACTOR USED IN THE ATTACHMENT F REVENUE REQUIREMENT CALCULATION?

A. No Pequonnock CWIP amounts will be recorded in the Pool Transmission Facility / Highgate Transmission Facility ("PTF/HTF") Transmission Plant Allocation Factor or the Plant Allocation Factor used in the Attachment F revenue requirement calculation. CWIP is defined as the balance recorded in FERC Account 107. Account 107 is not included in the derivation of the PTF/HTF Transmission Plant Allocation Factor or the Plant Allocation Factor. The

PTF/HTF Transmission Plant Allocation Factor is defined as the ratio of the PTF/HTF Transmission Plant to Total Investment in Transmission Plant. The Plant Allocation Factor is defined as the ratio of the sum total investment in Transmission Plant and Transmission Related General Plant to Total Plant in Service. Because CWIP is not included in either of these definitions, no CWIP amounts are included in the PTF/HTF Transmission Plant Allocation Factor or the Plant Allocation Factor.

Q. HOW WILL UI ENSURE RNS CUSTOMERS ARE NOT DOUBLE CHARGED FOR PEQUONNOCK CWIP RECOVERED UNDER ATTACHMENT F REVENUE REQUIREMENTS?

A. To ensure RNS customers are not double charged for AFUDC for the period when Pequonnock CWIP is included in Attachment F rate base, UI ceased accruing AFUDC on costs associated with the Pequonnock Substation Project beginning on May 15, 2019, the effective date of the *Pequonnock Order*.

Q. THE COMMISSION'S REGULATIONS AT 18 C.F.R. § 35.25(f)(2) REQUIRE THAT A CWIP APPLICANT MUST ENSURE THAT WHOLESALE CUSTOMERS WILL NOT BE DOUBLE CHARGED FOR ANY DUPLICATE RECOVERY OF CWIP AND CORRESPONDING AFUDC CAPITALIZED AS A RESULT OF DIFFERING ACCOUNTING TREATMENTS BY STATE OR LOCAL AUTHORITIES THROUGH THE USE OF CWIP. PLEASE ADDRESS THIS ISSUE.

A. As required under the Commission's regulations, wholesale transmission customers will not be double charged for any duplicative recovery of CWIP and corresponding AFUDC as a result of different accounting treatments by state or local authorities. Specifically, UI is proposing to modify Attachment F to the ISO-NE Tariff to recovery one hundred percent of Pequonnock CWIP in RNS rates, to be trued up and forecasted in UI's revenue requirements included in the Annual Update submitted to the Commission by the PTO AC on behalf of New England's PTOs. Additionally, UI ceased accruing Pequonnock AFUDC on May 15, 2019, the effective date of the *Pequonnock Order*. Transmission service under the ISO-NE OATT is unbundled transmission service in interstate commerce and is subject to the exclusive jurisdiction of the Commission. The only CWIP proposed to be included in Attachment F rate base is transmission-related Pequonnock CWIP, which, as noted, is exclusively FERC-jurisdictional. State and local authorities do not have accounting treatment that would require UI to continue accruing Pequonnock AFUDC after May 15, 2019.

Q. PLEASE DISCUSS HOW UI ENSURED AND WILL CONTINUE TO ENSURE THAT NO AFUDC WILL BE INCLUDED IN THE CWIP BALANCES IN ACCOUNT 107 AFTER May 14 31, 2019.

A. UI will implement procedures and internal controls to ensure that there will be no accrual of AFUDC to the extent Pequonnock CWIP is included in Attachment F rate base in the calculation of RNS rates under the ISO-NE OATT. UI will maintain its accounting records to ensure capital costs are recorded correctly with sufficient detail. Generally, under the Commission's Uniform System of Accounts, CWIP balances recorded in Account No. 107 are subject to accrual of AFUDC, which increases the asset balance to the cost of funds used during construction. Because UI has proposed and the Commission has accepted UI's request to include return on Pequonnock CWIP in Attachment F revenue requirements on and after May 15, 2019, UI has ceased accruing AFUDC on the Pequonnock CWIP amounts recorded in Account No. 107. Specifically, UI employs a utility plant accounting system, PowerPlan, to record all construction costs. In PowerPlan, all work is assigned to a FERC utility account. All transmission work orders are coded with a transmission FERC utility account. PowerPlan provides UI with the capability to separately identify specific work orders related to the

Pequonnock Substation Project that should not be included in the calculation and capitalization of AFUDC. The work orders related to the construction of the Pequonnock Substation Project that have been granted CWIP treatment will be identified separately to ensure no AFUDC will be accrued and capitalized once Pequonnock CWIP is included in the Attachment F rate base. This will prevent any double recovery of return on Pequonnock CWIP and capitalized AFUDC on the same rate base item.

Q. DOES THE PROPOSED ACCOUNTING PROCEDURE CONFORM TO COMMISSION PRECEDENT?

A. Yes. The Commission has accepted similar accounting procedures that track expenditures through work orders to ensure that AFUDC is not recorded for projects receiving the CWIP Incentive.

Q. DOES UI PROPOSE OTHER TRANSPARENCY MEASURES TO SUPPORT THE CWIP INCENTIVE?

A. Yes. The Commission requires utilities authorized to recover CWIP in rate base to make an annual filing with the Commission.[2] As approved in the *Pequonnock Order*, UI will satisfy this requirement through the annual filing of FERC-730, Report of Transmission Investment Activity. FERC-730 requires UI to provide

[2] Order No. 679 at P 121.

information regarding transmission investment costs and project construction status, including estimated completion dates.[3]

IV. IMPACT OF PROPOSED TARIFF CHANGES ON UI'S ATTACHMENT F TRANSMISSION REVENUE REQUIREMENTS

Q. HOW WILL THE PROPOSED TARIFF CHANGES AFFECT UI'S ATTACHMENT F TRANSMISSION REVENUE REQUIREMENTS?

A. The estimated incremental annual transmission revenue requirements associated with UI's proposed revisions to the ISO-NE Tariff are provided in Exhibit No. UI-3, Summary of Estimated Return, Associated Taxes and Depreciation. The estimates provided in Exhibit No. UI-3 are for illustrative purposes only and will ultimately be determined based on actual data reported in UI's FERC Form No. 1 and applied to the regional formula rates contained in Attachment F.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

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[3] *See New York Transco, LLC*, 151 FERC ¶ 61,004 at PP 42, 82 (2015).

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

The United Illuminating Company	**)**	**Docket No. ER20-XX-000**

I, James Clemente, Manager of Revenue Requirements for The United Illuminating Company verify, state, and affirm that the foregoing testimony is true and correct to the best of my knowledge and belief.

James Clemente
Manager of Revenue Requirements
The United Illuminating Company

Subscribed and sworn (or affirmed) before me by James Clemente, Manager of Revenue Requirements for The United Illuminating Company,
on this 25th day of November, 2019.

Notary Public

Seal

TALAINE R. FRASER
NOTARY PUBLIC
MY COMMISSION EXPIRES 6/30/2022

EXHIBIT NO. UI-2

Ex. No. UI-2
The United Illuminating Company Accounting Procedures for Pequonnock CWIP in Rate Base

UI will implement procedures and internal controls to ensure that there will be no accrual of AFUDC to the extent that Pequonnock CWIP is included in Attachment F rate base in the calculation of RNS rates under the ISO-NE OATT. UI will maintain its accounting records to ensure capital costs are recorded correctly with sufficient detail. Generally, under the Commission's Uniform System of Accounts, CWIP balances recorded in Account No. 107 are subject to accrual of AFUDC, which increases the asset balance to the cost of funds used during construction.

Because UI has proposed and the Commission has accepted UI's request to include return on Pequonnock CWIP in Attachment F revenue requirements on and after May 15, 2019, UI has ceased accruing Pequonnock AFUDC on the Pequonnock CWIP amounts recorded in Account No. 107.

UI employs a utility plant accounting system, PowerPlan, to record all construction costs. In PowerPlan, all work is assigned a FERC utility account. All transmission work orders are coded with a transmission FERC utility account. PowerPlan provides UI with the capability to separately identify specific work orders related to Pequonnock that should not be included in the calculation and capitalization of AFUDC. The work orders related to the construction of Pequonnock that have been granted CWIP treatment will be identified separately to ensure no AFUDC will be accrued and capitalized once the Pequonnock CWIP is included in the Attachment F rate base. This will prevent any double recovery of return on Pequonnock CWIP and capitalized AFUDC on the same rate base item.

EXHIBIT NO. UI-3

The United Illuminating Company
Pequonnock Substation
Summary of Estimated Return, Associated Taxes and Depreciation
with 100% CWIP in Rate Base vs. AFUDC
(Millions of Dollars)

Line No.	Description	12/31/2019	12/31/2020	12/31/2021	12/31/2022	12/31/2023	12/31/2024	12/31/2025	12/31/2026	12/31/2027	12/31/2028	12/31/2029	12/31/2030
1	Return, Associated Taxes and Depreciation with 100% CWIP	$ 0.91	$ 2.16	$ 4.23	$ 8.11	$ 10.77	$ 12.50	$ 12.06	$ 11.63	$ 11.23	$ 10.85	$ 10.49	$ 10.13
2	Return, Associated Taxes and Depreciation with AFUDC	$ -	$ -	$ -	$ -	$ 14.03	$ 16.29	$ 15.71	$ 15.16	$ 14.63	$ 14.14	$ 13.67	$ 13.20
3	Variance	$ 0.91	$ 2.16	$ 4.23	$ 8.11	$ (3.26)	$ (3.79)	$ (3.65)	$ (3.52)	$ (3.40)	$ (3.29)	$ (3.18)	$ (3.07)
				12/31/2031	12/31/2032	12/31/2033	12/31/2034	12/31/2035	12/31/2036	12/31/2037	12/31/2038	12/31/2039	12/31/2040
4	Return, Associated Taxes and Depreciation with 100% CWIP			$ 9.76	$ 9.40	$ 9.04	$ 8.68	$ 8.31	$ 7.95	$ 7.59	$ 7.25	$ 7.05	$ 6.86
5	Return, Associated Taxes and Depreciation with AFUDC			$ 12.72	$ 12.25	$ 11.78	$ 11.30	$ 10.83	$ 10.36	$ 9.89	$ 9.44	$ 9.19	$ 8.93
6	Variance			$ (2.96)	$ (2.85)	$ (2.74)	$ (2.63)	$ (2.52)	$ (2.41)	$ (2.30)	$ (2.19)	$ (2.14)	$ (2.08)
				12/31/2041	12/31/2042	12/31/2043	12/31/2044	12/31/2045	12/31/2046	12/31/2047	12/31/2048	12/31/2049	12/31/2050
7	Return, Associated Taxes and Depreciation with 100% CWIP			$ 6.66	$ 6.47	$ 6.27	$ 6.08	$ 5.89	$ 5.69	$ 5.50	$ 5.30	$ 5.11	$ 4.92
8	Return, Associated Taxes and Depreciation with AFUDC			$ 8.68	$ 8.43	$ 8.18	$ 7.92	$ 7.67	$ 7.42	$ 7.16	$ 6.91	$ 6.66	$ 6.41
9	Variance			$ (2.02)	$ (1.96)	$ (1.90)	$ (1.84)	$ (1.78)	$ (1.72)	$ (1.67)	$ (1.61)	$ (1.55)	$ (1.49)
				12/31/2051	12/31/2052	12/31/2053	12/31/2054	12/31/2055	12/31/2056	12/31/2057	12/31/2058	12/31/2059	12/31/2060
10	Return, Associated Taxes and Depreciation with 100% CWIP			$ 4.72	$ 4.53	$ 4.33	$ 4.14	$ 3.95	$ 3.75	$ 3.56	$ 3.36	$ 3.17	$ 2.98
11	Return, Associated Taxes and Depreciation with AFUDC			$ 6.15	$ 5.90	$ 5.65	$ 5.39	$ 5.14	$ 4.89	$ 4.64	$ 4.38	$ 4.13	$ 3.88
12	Variance			$ (1.43)	$ (1.37)	$ (1.31)	$ (1.25)	$ (1.20)	$ (1.14)	$ (1.08)	$ (1.02)	$ (0.96)	$ (0.90)
				12/31/2061	12/31/2062	12/31/2063							
13	Return, Associated Taxes and Depreciation with 100% CWIP			$ 2.78	$ 2.59	$ 2.21							
14	Return, Associated Taxes and Depreciation with AFUDC			$ 3.62	$ 3.37	$ 2.88							
15	Variance			$ (0.84)	$ (0.78)	$ (0.67)							

The United Illuminating Company
Pequonnock Substation
Summary of Estimated Return, Associated Taxes and Depreciation
with 100% CWIP in Rate Base
(Millions of Dollars)

Line No.	Description	12/31/2019	12/31/2020	12/31/2021	12/31/2022	12/31/2023	12/31/2024	12/31/2025	12/31/2026	12/31/2027	12/31/2028	12/31/2029	12/31/2030
1	Pequonnock Substation Estimated Gross Plant In-Service	$ -	$ -	$ -	$ -	$ 96.40	$ 96.40	$ 96.40	$ 96.40	$ 96.40	$ 96.40	$ 96.40	$ 96.40
2	Accumulated Depreciation	$ -	$ -	$ -	$ -	$ (0.20)	$ (2.61)	$ (5.02)	$ (7.43)	$ (9.84)	$ (12.25)	$ (14.66)	$ (17.07)
3	Accumulated Deferred Income Taxes	$ -	$ -	$ -	$ -	$ (0.27)	$ (2.19)	$ (3.84)	$ (5.27)	$ (6.49)	$ (7.52)	$ (8.41)	$ (9.29)
4	Pequonnock Substation Estimated Net Plant In-Service	$ -	$ -	$ -	$ -	$ 95.93	$ 91.60	$ 87.53	$ 83.70	$ 80.07	$ 76.62	$ 73.33	$ 70.04
5	Year End CWIP	$ 8.28	$ 19.57	$ 38.39	$ 73.58	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
6	Rate Base (Net Plant In-Service + CWIP)	$ 8.28	$ 19.57	$ 38.39	$ 73.58	$ 95.93	$ 91.60	$ 87.53	$ 83.70	$ 80.07	$ 76.62	$ 73.33	$ 70.04
7	Weighted Average Cost of Capital Rate (WACC)	11.02%	11.02%	11.02%	11.02%	11.02%	11.02%	11.02%	11.02%	11.02%	11.02%	11.02%	11.02%
8	Return and Associated Taxes (Rate Base * WACC)	$ 0.91	$ 2.16	$ 4.23	$ 8.11	$ 10.57	$ 10.09	$ 9.65	$ 9.22	$ 8.82	$ 8.44	$ 8.08	$ 7.72
9	Depreciation Expense	$ -	$ -	$ -	$ -	$ 0.20	$ 2.41	$ 2.41	$ 2.41	$ 2.41	$ 2.41	$ 2.41	$ 2.41
10	Return, Associated Taxes and Depreciation	$ 0.91	$ 2.16	$ 4.23	$ 8.11	$ 10.77	$ 12.50	$ 12.06	$ 11.63	$ 11.23	$ 10.85	$ 10.49	$ 10.13

Line No.	Description	12/31/2031	12/31/2032	12/31/2033	12/31/2034	12/31/2035	12/31/2036	12/31/2037	12/31/2038	12/31/2039	12/31/2040
11	Pequonnock Substation Estimated Gross Plant In-Service	$ 96.40	$ 96.40	$ 96.40	$ 96.40	$ 96.40	$ 96.40	$ 96.40	$ 96.40	$ 96.40	$ 96.40
12	Accumulated Depreciation	$ (19.48)	$ (21.89)	$ (24.30)	$ (26.71)	$ (29.12)	$ (31.53)	$ (33.94)	$ (36.35)	$ (38.76)	$ (41.17)
13	Accumulated Deferred Income Taxes	$ (10.17)	$ (11.06)	$ (11.94)	$ (12.83)	$ (13.71)	$ (14.59)	$ (15.48)	$ (16.17)	$ (15.52)	$ (14.87)
14	Pequonnock Substation Estimated Net Plant In-Service	$ 66.75	$ 63.45	$ 60.16	$ 56.86	$ 53.57	$ 50.28	$ 46.98	$ 43.88	$ 42.12	$ 40.36
15	Year End CWIP	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
16	Rate Base (Net Plant In-Service + CWIP)	$ 66.75	$ 63.45	$ 60.16	$ 56.86	$ 53.57	$ 50.28	$ 46.98	$ 43.88	$ 42.12	$ 40.36
17	Weighted Average Cost of Capital Rate (WACC)	11.02%	11.02%	11.02%	11.02%	11.02%	11.02%	11.02%	11.02%	11.02%	11.02%
18	Return and Associated Taxes (Rate Base * WACC)	$ 7.35	$ 6.99	$ 6.63	$ 6.27	$ 5.90	$ 5.54	$ 5.18	$ 4.84	$ 4.64	$ 4.45
19	Depreciation Expense	$ 2.41	$ 2.41	$ 2.41	$ 2.41	$ 2.41	$ 2.41	$ 2.41	$ 2.41	$ 2.41	$ 2.41
20	Return, Associated Taxes and Depreciation	$ 9.76	$ 9.40	$ 9.04	$ 8.68	$ 8.31	$ 7.95	$ 7.59	$ 7.25	$ 7.05	$ 6.86

Line No.	Description	12/31/2041	12/31/2042	12/31/2043	12/31/2044	12/31/2045	12/31/2046	12/31/2047	12/31/2048	12/31/2049	12/31/2050
21	Pequonnock Substation Estimated Gross Plant In-Service	$ 96.40	$ 96.40	$ 96.40	$ 96.40	$ 96.40	$ 96.40	$ 96.40	$ 96.40	$ 96.40	$ 96.40
22	Accumulated Depreciation	$ (43.58)	$ (45.99)	$ (48.40)	$ (50.81)	$ (53.22)	$ (55.63)	$ (58.04)	$ (60.45)	$ (62.86)	$ (65.27)
23	Accumulated Deferred Income Taxes	$ (14.22)	$ (13.57)	$ (12.92)	$ (12.27)	$ (11.63)	$ (10.98)	$ (10.33)	$ (9.68)	$ (9.03)	$ (8.38)
24	Pequonnock Substation Estimated Net Plant In-Service	$ 38.60	$ 36.84	$ 35.08	$ 33.31	$ 31.55	$ 29.79	$ 28.03	$ 26.27	$ 24.51	$ 22.75
25	Year End CWIP	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
26	Rate Base (Net Plant In-Service + CWIP)	$ 38.60	$ 36.84	$ 35.08	$ 33.31	$ 31.55	$ 29.79	$ 28.03	$ 26.27	$ 24.51	$ 22.75
27	Weighted Average Cost of Capital Rate (WACC)	11.02%	11.02%	11.02%	11.02%	11.02%	11.02%	11.02%	11.02%	11.02%	11.02%
28	Return and Associated Taxes (Rate Base * WACC)	$ 4.25	$ 4.06	$ 3.86	$ 3.67	$ 3.48	$ 3.28	$ 3.09	$ 2.89	$ 2.70	$ 2.51
29	Depreciation Expense	$ 2.41	$ 2.41	$ 2.41	$ 2.41	$ 2.41	$ 2.41	$ 2.41	$ 2.41	$ 2.41	$ 2.41
30	Return, Associated Taxes and Depreciation	$ 6.66	$ 6.47	$ 6.27	$ 6.08	$ 5.89	$ 5.69	$ 5.50	$ 5.30	$ 5.11	$ 4.92

Line No.	Description	12/31/2051	12/31/2052	12/31/2053	12/31/2054	12/31/2055	12/31/2056	12/31/2057	12/31/2058	12/31/2059	12/31/2060
31	Pequonnock Substation Estimated Gross Plant In-Service	$ 96.40	$ 96.40	$ 96.40	$ 96.40	$ 96.40	$ 96.40	$ 96.40	$ 96.40	$ 96.40	$ 96.40
32	Accumulated Depreciation	$ (67.68)	$ (70.09)	$ (72.50)	$ (74.91)	$ (77.32)	$ (79.73)	$ (82.14)	$ (84.55)	$ (86.96)	$ (89.37)
33	Accumulated Deferred Income Taxes	$ (7.73)	$ (7.08)	$ (6.43)	$ (5.79)	$ (5.14)	$ (4.49)	$ (3.84)	$ (3.19)	$ (2.54)	$ (1.89)
34	Pequonnock Substation Estimated Net Plant In-Service	$ 20.99	$ 19.23	$ 17.46	$ 15.70	$ 13.94	$ 12.18	$ 10.42	$ 8.66	$ 6.90	$ 5.14
35	Year End CWIP	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
36	Rate Base (Net Plant In-Service + CWIP)	$ 20.99	$ 19.23	$ 17.46	$ 15.70	$ 13.94	$ 12.18	$ 10.42	$ 8.66	$ 6.90	$ 5.14
37	Weighted Average Cost of Capital Rate (WACC)	11.02%	11.02%	11.02%	11.02%	11.02%	11.02%	11.02%	11.02%	11.02%	11.02%
38	Return and Associated Taxes (Rate Base * WACC)	$ 2.31	$ 2.12	$ 1.92	$ 1.73	$ 1.54	$ 1.34	$ 1.15	$ 0.95	$ 0.76	$ 0.57
39	Depreciation Expense	$ 2.41	$ 2.41	$ 2.41	$ 2.41	$ 2.41	$ 2.41	$ 2.41	$ 2.41	$ 2.41	$ 2.41
40	Return, Associated Taxes and Depreciation	$ 4.72	$ 4.53	$ 4.33	$ 4.14	$ 3.95	$ 3.75	$ 3.56	$ 3.36	$ 3.17	$ 2.98

Line No.	Description	12/31/2061	12/31/2062	12/31/2063
41	Pequonnock Substation Estimated Gross Plant In-Service	$ 96.40	$ 96.40	$ 96.40
42	Accumulated Depreciation	$ (91.78)	$ (94.19)	$ (96.40)
43	Accumulated Deferred Income Taxes	$ (1.24)	$ (0.59)	$ 0.00
44	Pequonnock Substation Estimated Net Plant In-Service	$ 3.38	$ 1.61	$ 0.00
45	Year End CWIP	$ -	$ -	$ -
46	Rate Base (Net Plant In-Service + CWIP)	$ 3.38	$ 1.61	$ 0.00
47	Weighted Average Cost of Capital Rate (WACC)	11.02%	11.02%	11.02%
48	Return and Associated Taxes (Rate Base * WACC)	$ 0.37	$ 0.18	$ 0.00
49	Depreciation Expense	$ 2.41	$ 2.41	$ 2.21
50	Return, Associated Taxes and Depreciation	$ 2.78	$ 2.59	$ 2.21

The United Illuminating Company
Pequonnock Substation
Summary of Estimated Return, Associated Taxes and Depreciation
without 100% CWIP in Rate Base / with AFUDC
(Millions of Dollars)

Line No.	Description	12/31/2019	12/31/2020	12/31/2021	12/31/2022	12/31/2023	12/31/2024	12/31/2025	12/31/2026	12/31/2027	12/31/2028	12/31/2029	12/31/2030
1	Pequonnock Substation Estimated Gross Plant In-Service	$ -	$ -	$ -	$ -	$ 125.60	$ 125.60	$ 125.60	$ 125.60	$ 125.60	$ 125.60	$ 125.60	$ 125.60
2	Accumulated Depreciation	$ -	$ -	$ -	$ -	$ (0.26)	$ (3.40)	$ (6.54)	$ (9.68)	$ (12.82)	$ (15.96)	$ (19.10)	$ (22.24)
3	Accumulated Deferred Income Taxes	$ -	$ -	$ -	$ -	$ (0.35)	$ (2.85)	$ (5.01)	$ (6.87)	$ (8.46)	$ (9.80)	$ (10.95)	$ (12.10)
4	Pequonnock Substation Estimated Net Plant In-Service	$ -	$ -	$ -	$ -	$ 124.99	$ 119.35	$ 114.05	$ 109.05	$ 104.32	$ 99.83	$ 95.54	$ 91.25
5	Year End CWIP	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
6	Rate Base (Net Plant In-Service)	$ -	$ -	$ -	$ -	$ 124.99	$ 119.35	$ 114.05	$ 109.05	$ 104.32	$ 99.83	$ 95.54	$ 91.25
7	Weighted Average Cost of Capital Rate (WACC)	11.02%	11.02%	11.02%	11.02%	11.02%	11.02%	11.02%	11.02%	11.02%	11.02%	11.02%	11.02%
8	Return and Associated Taxes (Rate Base * WACC)	$ -	$ -	$ -	$ -	$ 13.77	$ 13.15	$ 12.57	$ 12.02	$ 11.49	$ 11.00	$ 10.53	$ 10.06
9	Depreciation Expense	$ -	$ -	$ -	$ -	$ 0.26	$ 3.14	$ 3.14	$ 3.14	$ 3.14	$ 3.14	$ 3.14	$ 3.14
10	Return, Associated Taxes and Depreciation	$ -	$ -	$ -	$ -	$ 14.03	$ 16.29	$ 15.71	$ 15.16	$ 14.63	$ 14.14	$ 13.67	$ 13.20

Line No.	Description	12/31/2031	12/31/2032	12/31/2033	12/31/2034	12/31/2035	12/31/2036	12/31/2037	12/31/2038	12/31/2039	12/31/2040
11	Pequonnock Substation Estimated Gross Plant In-Service	$ 125.60	$ 125.60	$ 125.60	$ 125.60	$ 125.60	$ 125.60	$ 125.60	$ 125.60	$ 125.60	$ 125.60
12	Accumulated Depreciation	$ (25.38)	$ (28.52)	$ (31.66)	$ (34.80)	$ (37.94)	$ (41.08)	$ (44.22)	$ (47.36)	$ (50.50)	$ (53.64)
13	Accumulated Deferred Income Taxes	$ (13.25)	$ (14.41)	$ (15.56)	$ (16.71)	$ (17.86)	$ (19.01)	$ (20.16)	$ (21.07)	$ (20.22)	$ (19.37)
14	Pequonnock Substation Estimated Net Plant In-Service	$ 86.96	$ 82.67	$ 78.38	$ 74.09	$ 69.80	$ 65.51	$ 61.22	$ 57.17	$ 54.88	$ 52.58
15	Year End CWIP	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
16	Rate Base (Net Plant In-Service)	$ 86.96	$ 82.67	$ 78.38	$ 74.09	$ 69.80	$ 65.51	$ 61.22	$ 57.17	$ 54.88	$ 52.58
17	Weighted Average Cost of Capital Rate (WACC)	11.02%	11.02%	11.02%	11.02%	11.02%	11.02%	11.02%	11.02%	11.02%	11.02%
18	Return and Associated Taxes (Rate Base * WACC)	$ 9.58	$ 9.11	$ 8.64	$ 8.16	$ 7.69	$ 7.22	$ 6.75	$ 6.30	$ 6.05	$ 5.79
19	Depreciation Expense	$ 3.14	$ 3.14	$ 3.14	$ 3.14	$ 3.14	$ 3.14	$ 3.14	$ 3.14	$ 3.14	$ 3.14
20	Return, Associated Taxes and Depreciation	$ 12.72	$ 12.25	$ 11.78	$ 11.30	$ 10.83	$ 10.36	$ 9.89	$ 9.44	$ 9.19	$ 8.93

Line No.	Description	12/31/2041	12/31/2042	12/31/2043	12/31/2044	12/31/2045	12/31/2046	12/31/2047	12/31/2048	12/31/2049	12/31/2050
21	Pequonnock Substation Estimated Gross Plant In-Service	$ 125.60	$ 125.60	$ 125.60	$ 125.60	$ 125.60	$ 125.60	$ 125.60	$ 125.60	$ 125.60	$ 125.60
22	Accumulated Depreciation	$ (56.78)	$ (59.92)	$ (63.06)	$ (66.20)	$ (69.34)	$ (72.48)	$ (75.62)	$ (78.76)	$ (81.90)	$ (85.04)
23	Accumulated Deferred Income Taxes	$ (18.53)	$ (17.68)	$ (16.84)	$ (15.99)	$ (15.15)	$ (14.30)	$ (13.46)	$ (12.61)	$ (11.77)	$ (10.92)
24	Pequonnock Substation Estimated Net Plant In-Service	$ 50.29	$ 47.99	$ 45.70	$ 43.41	$ 41.11	$ 38.82	$ 36.52	$ 34.23	$ 31.93	$ 29.64
25	Year End CWIP	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
26	Rate Base (Net Plant In-Service)	$ 50.29	$ 47.99	$ 45.70	$ 43.41	$ 41.11	$ 38.82	$ 36.52	$ 34.23	$ 31.93	$ 29.64
27	Weighted Average Cost of Capital Rate (WACC)	11.02%	11.02%	11.02%	11.02%	11.02%	11.02%	11.02%	11.02%	11.02%	11.02%
28	Return and Associated Taxes (Rate Base * WACC)	$ 5.54	$ 5.29	$ 5.04	$ 4.78	$ 4.53	$ 4.28	$ 4.02	$ 3.77	$ 3.52	$ 3.27
29	Depreciation Expense	$ 3.14	$ 3.14	$ 3.14	$ 3.14	$ 3.14	$ 3.14	$ 3.14	$ 3.14	$ 3.14	$ 3.14
30	Return, Associated Taxes and Depreciation	$ 8.68	$ 8.43	$ 8.18	$ 7.92	$ 7.67	$ 7.42	$ 7.16	$ 6.91	$ 6.66	$ 6.41

Line No.	Description	12/31/2051	12/31/2052	12/31/2053	12/31/2054	12/31/2055	12/31/2056	12/31/2057	12/31/2058	12/31/2059	12/31/2060
31	Pequonnock Substation Estimated Gross Plant In-Service	$ 125.60	$ 125.60	$ 125.60	$ 125.60	$ 125.60	$ 125.60	$ 125.60	$ 125.60	$ 125.60	$ 125.60
32	Accumulated Depreciation	$ (88.18)	$ (91.32)	$ (94.46)	$ (97.60)	$ (100.74)	$ (103.88)	$ (107.02)	$ (110.16)	$ (113.30)	$ (116.44)
33	Accumulated Deferred Income Taxes	$ (10.07)	$ (9.23)	$ (8.38)	$ (7.54)	$ (6.69)	$ (5.85)	$ (5.00)	$ (4.16)	$ (3.31)	$ (2.47)
34	Pequonnock Substation Estimated Net Plant In-Service	$ 27.34	$ 25.05	$ 22.75	$ 20.46	$ 18.17	$ 15.87	$ 13.58	$ 11.28	$ 8.99	$ 6.69
35	Year End CWIP	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
36	Rate Base (Net Plant In-Service)	$ 27.34	$ 25.05	$ 22.75	$ 20.46	$ 18.17	$ 15.87	$ 13.58	$ 11.28	$ 8.99	$ 6.69
37	Weighted Average Cost of Capital Rate (WACC)	11.02%	11.02%	11.02%	11.02%	11.02%	11.02%	11.02%	11.02%	11.02%	11.02%
38	Return and Associated Taxes (Rate Base * WACC)	$ 3.01	$ 2.76	$ 2.51	$ 2.25	$ 2.00	$ 1.75	$ 1.50	$ 1.24	$ 0.99	$ 0.74
39	Depreciation Expense	$ 3.14	$ 3.14	$ 3.14	$ 3.14	$ 3.14	$ 3.14	$ 3.14	$ 3.14	$ 3.14	$ 3.14
40	Return, Associated Taxes and Depreciation	$ 6.15	$ 5.90	$ 5.65	$ 5.39	$ 5.14	$ 4.89	$ 4.64	$ 4.38	$ 4.13	$ 3.88

Line No.	Description	12/31/2061	12/31/2062	12/31/2063
41	Pequonnock Substation Estimated Gross Plant In-Service	$ 125.60	$ 125.60	$ 125.60
42	Accumulated Depreciation	$ (119.58)	$ (122.72)	$ (125.60)
43	Accumulated Deferred Income Taxes	$ (1.62)	$ (0.77)	$ 0.00
44	Pequonnock Substation Estimated Net Plant In-Service	$ 4.40	$ 2.10	$ 0.00
45	Year End CWIP	N/A	N/A	$ -
46	Rate Base (Net Plant In-Service)	$ 4.40	$ 2.10	$ 0.00
47	Weighted Average Cost of Capital Rate (WACC)	11.02%	11.02%	11.02%
48	Return and Associated Taxes (Rate Base * WACC)	$ 0.48	$ 0.23	$ 0.00
49	Depreciation Expense	$ 3.14	$ 3.14	$ 2.88
50	Return, Associated Taxes and Depreciation	$ 3.62	$ 3.37	$ 2.88

The United Illuminating Company
Pequonnock Substation
Summary of Estimated Return, Associated Taxes and Depreciation
Estimated Weighted Average Cost of Capital Rate

(A)	(B)	(C)	(D)	(E)	(F)	(G)
	Description	Capitalization 12/31/2018	Capitalization Ratios	Cost of Capital	Weighted Cost of Capital	Equity Portion
1	Long-Term Debt	$ 841,981,130	43.37%	5.46%	2.37%	N/A
2	Common Equity	$ 1,099,422,048	56.63%	11.07%	6.27%	6.27%
3	Total Return	$ 1,941,403,178			8.64%	6.27%
4	Weighted Average Cost of Capital (WACC)					8.64%
5	Federal Income Tax Rate	21%				
6	Federal Income Tax (FIT)					1.67%
7	State Income Tax Rate	8.25%				
8	State Income Tax (SIT)					0.71%
9	Weighted Average Cost of Capital Rate					11.02%

10 Calculation of FIT

11 FIT= EQUITY WACC* FIT Rate

12 1-FIT Rate

13 Calculation of SIT

14 SIT= (EQUITY WACC+FIT)*SIT Rate

15 1-SIT Rate

16 Common Equity Cost of Capital equals base ROE of 10.57% plus 0.50% for participation in a regional transmission organization

EXHIBIT NO. UI-4

Exhibit No. UI-4
Pequonnock Substation Rebuild
Estimated Capital Spending by Year
For the Period 2010 to 2023
(Thousands of Dollars)

	Pre-2019	2019	2020	2021	2022	2023	Total
Estimated Capital Spending	2,702,293	5,578,811	11,288,486	18,821,443	35,187,765	22,784,639	96,363,437

EXHIBIT NO. UI-5

November 1, 2019

To: **PTO AC Chair & Vice Chair**
NEPOOL Transmission Committee Members & Alternates
Executive Director of NECPUC

From: **Nicholas J. Cicale and James Clemente, The United Illuminating Company**

Subject: **Notice of Proposed Modifications to Attachment F**

Pursuant to Section 3.04 of the Transmission Operating Agreement ("TOA"), The United Illuminating Company ("UI") provides written notification of amendment to the Attachment F Annual Transmission Revenue Requirements Implementation Rule and Attachment F Annual Transmission Revenue Requirements Implementation Rule Appendix C in Section II of the ISO New England Inc. Transmission, Markets and Services Tariff ("ISO-NE Tariff"). UI plans to file the ISO-NE Tariff amendment with the Federal Energy Regulatory Commission (the "Commission") on or about December 2, 2019.

On May 14, 2019, by way of an order, 167 FERC ¶ 61,126 (May 14, 2019), issued in Docket No. ER19-1359-000, the Commission granted UI's request to include 100% of its prudently incurred Construction Work In Progress ("CWIP") for the Pequonnock Substation Project in rate base. UI will file proposed revisions to the ISO-NE Tariff so that it may implement the Pequonnock CWIP incentive into rate base. UI has concluded that, consistent with the Commission's orders in *Central Maine Power Co.*, 128 FERC ¶ 61,143 (2009), *order on reh'g*, 135 FERC ¶ 61,139 (2011); and *Ne Utilis Serv. Co. and Nat'l Grid USA*, 135 FERC ¶ 61,195 (2011), Pequonnock CWIP should be recovered from regional customers under the ISO-NE Tariff.

The proposed modifications to the Attachment F Implementation Rule will define Pequonnock CWIP as a component of II.A.1.(1) of Attachment F Investment Base. In addition, II.A.2.(a), (b) and (c) was updated to include Pequonnock CWIP.

The proposed modifications to Appendix C, Section I of Attachment F will include a forecast component for Pequonnock CWIP consistent with the current forecast methodology. UI will multiply the forecasted CWIP by the Pequonnock Cost of Capital Rate reflecting the return on equity for the Pequonnock Substation Project. The resulting product will be included in the Forecasted Transmission Revenue Requirements subject to the annual true-up and associated interest consistent with all other provisions of Appendix C.

In the good faith judgment of UI, the proposed changes to the Attachment F Implementation Rule and Appendix C thereof will not be inconsistent with the design of the New England Markets, as accepted or approved by the Commission, and will not require software changes by ISO-NE.

This notification satisfies all TOA requirements, thus no further action by the PTO-AC or the NEPOOL Committees is necessary. Please contact James Clemente at (203) 499-3669 or james.clemente@uinet.com, Nicholas J. Cicale at (203) 499-2996 or nicholas.cicale@uinet.com, or Alan Trotta at (203) 499-3271 or alan.trotta@uinet.com, with any questions on the proposed modifications.

ATTACHMENT A

ATTACHMENT F

ANNUAL TRANSMISSION REVENUE REQUIREMENTS

The Transmission Revenue Requirements for each PTO will reflect the PTO's costs with respect to Pool Supported PTF and the HTF, including costs attributable to those PTOs deemed to own or support PTF pursuant to Section II.49 of the Tariff. The Transmission Revenue Requirements will be an annual calculation based on the previous year's calendar data as shown, in the case of PTOs that are subject to the Commission's jurisdiction, in the PTO's FERC Form 1 report for that year; provided, however, that if a PTO is deemed to own or support PTF pursuant to Section II.49 of the Tariff, such PTO may include the costs as incurred by its Related Person for PTF facilities and Transmission Support Expenses as the basis for establishing its initial and subsequent Annual Transmission Revenue Requirements, only until such PTO has a full calendar year of cost data under its ownership. Such PTO's costs will be determined from FERC Form 1 data if available, or if not available, from other supporting data certified by an auditor of the PTO or Related Person, and in a format comparable to that used to report such costs in FERC Form 1. Such costs shall be based on actual data in lieu of allocated data if specifically identified in the Form 1 report in accordance with the following formula and Schedule 12:

I. The Transmission Revenue Requirement shall equal the sum of the PTO's (A) Return and Associated Income Taxes, (B) Transmission Depreciation and Amortization Expense, (C) Transmission Related Amortization of Loss on Reacquired Debt, (D) Transmission Related Amortization of Investment Tax Credits, (E) Transmission Related Municipal Tax Expense, (F) Transmission Related Payroll Tax Expense, (G) Transmission Operation and Maintenance Expense, (H) Transmission Related Administrative and General Expense, (I) Transmission Related Integrated Facilities Charges, minus (J) Transmission Support Revenue, plus (K) Transmission Support Expense, plus (L) Transmission Related Expense from Generators, plus (M) Transmission Related Taxes and Fees Charge, minus (N) Revenue for Short-Term service under the OATT and (O) Transmission Rents Received from Electric Property.

The details for implementation of Attachment F, as well as the definitions of the terms used in the Attachment F formula, shall be established in accordance with the Attachment F Implementation Rule contained in this OATT.

ATTACHMENT F
IMPLEMENTATION RULE

This rule sets forth details with respect to the determination each year of the Transmission Revenue Requirements for each PTO. Such Transmission Revenue Requirements shall reflect the PTO's costs for Pool Transmission Facilities ("PTF") and the Highgate Transmission Facilities ("HTF"), including costs attributable to those PTOs deemed to own or support PTF pursuant to Section II.49 of the Tariff. The Transmission Revenue Requirements for each PTO will reflect the PTO's costs with respect to Pool Supported PTF and the HTF. The Transmission Revenue Requirements will be an annual calculation based on the previous year's calendar data as shown, in the case of PTOs which are subject to the Commission's jurisdiction, in the PTO's FERC Form 1 report for that year; provided, however, that if a PTO is deemed to own or support PTF, such PTO may include the costs as incurred by its Related Person for PTF facilities and Transmission Support Expenses as the basis for establishing its initial and subsequent Annual Transmission Revenue Requirements, only until such PTO has a full calendar year of cost data under its ownership. Such PTO's costs will be determined from FERC Form 1 data if available, or if not available, from other supporting data certified by an auditor of the PTO or Related Person, and in a format comparable to that used to report such costs in FERC Form 1. Such costs shall be based on actual data in lieu of allocated data if specifically identified in the Form 1 report in accordance with the following formula and Schedule 12. The HTF Transmission Revenue Requirements shall be subject to the limitations of inclusion of such costs as set forth in Appendix B to this Attachment. The owners of the HTF, or their designated agent, will submit the annual HTF Transmission Revenue Requirements calculation based on the previous calendar year's cost data from their FERC Form 1 or equivalent information from their official books and records, as appropriate.

The Post-96 Transmission Revenue Requirement for each PTO that is based on data for calendar year 2004 or later shall include an Incremental Return and Associated Income Taxes on the PTO's PTF transmission plant investments included in the Regional System Plan and placed in-service on or after January 1,2004 (such investments referred to herein as "Post-2003 PTF Investment"). The Incremental Return and Associated Income Taxes for Post-2003 PTF Investment shall incorporate an incentive ROE adder of 100 basis points for plant investment placed in service by December 31, 2008 or as otherwise permitted in Docket Nos. ER04-157, et al. for any projects included in the RSP, and shall incorporate any incentive ROE adder approved by the FERC under Order No. 679 for other plant investments (however; the 125 basis point ROE incentive adder granted to NEEWS under Order No. 679 in Docket No. ER08-1548 and the 50 basis point ROE incentive adder for RTO participation shall not apply to the costs related to the Central Connecticut Reliability Project, consistent with FERC's order) and for MPRP CWIP, NEEWS CWIP and Pequonnock CWIP. The total ROE for any project, including any authorized ROE incentives for Post-2003 PTF Investment and any other incentive ROE approved by FERC under Order No. 679 shall be capped by the top of the applicable zone of reasonableness determined by FERC for the relevant period. The data used in determining each PTO's Incremental Return and Associated Taxes for Post-2003 Investment shall be based on actual data in lieu of allocated data if specifically identified in the PTO's accounting records.

The Post-1996 Pool PTF Rate, as calculated pursuant to Schedule 9, shall include for each PTO a Forecasted Transmission Revenue Requirement calculated in accordance with Appendix C to this Attachment F Implementation Rule. Additionally, the Pre-1997 and Post-1996 Pool PTF Rates shall include an Annual True-up calculated in accordance with Appendix C to this Attachment F Implementation Rule.

The PTOs shall make an annual informational filing on or before July 31 of each year showing the Pool PTF Rate in effect for the period beginning June 1 of that year through May 31 of the subsequent year.Further, the informational filing with respect to the determination of the Pool PTF Rate will include a breakdown by PTO of the amount of the change in PTF and HTF investment during the prior year and the PTF and HTF retirements or additions causing such change to beginning and end-of-year PTF balances and HTF balances (although beginning-of-year PTF balances and HTF balances are not used in the formula itself), and any additions to PTF and HTF, retirements of PTF and HTF, and reclassifications of PTF and HTF during the year for each PTO. If there are any corrections made to the information reflected in the informational filing after it has been submitted, the PTOs will file corrections to the informational filing. At least forty-five days before the informational filing is made with the Commission, the PTOs shall make available to Transmission Customers and any other interested parties a draft of the proposed filing for review and comment prior to the filing by posting such draft on the ISO website. The filing of the information filing does not re-open the formula rate set forth below for review, but rather is contestable only with respect to the accuracy of the information contained in the informational filing.

The ISO shall have the discretion to conduct audits of such charges, with advisory Stakeholder input on the scope of audit, including on any agreed-upon procedures to be used by the auditor. In this provision, the term "agreed-upon procedures" shall have the meaning afforded to it by the American Institute of Certified Public Accountants.

I. DEFINITIONS

Capitalized terms not otherwise defined in the Tariff and as used in this rule have the following definitions:

A. ALLOCATION FACTORS

1. Transmission Wages and Salaries Allocation Factor shall equal the ratio of Transmission-related direct wages and salaries including those of affiliated Companies to the PTO's total direct wages and salaries including those of the Affiliates' Companies and excluding administrative and general wages and salaries.

2. PTF/HTF Transmission Plant Allocation Factor shall equal the ratio of PTF/HTF Transmission Plant to Total Investment in Transmission Plant, excluding capital leases in the Phase I/II HVDC-TF (Phase I/II HVDC-TF Leases).

3. Plant Allocation Factor shall equal the ratio of the sum of Total Investment in Transmission Plant, excluding Phase I/II HVDC-TF Leases, and Transmission Related Intangible and General Plant to Total Plant in service excluding Phase I/II HVDC-TF Leases.

B. TERMS

Administrative and General Expense shall equal the PTO's expenses as recorded in FERC Account Nos. 920-935, excluding FERC Account Nos. 924, 928 and 930.1 and excluding Merger-Related Costs included in FERC Account Nos. 920-935 (other than those in FERC Account Nos. 924, 928 and 930.1, which have already been excluded).

Amortization of Loss on Reacquired Debt shall equal the PTO's expenses as recorded in FERC Account No. 428.1.

Amortization of Investment Tax Credits shall equal the PTO's credits as recorded in FERC Account No. 411.4.

Depreciation Expense for Transmission Plant shall equal the PTO's transmission expenses as recorded in FERC Account No. 403.

General Plant shall equal the PTO's gross plant balance as recorded in FERC Account Nos. 389-399.

General Plant Depreciation and Amortization Expense shall equal the PTO's general expenses as recorded in FERC Account No. 403 and NSTAR Electric's (East) FERC Account No. 404 for items subject to amortization.

General Plant Amortization Reserve shall equal NSTAR Electric's (East) general reserve balance as recorded in FERC Account No. 111.

HTF Transmission Plant shall equal the PTO's balance of investment in the Highgate Transmission Facilities as recorded in FERC Account Nos. 350-359.

Intangible Plant shall equal NSTAR Electric's (East) gross plant balance as recorded in FERC Account No. 303. The only allowable Intangible Plant for inclusion are software, patent or rights costs.

Intangible Plant Amortization Expense shall equal NSTAR Electric's (East) amortization expenses as recorded in FERC Account Nos. 404-405. The only allowable Intangible Plant Amortization Expense for inclusion is the amortization of software, patent or rights costs.

Intangible Plant Amortization Reserve shall equal NSTAR Electric's (East) amortization reserve balance as recorded in FERC Account No. 111. The only allowable Intangible Plant Amortization Reserve for inclusion is that related to the amortization of software, patent or rights costs.

Maine Power Reliability Program Construction Work In Progress ("MPRP CWIP") shall equal Central Maine Power Company's ("CMP's") MPRP CWIP balance as recorded in FERC Account No. 107 for costs determined to be Pool- Supported PTF in accordance with Schedule 12 of this OATT.

Merger-Related Costs shall equal NSTAR Electric Company's ("NSTAR Electric") (East and West), CL&P's and Public Service Company of New Hampshire's ("PSNH") amortized merger-related costs as authorized by FERC or by state regulatory order.

New England East-West Solution Construction Work in Progress ("NEEWS CWIP") shall equal the NEEWS CWIP balances of The Connecticut Light and Power Company ("CL&P") and NSTAR Electric (West) and New England Power Company ("NEP") as recorded in FERC Account No. 107 for costs determined to be Pool-Supported PTF in accordance with Schedule 12 of this OATT.

Other Regulatory Assets/Liabilities - FAS 106 shall equal the net of the PTO's FAS 106 balance as recorded in FERC Account 182.3 and any FAS 106 balance as recorded in the PTO's FERC Account No. 254.

Other Regulatory Assets/Liabilities - FAS 109 shall equal the net of the PTO's FAS 109 balance in FERC Account No. 182.3 and any FAS 109 balance as recorded in the PTO's FERC Account No. 254.

Payroll Taxes shall equal those payroll expenses as recorded in the PTO's FERC Account Nos. 408.1.

Pequonnock Substation Construction Work in Progress ("Pequonnock CWIP") shall equal the Pequonnock CWIP balance of The United Illuminating Company ("UI") as recorded in FERC Account No. 107 for costs determined to be Pool-Supported PTF in accordance with Schedule 12 of the OATT.

Phase I/II HVDC-TF Leases shall equal the PTO's balance in capital leases as recorded in FERC Account Nos. 350-359 and FERC Account Nos. 389-399.

Plant Held for Future Use shall equal the PTO's balance in FERC Account No.105.

Prepayments shall equal the PTO's prepayment balance as recorded in FERC Account No. 165.

Property Insurance shall equal the PTO's expenses as recorded in FERC Account No. 924.

PTF Transmission Plant shall equal the PTO's transmission plant as defined in the Section II.49 of the OATT and determined in accordance with Appendix A of this Rule, which is entitled "Rules for Determining Investment To be Included in PTF."

PTF/HTF Transmission Plant Investment shall equal the PTO's (a) PTF Transmission Plant plus (b) HTF Transmission Plant.

Total Accumulated Deferred Income Taxes shall equal the net of the PTO's deferred tax balance as recorded in FERC Account Nos. 281-283 and the PTO's deferred tax balance as recorded in FERC Account No. 190.

Total Loss on Reacquired Debt shall equal the PTO's expenses as recorded in FERC Account 189.

Total Municipal Tax Expense shall equal the PTO's municipal tax expenses as recorded in FERC Account Nos. 408.1.

Total Plant in Service shall equal the PTO's total gross plant balance as recorded in FERC Account Nos. 301-399.

Total Transmission Depreciation Reserve shall equal the PTO's transmission reserve balance as recorded in FERC Account 108.

Transmission Merger-Related Costs shall equal NSTAR Electric's, (East and West) CL&P's and PSNH's amortized merger-related transmission costs as authorized by FERC.

Transmission Operation and Maintenance Expense shall equal the PTO's expenses as recorded in FERC Account Nos. 560, 561.5-561.8, 562-564 and 566-573, and shall exclude all Phase I/II HVDC-TF expenses booked to accounts 560 through 573 and expenses already included in Transmission Support Expense, as described in Section K which are included in FERC Account Nos. 560-573.

Transmission Plant shall equal the PTO's Gross Plant balance as recorded in FERC Account Nos. 350-359.

Transmission Plant Materials and Supplies shall equal the PTO's balance as assigned to transmission, as recorded in FERC Account No. 154.

II. CALCULATION OF TRANSMISSION REVENUE REQUIREMENTS

The Transmission Revenue Requirement shall equal the sum of the PTO's (A) Return and Associated Income Taxes (including the Incremental Return and Associated Income Taxes for Post-2003 PTF Investment and for MPRP CWIP, NEEWS CWIP and Pequonnock CWIP), (B) Transmission Depreciation and Amortization Expense, (C) Transmission Related Amortization of Loss on Reacquired Debt, (D) Transmission Related Amortization of Investment Tax Credits, (E) Transmission Related Municipal Tax Expense, (F) Transmission Related Payroll Tax Expense, (G) Transmission Operation and Maintenance Expense, (H) Transmission Related Administrative and General Expenses, (I) Transmission Related Integrated Facilities Charges, minus (J) Transmission Support Revenue, plus (K) Transmission Support Expense, plus (L) Transmission-Related Expense from Generators, plus (M) Transmission Related Taxes and Fees Charge, minus (N) Revenue for Short-Term service under the OATT, (O) Transmission Rents Received from Electric Property and (P) Transmission Revenues from MEPCO Grandfathered Transmission Service Agreements. The Incremental Return and Associated Income Taxes for Post-2003 PTF Investment for each PTO shall be calculated using the investment base components specifically identified in Section A. 1 of the formula below.

A. Return and Associated Income Taxes shall equal the product of the Transmission Investment Base and the Cost of Capital Rate. To calculate the Incremental Return and Associated Income Taxes for Post-2003 PTF Investment and for MPRP CWIP, NEEWS CWIP and Pequonnock CWIP, Transmission Investment Base will only include Sections II.A. 1 .(a), (d), (e), (k), and (1) in the manner indicated.

1. Transmission Investment Base

The Transmission Investment Base will be the year end balances of(a) PTF/HTF Transmission Plant, plus (b) Transmission Related Intangible and General Plant, plus (c) Transmission Plant Held for Future Use, less (d) Transmission Related Depreciation and Amortization Reserve, less

(e) Transmission Related Accumulated Deferred Taxes, plus (f) Transmission Related Loss on Re.acquired Debt, plus (g) Other Regulatory Assets/Liabilities, plus (h) Transmission Prepayments, plus (i) Transmission Materials and Supplies, plus (j) Transmission Related Cash Working Capital, plus (k) MPRP CWIP, plus (l) NEEWS CWIP, plus (m) Pequonnock CWIP.

(a) PTF Transmission Plant will equal the balance of the PTO's PTF Investment in (a) Transmission Plant plus (b) HTF Transmission Plant. This value excludes (i) the PTO's Phase I/II HVDC-TF Leases, (ii) the portion of any facilities, the cost of which is directly assigned under Schedule 11 to the OATT, to the Transmission Customer or a Generator Owner or Interconnection Requester, (iii) the Pre-1997 PTF gross plant investment associated with leased facilities occupied by the Phase II section of the Phase I/II HVDC-TF. In order to calculate the Incremental Return and Associated Income Taxes for Post-2003 PTF Investment, Post2003 PTF Transmission Plant shall be separately identified.

(b) Transmission Related Intangible and General Plant shall equal the sum of the PTO's balance of investment in Intangible Plant and General Plant multiplied by the Transmission Wages and Salaries Allocation Factor and the PTF/HTF Transmission Plant Allocation Factor.

(c) Transmission Plant Held for Future Use shall equal the PTO's balance of Transmission-related Plant Held for Future Use multiplied by the PTF/HTF Transmission Plant Allocation Factor.

(d) Transmission Related Depreciation and Amortization Reserve shall equal the PTO's balance of Total Transmission Depreciation Reserve, plus the balance of Transmission Related Intangible Plant Amortization Reserve, Transmission Related General Plant Depreciation Reserve and Transmission Related General Plant Amortization Reserve. Transmission Related Intangible Plant Amortization Reserve, Transmission Related General Plant Depreciation Reserve and Transmission Related General Plant Amortization Reserve shall equal the product of the sum of Intangible Plant Amortization Reserve, General Plant Depreciation Reserve and General Plant Amortization Reserve, and the Transmission Wages and Salaries Allocation Factor. This sum shall be multiplied by the PTF/HTF Transmission Plant Allocation Factor. In order to calculate the

Incremental Return and Associated Income Taxes for Post-2003 PTF Investment, Transmission Depreciation Reserve associated with Post-2003 PTF Investment shall equal the PTO's balance of Total Transmission Depreciation Reserve multiplied by the ratio of Post-2003 PTF Transmission Plant to Total Investment in Transmission Plant, excluding capital leases in the Phase I/II HVDC-TF Leases.

(e) Transmission Related Accumulated Deferred Taxes shall equal the PTO's electric balance of Total Accumulated Deferred Income Taxes, multiplied by the Plant Allocation Factor, further multiplied by the PTF/HTF Transmission Plant Allocation Factor. To calculate the Incremental Return and Associated Income Taxes for Post-2003 PTF Investment, Transmission Related Accumulated Deferred Income Taxes associated with Post-2003 PTF Investment shall equal the PTO's balance of total property-related accumulated deferred income taxes as recorded in FERC accounts 281 and 282, multiplied by the ratio of Total Investment in Transmission Plant, excluding Phase I/II HVDC-TF Leases, to Total Plant in Service excluding Phase I/II HVDC-TF Leases, further multiplied by the ratio of Post-2003 PTF Transmission Plant to Total Investment in Transmission Plant, excluding Phase I/II HVDC-TF Leases.

(f) Transmission Related Loss on Reacquired Debt shall equal the PTO's electric balance of Total Loss on Reacquired Debt multiplied by the Plant Allocation Factor, further multiplied by the PTF/HTF Transmission Plant Allocation Factor.

(g) Other Regulatory Assets/Liabilities shall equal the PTO's electric balance of any deferred rate recovery of FAS 106 expenses multiplied by the Transmission Wages and Salaries Allocation Factor, plus the PTO's electric balance of FAS 109 multiplied by the Plant Allocation Factor. This sum shall be multiplied by the PTF/HTF Transmission Plant Allocation Factor.

(h) Transmission Prepayments shall equal the PTO's electric balance of prepayments multiplied by the Transmission Wages and Salaries Allocation Factor and further multiplied by the PTF/HTF Transmission Plant Allocation Factor.

(i) Transmission Materials and Supplies shall equal the PTO's electric balance of Transmission Plant Materials and Supplies, multiplied by the PTF/HTF Transmission Plant Allocation Factor.

(j) Transmission Related Cash Working Capital shall be a 12.5% allowance (45 days/360 days) of the PTO's Transmission Operation and Maintenance Expense, Transmission Related Administrative and General Expense and Transmission Support Expense, to the extent that Transmission Support Expense exceeds Transmission Support Revenue included in Paragraph J of the formula.

(k) MPRP CWIP shall equal CMP's balance as recorded in FERC Account No. 107 for the MPRP as authorized by Commission order and in accordance with CMP's Accounting Procedures for MPRP CWIP. In order to calculate the Incremental Return and Associated Income Taxes for MPRP CWIP, MPRP CWIP shall be separately identified.

(l) NEEWS CWIP shall equal CL&P, NSTAR Electric (West) and NEP's balances as recorded in FERC Account No. 107 for the NEEWS as authorized by Commission order and in accordance with the companies' respective Accounting Procedures for NEEWS CWIP. In order to calculate the Incremental Return and Associated Income Taxes for NEEWS CWIP, NEEWS CWIP shall be separately identified.

(m) Pequonnock CWIP shall equal UI's balances as recorded in FERC Account No. 107 for the Pequonnock Substation as authorized by Commission order and in accordance with UI's respective Accounting Procedures for Pequonnock CWIP. In order to calculate the Incremental Return and Associated Income Taxes for Pequonnock CWIP, Pequonnock CWIP shall be separately identified.

2. Cost of Capital Rate

The Cost of Capital Rate will equal (a) the PTO's Weighted Cost of Capital, plus (b) Federal Income Tax plus (e) 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), (ii), and (iii) below. The Cost of Capital Rate to be used in calculating the Incremental Return and Associated Income Taxes for

Post-2003 PTF Investment and for MPRP CWIP, NEEWS CWIP and Pequonnock CWIP, shall only reflect item (iii) below and shall apply in the manner indicated below.

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

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

(iii) the return on equity component, shall be the product of the allowed ROE of the PTO's common equity and the ratio that common equity is to the PTO's total capital. For pre-1997 and post-1996 assets, the ROE is 11.07%. In order to calculate the Incremental Return and Associated Income Taxes for Post-2003 PTF Investment and for MPRP CWIP, NEEWS CWIP and Pequonnock CWIP, the incremental return on equity shall be the product of: (1) the PTO's incremental return on equity of 1.0% for plant investments associated with projects included in the RSP and placed in service by December 31, 2008 or otherwise permitted in Docket Nos. ER04-157, et al.; (2) any ROE incentive approved by the FERC under Order No. 679 for other plant investments (however; the 125 basis point ROE incentive adder granted to NEEWS under Order No. 679 in Docket No. ER08-1548 and the 50 basis point ROE incentive adder for RTO participation shall not apply to the costs related to the Central Connecticut Reliability Project, consistent with FERC's order) and MPRP CWIP, NEEWS CWIP and Pequonnock CWIP, provided that the total ROE for any project, including any such ROE incentives, shall be capped by the top of the applicable zone of reasonableness determined by FERC for the relevant period, and (3) the ratio that common equity is to the PTO's total capital) [1]

(b) Federal Income Tax shall equal

$$\frac{(A+[(C+B)/D])(FT)}{I-FT}$$

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

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 Sections ll.A.2.(a)(ii) and (iii) above, B is Transmission Related Amortization of Investment Tax Credits, as determined in Section II.D., below, C is the Equity AFUDC component of Transmission Depreciation Expense, as defined in Section ll.B., and D is Transmission Investment Base, as determined in Section II.A.1., above. In order to calculate the Incremental Return and Associated Income Taxes for Post-2003 PTF Investment and for MPRP CWIP, NEEWS CWIP and Pequonnock CWIP, the incremental Federal Income Tax shall equal

$$\frac{(A' * FT)}{(1 - FT)}$$

where FT is the Federal Income Tax Rate and A' is the incremental return on equity component, as determined in Section II.A.2.(a)(iii) above.

(c) State Income Tax shall equal

$$\frac{(A+[(C+B)/D] + \text{Federal Income Tax})(ST)}{1 - ST}$$

where ST is the State Income Tax Rate, A is the sum of the preferred stock component and return on equity component determined in Sections II.A.2.(a)(ii) and (iii) above, B is the Amortization of Investment Tax Credits as determined in Section ll.D.below, C is the equity AFUDC component of Transmission Depreciation Expense, as defined in Section II.B.. D is the Transmission Investment Base, as determined in II.A.1., above and Federal Income Tax is the rate determined in Section II.A.2.(b) above. In order to calculate the Incremental Return and Associated Income Taxes for Post-2003 PTF Investment and for MPRP CWIP, NEEWS CWIP and Pequonnock CWIP, the incremental State Income Tax shall equal

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

where ST is the State Income Tax Rate, A' is the incremental return on equity component determined in Section II.A.2.(a)(iii) above, and Federal Income Tax is the rate determined in Section II.A.2.(b) above.

B. Transmission Depreciation and Amortization Expense shall equal the PTF/HTF Transmission Plant Allocation Factor, multiplied by the sum of (i) the PTO's Depreciation Expense for Transmission Plant, plus (ii) an allocation of Intangible Plant Amortization Expense and (iii) General Plant Depreciation and Amortization Expense calculated by multiplying the sum of (a) Intangible Plant Amortization Expense and (b) General Plant Depreciation and Amortization Expense by the Transmission Wages and Salaries Allocation Factor.

C. Transmission Related Amortization of Loss on Reacquired Debt shall equal the PTO's electric Amortization of Loss on Reacquired Debt multiplied by the Plant Allocation Factor, and further multiplied by the PTF/HTF Transmission Plant Allocation Factor.

D. Transmission Related Amortization of Investment Tax Credits shall equal the PTO's electric Amortization of Investment Tax Credits multiplied by the Plant Allocation Factor, and further multiplied by the PTF/HTF Transmission Plant Allocation Factor.

E. Transmission Related Municipal Tax Expense shall equal the PTO's total electric municipal tax expense multiplied by the Plant Allocation Factor, and further multiplied by the PTF/HTF Transmission Plant Allocation Factor.

F. Transmission Related Payroll Tax Expense shall equal the PTO's total electric payroll tax expense, multiplied by the Transmission Wages and Salaries Allocation Factor, further multiplied by the PTF/HTF Transmission Plant Allocation Factor.

G. Transmission Operation and Maintenance Expense shall equal the PTO's Transmission Operation and Maintenance Expenses multiplied by the PTF/HTF Transmission Plant Allocation Factor.

H. Transmission Related Administrative and General Expenses shall equal the sum of the PTO's (1) Administrative and General Expenses multiplied by the Transmission Wages and Salaries Allocation Factor, (2) Property Insurance multiplied by the Transmission Plant Allocation Factor, and (3) Expenses included in Account 928 (excluding Merger-Related Costs included in Account 928) related to FERC Assessments multiplied by Plant Allocation Factor, plus any other Federal and State transmission related expenses or assessments, plus specific transmission related expenses included in Account 930.1 plus Transmission Merger-Related Costs. This sum shall be multiplied by the PTF/HTF Transmission Plant Allocation Factor.

I. Transmission Related Integrated Facilities Charges shall equal the PTO's transmission payments to Affiliates for use of the PTF and HTF integrated transmission facilities of those Affiliates.

J. Transmission Support Revenues shall equal the PTO's revenue received for PTF and HTF transmission support but excluding the support payments to PTOs or their designee pursuant to Schedule 11 and excluding the support payments to PTOs or their designee pursuant to Schedule 12 Part 1(a) and Part B.2, and excluding support payments, if any, made to PTOs or their respective designee pursuant to Part II.C of this OATT.

K. Transmission Support Expense shall equal the expense paid by (1) PTOs, (2) Transmission Customers or (3) Related Persons pursuant to Section II.49 of the Tariff for PTF and HTF transmission support other than expenses for payments made for congestion rights or for transmission facilities or facility upgrades placed in service on or after January 1, 1997, where the support obligation is required to be borne by particular PTOs or other entities in accordance with the OATT. Transmission Support Expenses by any entity other than a PTO, included in this provision, shall be capped at that entity's annual payment for Regional Network Service or its Point To Point Service for each individual Point To Point transaction from the resource with which the support payment is associated.

L. Transmission-Related Expense from Generators shall equal the expenses from generators that both (1) the PTO Administrative Committee determines should be included as transmission expense as a result of the impact of such generators on reducing transmission costs that would otherwise be required to be paid by Transmission Customers and (2) are reflected in a filing made by the PTOs with the Commission under Section 205 of the Federal Power Act and accepted by the Commission for recovery under the OATT.

M. Transmission Related Taxes and Fees Charge shall include any fee or assessment imposed by any governmental authority on service provided under this Section which is not specifically identified under any other section of this rule.

N. Revenues for Short-Term service under the OATT shall be revenues distributed to each PTO for short term service provided under the OATT, received after March 1, 1999. These revenues will be credited pro-rata between pre-1997 and post-1996 PTF revenue requirements in proportion to pre-1997 and post-1996 PTF Transmission Plant.

O. Transmission Rents Received from Electric Property shall equal any Account 454 Rents from electric property, associated with PTF and HTF Transmission Plant as defined in Section II.A.1.(a) above but not reflected as a credit in Transmission Support Revenues in paragraph K of this Attachment.

P. Transmission Revenues from MGTSAs shall equal any MGTSA revenues recorded in Account 456.

APPENDIX A TO ATTACHMENT F
IMPLEMENTATION RULE RULES FOR DETERMINING
INVESTMENT TO BE INCLUDED IN PTF

Section A – Transmission Lines*

Section B – Terminal Facilities*

Section C – Right of Way*

Effective June 1, 1998

*The following provision shall apply to Sections A, B and C below:

Of those transmission facilities that are upgrades, modifications or additions to the New England Transmission System on and after January 1, 2004, only those that: (i) are rated 115kV or above, and (ii) otherwise meet the non-voltage criteria specified in Section II.49 of this OATT shall be classified as PTF. Those transmission facilities that were PTF on December 31, 2003, and any upgrades to such facilities that meet the definition of PTF specified in this OATT, shall remain classified as PTF for all purposes under the Transmission, Markets and Services Tariff.

Section A: Rules for Determining Transmission Line Investment to be Included in PTF

Pool Transmission Facilities (PTF) are the transmission facilities owned by PTO rated 69 kV or above required to allow energy from significant power sources to move freely on the New England transmission network, and include:

1. All transmission lines and associated facilities owned by the PTOs rated 69 kV and above, except:

   a. those which are required to serve local load only, thereby contributing little or no parallel capability to the transmission network,

   b. generator leads, which are defined as the radial transmission from a generator bus to the nearest point on the transmission network,

c. lines that are normally operated open.

d. those that are classified as MTF.

2. Terminal facilities (including substation facilities such as transformers, circuit breakers, and associated equipment) required to interconnect the lines which constitute PTF (see Section B).

3. If a PTO with significant generation in its system (initially 25 MW) is connected to the New England Transmission System and none of the transmission facilities owned by the PTO qualify to be included in PTF as defined in “1” and “2” above, then such PTO’s connection to PTF will constitute PTF if both of the following requirements are met for this connection:

a. The connection is rated 69 kV or above.

b. The connection is the principal transmission link between the PTO and the remainder of the ISO PTF network.

The PTF facilities covered by this provision shall consist of a single line from the point of connection on the transmission network to the first bus within the PTO’s system.

4. R/W and land required for the installation of PTF facilities listed in “1”, “2”, or “3” (see Section C).

The following examples indicate the intent of the above definitions:

a. Radial tap lines to local load are excluded.

b. Lines which loop, from two geographically separate points on the transmission network, the supply to the load bus from the transmission network are included.

c. Lines which loop, from two geographically separate points on the transmission network, the connections between a generator bus, and the transmission network are included.

d. Radial connection or connections from a generating station to a single substation or switching station on the transmission network are excluded unless the requirements of paragraph 3 above are met.

e. The cost of a PTF line will include only those costs associated with that line. When other facilities require rebuilding or undergrounding to permit the construction of a PTF facility, the investment costs in the relocated or undergrounded facility will not be included.

f. Where multiple circuit structures support a mixture of PTF and Non-PTF circuits, the total cost of the multiple circuit structures will be allocated between the circuits in accordance with the ratio of costs of comparable individual structures.

The PTOs shall review at least annually the status of transmission lines and related facilities and determine whether such facilities constitute PTF and shall prepare and keep current a schedule or catalog of PTF facilities.

All new facilities being installed should be properly classified at the time the facilities are approved under Section I.3.9 of the Transmission, Markets and Services Tariff.

Transmission facilities owned or supported by a Related Person of a PTO which are rated 69 kV or above and are required to allow Energy from significant power sources to move freely on the New England Transmission System shall also constitute PTF provided (i) such Related Person files with the ISO its consent to such treatment; and (ii) the ISO determines in consultation with the PTO Administrative Committee determines that treatment of the facility as PTF will facilitate accomplishment of the ISO's objectives. If such facilities constitute PTF pursuant to this paragraph, they shall be treated as "owned" or "supported," as applicable, by a PTO for purposes of the OATT and the other provisions of the TOA, including the ability to include the cost associated with such PTF and any Transmission Support Expenses for support of PTF made by its Related Person in that PTO's Annual Transmission Revenue Requirements pursuant to Attachment F of the OATT.

Section B: Rules for Determining Terminal Investment to be Included in PTF

Terminal Investment is investment associated with the terminal facilities of electrical lines, including substation facilities such as transformers, circuit breakers, disconnects and airbreaks, bus conductor, related protection equipment and other related facilities (see paragraph 7).

1. The investment in terminal facilities shall be included where these facilities are identifiable and serve directly for terminating and/or switching PTF lines.

2. In cases where a line terminal is used in conjunction with both PTF and Non-PTF lines and/or facilities, it will be considered a PTF facility providing the terminal facility is at 69 kV or above and carries any power flow at 69 kV or above through parallel paths within the interconnected network under normal operation. PTF equipment is any element of the transmission system in those parallel paths. Any equipment not in these parallel paths is Non-PTF.

3. Where line terminals are installed solely for Non-PTF facilities, and do not carry any power flow at 69 kV or above through parallel paths within the interconnected network under normal operation, such terminal cost shall not be included in PTF.

4. A two-winding transformer which connects PTF facilities at both terminals along with any switcher which can be identified as pertaining solely to the transformer, will be included in their entirety as PTF.

5. An autotransformer or three winding transformer which connects PTF facilities at two (2) or more terminals, along with any switchgear which can be identified as pertaining solely to the PTF-connected terminals of the transformer, will be included in their entirety as PTF. An autotransformer or three winding transformer which is connected to PTF at only one terminal will not be PTF.

6. When a transformer supplies only Non-PTF facilities, the entire transformer installation, including the high side disconnect switch or circuit breaker and associated structures or tap lines shall be excluded from PTF except for the portion of line terminal facilities covered by paragraph 2.

7. Other facilities – the investment in that portion of a multi-use substation or switching station which is identifiable as serving a PTF function shall be included in PTF, while the investment in such facilities which are identifiable as serving a Non-PTF function shall be excluded. The investment in land, structures, ground mats, fences, ducts, lighting, etc., can often be identified and thus allocated. The investment in other facilities in the substation or switching station, excluding transformers, which are not identifiable as serving either a PTF or a Non-PTF function and general overheads shall be allocated to PTF on the basis of the ratio of the investment in those facilities identified as PTF to the sum of the investments in the facilities which are identified as serving PTF and Non-PTF functions; the equipment cost of power transformers shall not be included in this calculation for determining the division of investment, since this would produce a distorted balance.

8. Alternate method of allocating the cost of terminal facilities – In those cases where the major portion of the investment has been lumped and utility plant records do not permit the accurate assignment of costs to specific terminals, the total investment may be prorated to PTF and Non-PTF according to the number of terminals serving PTF and Non-PTF facilities.

9. In cases where microwave facilities are used in whole or part for PTF purposes, a prorated portion of such investment shall be included in PTF based on the PTF and Non-PTF functions served by the microwave facilities except where these facilities are otherwise supported under the Microwave Sharing Agreement dated June 1, 1970 among some of the New England utilities.

10. Generator unit transformers and generator circuit breakers shall be excluded from PTF, unless otherwise included by paragraphs 1 or 5.

11. In cases where remote control (Supervisory Control) and telemetering facilities are used in whole or in part for PTF purposes, a prorated portion of such investment shall be included in PTF based on the PTF and Non-PTF functions served by these facilities.

12. The PTO Administrative Committee may designate appropriate facilities as PTF.

Section C: Rules for Determining PTF R/W Costs

1. If a R/W has only PTF lines and no Non-PTF lines are expected to be added, the entire cost of the R/W is to be included as PTF.

2. If the R/W has only PTF lines but includes additional unused R/W which was purchased for future use by Non-PTF lines, the cost of the additional R/W is not to be included as PTF.

3. If the R/W contains both PTF and Non-PTF lines, the R/W cost to be assigned to PTF is to be determined as follows:

   a. Where new or additional R/W is required to permit the construction of PTF line(s) and the added R/W is adequate to contain the new PTF, the cost of the new R/W is to be assigned to the PTF line(s), (even if the PTF line is located on the old R/W).

   b. Where an existing R/W is used (without additional R/W), the amount allocated to PTF will be determined in accordance with paragraph 4.

   c. Where a R/W is widened, but the new facilities, either PTF or Non-PTF, require partial use of the existing R/W, the incremental cost of the new R/W will be assigned to the new facilities. The width of the original R/W will be added to the width of the new R/W and the combined width will be allocated between PTF and Non-PTF as in paragraph 4. The cost of the old R/W and the combined width will be allocated between PTF and Non-PTF as in paragraph 4. The cost of the old R/W will be allocated to the new facilities in proportion to the width of the old R/W assigned to the new facilities. Thus, the R/W for the new facilities will be the additional R/W plus a share of the old R/W.

4. In allocating R/W between PTF and Non-PTF lines, each shall bear a share of the R/W in accordance with the following formulae.

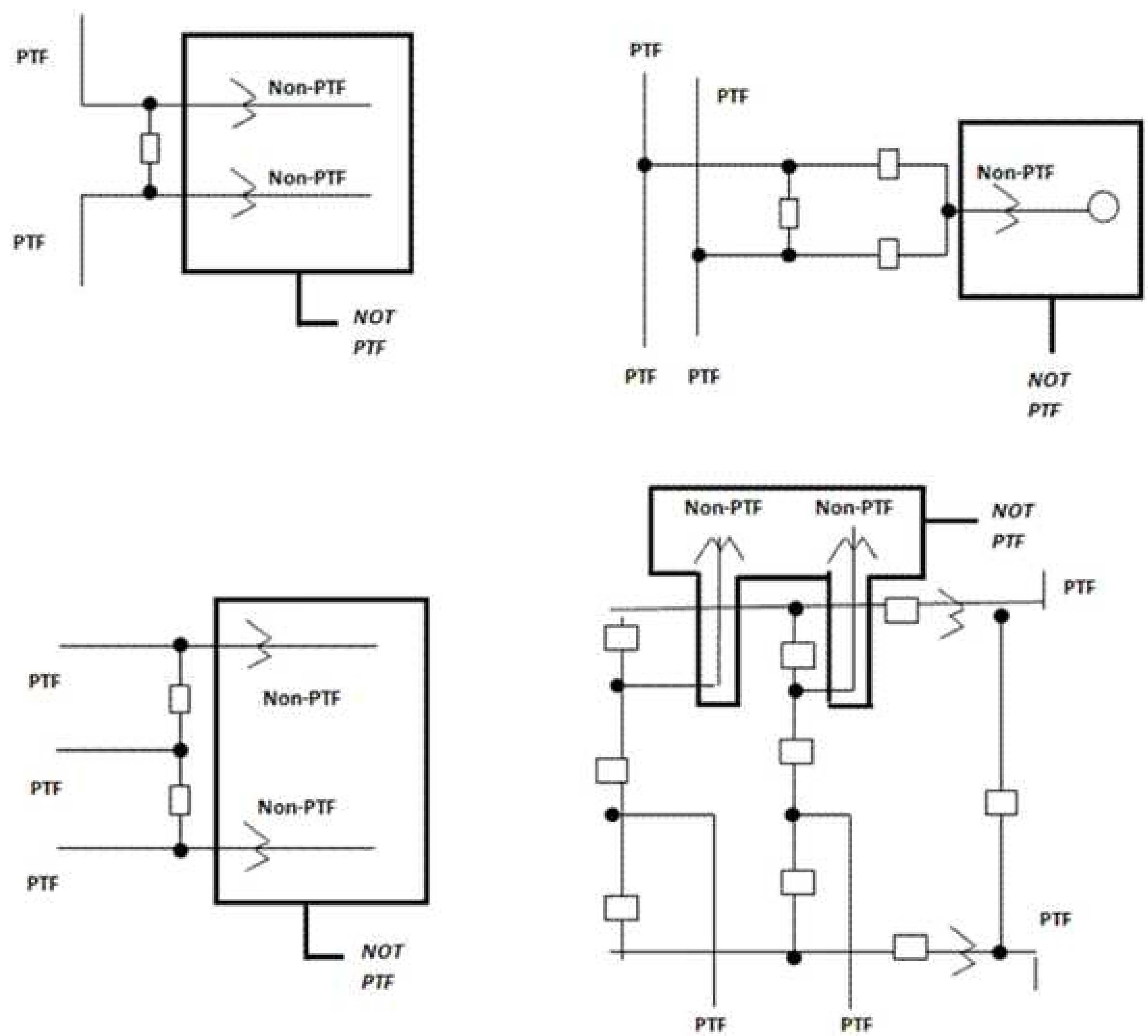
   a. Determine the R/W width required for each facility if constructed independently using appropriate type structures.

b. Allocate the actual R/W width to each facility in the proportion its independent R/W requirement would be to the sum of the independent R/W requirements.

5. R/W and land held for future PTF facilities may be included in PTF facilities only if specifically approved by the PTO Administrative Committee included under paragraph 1.

ATTACHMENT 1 TO APPENDIX A TO
ATTACHMENT F IMPLEMENTATION RULE

Examples of the Methods for Distinguishing PTF
from Non-PTF Terminal Facilities
in a Number of Typical Substation Configurations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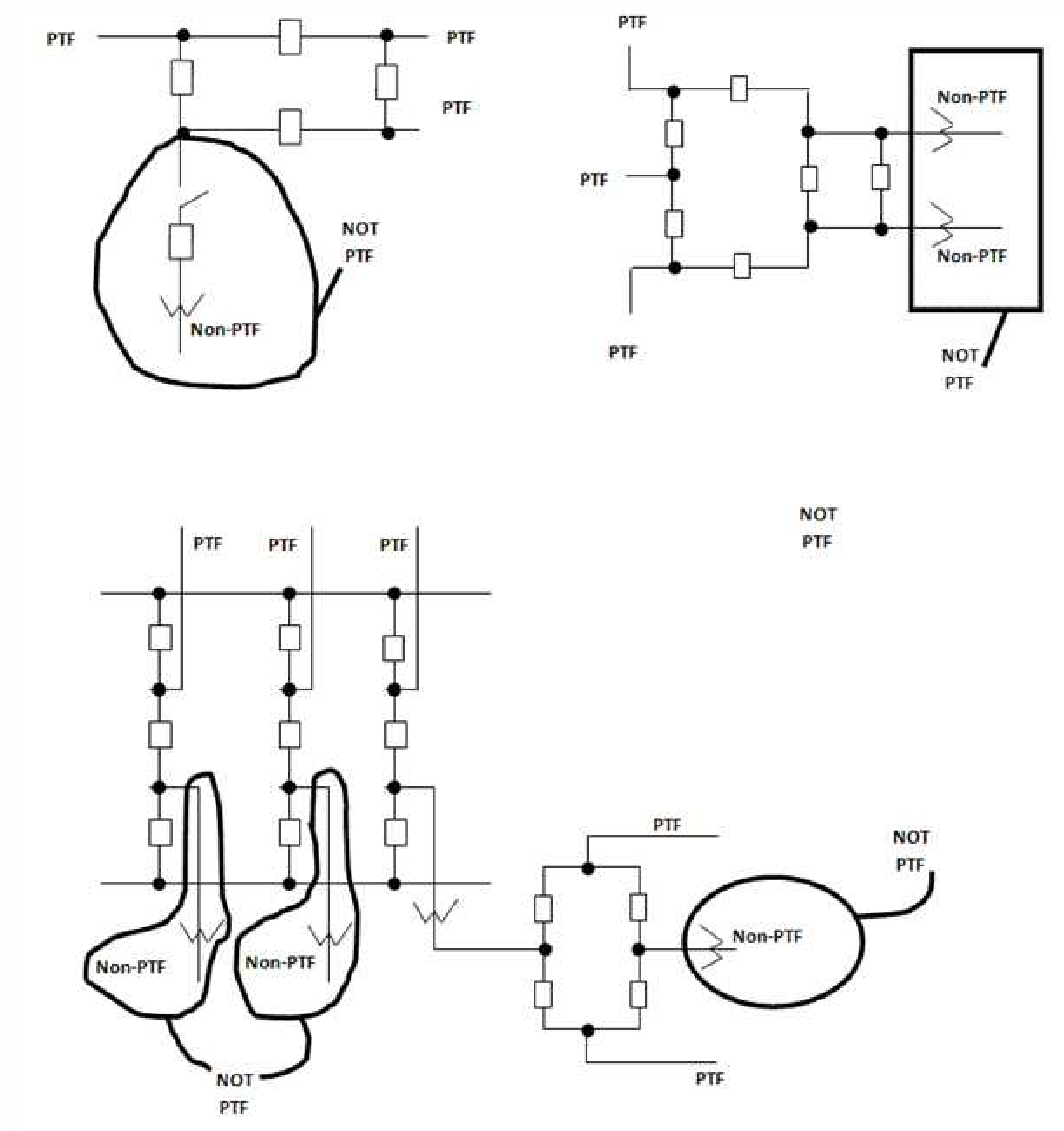
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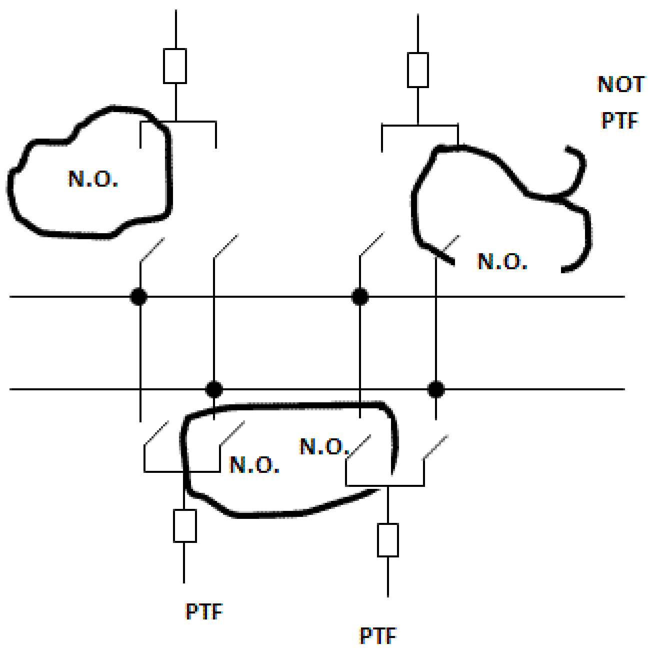
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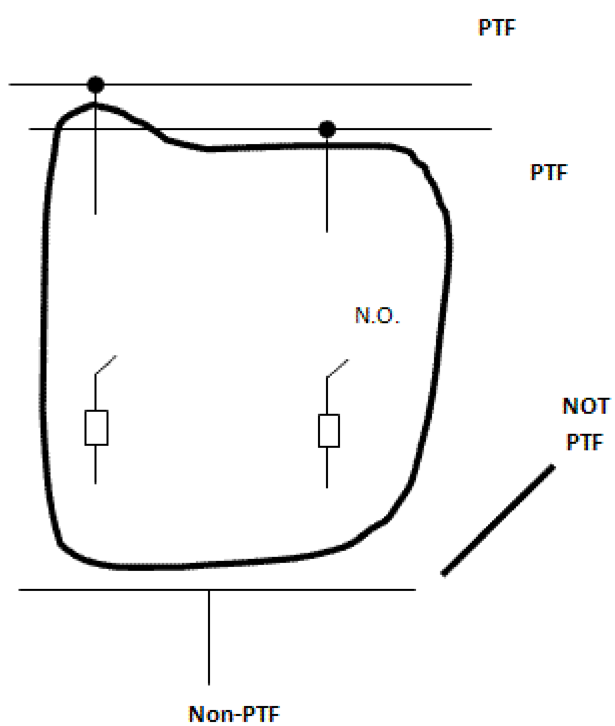
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APPENDIX B TO ATTACHMENT F IMPLEMENTATION RULE
HTF TRANSITION SCHEDULE

The inclusion of HTF Annual Transmission Revenue Requirements in Attachment F (and the calculation of the Pool PTF Rate) to this OATT will be limited by the provisions of this schedule.

VELCO, as a PTO and acting as agent for the HTF owners, may include the HTF Annual Transmission revenue Requirements (i.e., HTF Transmission Plant) within the Attachment F calculations. Additionally, the total HTF Annual Transmission Revenue Requirements included shall be limited to the following:

Year 1: A maximum of $1.2M in Year 1. For the sole purpose of this Schedule, "Year 1" shall be defined as the first full year after the Operations Date:

Year 2: A maximum of $2.0M in Year 2. For the sole purpose of this Schedule, "Year 2" shall be defined as the second full year after the Operations Date;

Year 3: A maximum of $2.8M in Year 3. For the sole purpose of this Schedule, "Year 3" shall be defined as the third full year after the Operations Date;

Year 4: A maximum of $3.5M in Year 4. For the sole purpose of this Schedule, "Year 4" shall be defined as the fourth full year after the Operations Date;

and

Year 5 and thereafter: All HTF Annual Transmission Revenue Requirements shall be included in Attachment F.

ATTACHMENT F IMPLEMENTATION RULE
APPENDIX C

I. DEFINITIONS

(i) Adjusted Carrying Charge Factor (ACCF): shall equal the sum of the Carrying Charge Factor and the quotient of (i) the Cost of Capital Rate multiplied by the PTOs' Transmission Related Accumulated Deferred Taxes associated with Post-1996 PTF Transmission Plant for the most recently concluded calendar year, and (ii) Post-1996 PTF Transmission Plant for the most recently concluded calendar year, as shown:

ACCF = CCF + [(COC * Transmission Related Accumulated Deferred Taxes associated with Post-1996 PTF Transmission Plant) ÷ Post-1996 PTF Transmission Plant]

(ii) Annual True-up – Pre-1997 (ATU): shall be the difference between the actual Pre-1997 Annual Transmission Revenue Requirements and the as-billed Pre-1997 Annual Transmission Revenue Requirements, adjusted to include interest pursuant to Part II below. The actual Pre-1997 Annual Transmission Revenue Requirements shall be an after-the-fact calculation and shall be determined at the conclusion of each rate-effective period, i.e. June 1 through May 31 of each year, by application of the Attachment F formula rate and each PTO's relevant Pre-1997 PTF cost data for the most recently concluded calendar year. The as-billed Pre-1997 Annual Transmission Revenue Requirements shall be those Pre-1997 Annual Transmission Revenue Requirements used to establish the RNS rates that were made effective on June 1 of the most recently concluded calendar year.

(iii) Annual True-up – Post-1996 (ATU'): shall be the difference between the actual Post-1996 Annual Transmission Revenue Requirements and the as-billed Post-1996 Annual Transmission Revenue Requirements, adjusted to include interest pursuant to Part II below. The actual Post-1996 Annual Transmission Revenue Requirements shall be an after-the-fact calculation and shall be determined at the conclusion of each rate-effective period, i.e. June 1 through May 31 of each year, by application of the Attachment F formula rate and each PTO's relevant Post-1996 PTF cost data for the most recently concluded calendar year.The as-billed Post-1996 Annual Transmission Revenue Requirements shall be those Post-1996 Annual Transmission Revenue Requirements used to establish the RNS rates that were made effective on June 1 of the most recently concluded calendar year and which included the sum of the Post-1996 Transmission

Revenue Requirements for the year prior to the most recently concluded calendar year plus the Forecasted Transmission Revenue Requirements for the most recently concluded calendar year.

(iv) Carrying Charge Factor (CCF): shall reflect the most recent calendar year data used in determining Post-1996 Annual Transmission Revenue Requirements and shall equal the sum of Attachment F Sections II.A, excluding MPRP CWIP and NEEWS CWIP, through II.H divided by Attachment F Section II.A.1.a.

(v) Cost of Capital Rate (COC): shall be determined in accordance with Attachment F Section II.A.2.

(vi) Forecast Period: The calendar year immediately following the calendar year for which the most recent FERC Form 1 data is available.

(vii) Forecasted ADIT (FADIT): shall equal the PTOs' projected change in Accumulated Deferred Income Taxes from the most recently concluded calendar year related to accelerated depreciation and associated with PTF Transmission Plant for the Forecast Period calculated in accordance with Treasury regulation Section 1.167(l)-1(h)(6).

(viii) Forecasted CL&P NEEWS CWIP (FCCWIP): shall equal CL&P's estimated incremental change in NEEWS CWIP for the Forecast Period.

(ix) Forecasted MPRP CWIP (FCWIP): shall equal CMP's estimated incremental change in MPRP CWIP for the Forecast Period.

(x) Forecasted NEP NEEWS CWIP (FNCWIP): shall equal NEP's estimated incremental change in NEEWS CWIP for the Forecast Period.

(xi) Forecasted Pequonnock CWIP (FPCWIP): shall equal UI's estimated year-end balance of Pequonnock CWIP for the Forecast Period.

(xii) Forecasted Transmission Plant Additions (FTPA): shall equal an estimate of the PTO's Post-1996 PTF plant additions for the Forecast Period.

(xiii) Forecasted Transmission Revenue Requirement (FTRR): shall equal FTPA multiplied by the

ACCF, minus FADIT multiplied by the COC, plus FCWIP multiplied by the MCOC, plus FCCWIP multiplied by CCOC, plus FWCWIP multiplied by WCOC, plus FNCWIP multiplied by NCOC, plus FPCWIP multiplied by PCOC, as shown:

FTRR = (FTPA * ACCF) - (FADIT * COC) + (FCWIP * MCOC) + (FCCWIP * CCOC) + (FWCWIP * WCOC) + (FNCWIP * NCOC) + (FPCWIP * PCOC)

(xiv) Forecasted NSTAR Electric (West) NEEWS CWIP (FWCWIP): shall equal NSTAR Electric's (West) estimated incremental change in NEEWS CWIP for the Forecast Period.

(xv) MPRP Cost of Capital Rate (MCOC): shall be determined in accordance with Attachment F Section II.A.2.

(xvi) NEEWS CL&P Cost of Capital Rate (CCOC): shall be determined in accordance with Attachment F Section II.A.2.

(xvii) NEEWS NSTAR Electric (West) Cost of Capital Rate (WCOC): shall be determined in accordance with Attachment F Section II.A.2.

(xviii) NEEWS NEP Cost of Capital Rate (NCOC): shall be determined in accordance with Attachment F Section II.A.2.

(xix) Pequonnock Cost of Capital Rate (PCOC): shall be determined in accordance with Attachment F Section II.A.2.

II. INTEREST ON ANNUAL TRUE-UPS

Interest on the Annual True-up amounts (i.e., interest applicable to any over or under collection) shall be calculated in accordance with the methodology specified in the Commission's regulations at 18 C.F.R. § 35.19a (a) (2) (iii).

III. INFORMATIONAL FILINGS

The PTOs' annual informational filing shall include supporting documentation for their estimated capital additions to be placed in service during the current calendar year as well as supporting documentation pertaining to any annual true-up and interest calculations.

ATTACHMENT B

ATTACHMENT F

ANNUAL TRANSMISSION REVENUE REQUIREMENTS

The Transmission Revenue Requirements for each PTO will reflect the PTO's costs with respect to Pool Supported PTF and the HTF, including costs attributable to those PTOs deemed to own or support PTF pursuant to Section II.49 of the Tariff. The Transmission Revenue Requirements will be an annual calculation based on the previous year's calendar data as shown, in the case of PTOs that are subject to the Commission's jurisdiction, in the PTO's FERC Form 1 report for that year; provided, however, that if a PTO is deemed to own or support PTF pursuant to Section II.49 of the Tariff, such PTO may include the costs as incurred by its Related Person for PTF facilities and Transmission Support Expenses as the basis for establishing its initial and subsequent Annual Transmission Revenue Requirements, only until such PTO has a full calendar year of cost data under its ownership. Such PTO's costs will be determined from FERC Form 1 data if available, or if not available, from other supporting data certified by an auditor of the PTO or Related Person, and in a format comparable to that used to report such costs in FERC Form 1. Such costs shall be based on actual data in lieu of allocated data if specifically identified in the Form 1 report in accordance with the following formula and Schedule 12:

I. The Transmission Revenue Requirement shall equal the sum of the PTO's (A) Return and Associated Income Taxes, (B) Transmission Depreciation and Amortization Expense, (C) Transmission Related Amortization of Loss on Reacquired Debt, (D) Transmission Related Amortization of Investment Tax Credits, (E) Transmission Related Municipal Tax Expense, (F) Transmission Related Payroll Tax Expense, (G) Transmission Operation and Maintenance Expense, (H) Transmission Related Administrative and General Expense, (I) Transmission Related Integrated Facilities Charges, minus (J) Transmission Support Revenue, plus (K) Transmission Support Expense, plus (L) Transmission Related Expense from Generators, plus (M) Transmission Related Taxes and Fees Charge, minus (N) Revenue for Short-Term service under the OATT and (O) Transmission Rents Received from Electric Property.

The details for implementation of Attachment F, as well as the definitions of the terms used in the Attachment F formula, shall be established in accordance with the Attachment F Implementation Rule contained in this OATT.

ATTACHMENT F
IMPLEMENTATION RULE

This rule sets forth details with respect to the determination each year of the Transmission Revenue Requirements for each PTO. Such Transmission Revenue Requirements shall reflect the PTO’s costs for Pool Transmission Facilities (“PTF”) and the Highgate Transmission Facilities (“HTF”), including costs attributable to those PTOs deemed to own or support PTF pursuant to Section II.49 of the Tariff. The Transmission Revenue Requirements for each PTO will reflect the PTO’s costs with respect to Pool Supported PTF and the HTF. The Transmission Revenue Requirements will be an annual calculation based on the previous year’s calendar data as shown, in the case of PTOs which are subject to the Commission’s jurisdiction, in the PTO’s FERC Form 1 report for that year; provided, however, that if a PTO is deemed to own or support PTF, such PTO may include the costs as incurred by its Related Person for PTF facilities and Transmission Support Expenses as the basis for establishing its initial and subsequent Annual Transmission Revenue Requirements, only until such PTO has a full calendar year of cost data under its ownership. Such PTO’s costs will be determined from FERC Form 1 data if available, or if not available, from other supporting data certified by an auditor of the PTO or Related Person, and in a format comparable to that used to report such costs in FERC Form 1. Such costs shall be based on actual data in lieu of allocated data if specifically identified in the Form 1 report in accordance with the following formula and Schedule 12. The HTF Transmission Revenue Requirements shall be subject to the limitations of inclusion of such costs as set forth in Appendix B to this Attachment. The owners of the HTF, or their designated agent, will submit the annual HTF Transmission Revenue Requirements calculation based on the previous calendar year's cost data from their FERC Form 1 or equivalent information from their official books and records, as appropriate.

The Post-96 Transmission Revenue Requirement for each PTO that is based on data for calendar year 2004 or later shall include an Incremental Return and Associated Income Taxes on the PTO's PTF transmission plant investments included in the Regional System Plan and placed in-service on or after January 1,2004 (such investments referred to herein as "Post-2003 PTF Investment"). The Incremental Return and Associated Income Taxes for Post-2003 PTF Investment shall incorporate an incentive ROE adder of 100 basis points for plant investment placed in service by December 31, 2008 or as otherwise permitted in Docket Nos. ER04-157, et al. for any projects included in the RSP, and shall incorporate any incentive ROE adder approved by the FERC under Order No. 679 for other plant investments (however; the 125 basis point ROE incentive adder granted to NEEWS under Order No. 679 in Docket No. ER08-1548 and the 50 basis point ROE incentive adder for RTO participation shall not apply to the costs related to the Central Connecticut Reliability Project, consistent with FERC's order) and for MPRP CWIP, ~~and~~ NEEWS CWIP and Pequonnock CWIP. The total ROE for any project, including any authorized ROE incentives for Post-2003 PTF Investment and any other incentive ROE approved by FERC under Order No. 679 shall be capped by the top of the applicable zone of reasonableness determined by FERC for the relevant period. The data used in determining each PTO's Incremental Return and Associated Taxes for Post-2003 Investment shall be based on actual data in lieu of allocated data if specifically identified in the PTO's accounting records.

The Post-1996 Pool PTF Rate, as calculated pursuant to Schedule 9, shall include for each PTO a Forecasted Transmission Revenue Requirement calculated in accordance with Appendix C to this Attachment F Implementation Rule. Additionally, the Pre-1997 and Post-1996 Pool PTF Rates shall include an Annual True-up calculated in accordance with Appendix C to this Attachment F Implementation Rule.

The PTOs shall make an annual informational filing on or before July 31 of each year showing the Pool PTF Rate in effect for the period beginning June 1 of that year through May 31 of the subsequent year.Further, the informational filing with respect to the determination of the Pool PTF Rate will include a breakdown by PTO of the amount of the change in PTF and HTF investment during the prior year and the PTF and HTF retirements or additions causing such change to beginning and end-of-year PTF balances and HTF balances (although beginning-of-year PTF balances and HTF balances are not used in the formula itself), and any additions to PTF and HTF, retirements of PTF and HTF, and reclassifications of PTF and HTF during the year for each PTO. If there are any corrections made to the information reflected in the informational filing after it has been submitted, the PTOs will file corrections to the informational filing. At least forty-five days before the informational filing is made with the Commission, the PTOs shall make available to Transmission Customers and any other interested parties a draft of the proposed filing for review and comment prior to the filing by posting such draft on the ISO website. The filing of the information filing does not re-open the formula rate set forth below for review, but rather is contestable only with respect to the accuracy of the information contained in the informational filing.

The ISO shall have the discretion to conduct audits of such charges, with advisory Stakeholder input on the scope of audit, including on any agreed-upon procedures to be used by the auditor. In this provision, the term "agreed-upon procedures" shall have the meaning afforded to it by the American Institute of Certified Public Accountants.

I. DEFINITIONS

Capitalized terms not otherwise defined in the Tariff and as used in this rule have the following definitions:

A. ALLOCATION FACTORS

1. Transmission Wages and Salaries Allocation Factor shall equal the ratio of Transmission-related direct wages and salaries including those of affiliated Companies to the PTO's total direct wages and salaries including those of the Affiliates' Companies and excluding administrative and general wages and salaries.

2. PTF/HTF Transmission Plant Allocation Factor shall equal the ratio of PTF/HTF Transmission Plant to Total Investment in Transmission Plant, excluding capital leases in the Phase I/II HVDC-TF (Phase I/II HVDC-TF Leases).

3. Plant Allocation Factor shall equal the ratio of the sum of Total Investment in Transmission Plant, excluding Phase I/II HVDC-TF Leases, and Transmission Related Intangible and General Plant to Total Plant in service excluding Phase I/II HVDC-TF Leases.

B. TERMS

Administrative and General Expense shall equal the PTO's expenses as recorded in FERC Account Nos. 920-935, excluding FERC Account Nos. 924, 928 and 930.1 and excluding Merger-Related Costs included in FERC Account Nos. 920-935 (other than those in FERC Account Nos. 924, 928 and 930.1, which have already been excluded).

Amortization of Loss on Reacquired Debt shall equal the PTO's expenses as recorded in FERC Account No. 428.1.

Amortization of Investment Tax Credits shall equal the PTO's credits as recorded in FERC Account No. 411.4.

Depreciation Expense for Transmission Plant shall equal the PTO’s transmission expenses as recorded in FERC Account No. 403.

General Plant shall equal the PTO’s gross plant balance as recorded in FERC Account Nos. 389-399.

General Plant Depreciation and Amortization Expense shall equal the PTO’s general expenses as recorded in FERC Account No. 403 and NSTAR Electric’s (East) FERC Account No. 404 for items subject to amortization.

General Plant Amortization Reserve shall equal NSTAR Electric’s (East) general reserve balance as recorded in FERC Account No. 111.

HTF Transmission Plant shall equal the PTO's balance of investment in the Highgate Transmission Facilities as recorded in FERC Account Nos. 350-359.

Intangible Plant shall equal NSTAR Electric’s (East) gross plant balance as recorded in FERC Account No. 303. The only allowable Intangible Plant for inclusion are software, patent or rights costs.

Intangible Plant Amortization Expense shall equal NSTAR Electric’s (East) amortization expenses as recorded in FERC Account Nos. 404-405. The only allowable Intangible Plant Amortization Expense for inclusion is the amortization of software, patent or rights costs.

Intangible Plant Amortization Reserve shall equal NSTAR Electric’s (East) amortization reserve balance as recorded in FERC Account No. 111. The only allowable Intangible Plant Amortization Reserve for inclusion is that related to the amortization of software, patent or rights costs.

Maine Power Reliability Program Construction Work In Progress ("MPRP CWIP") shall equal Central Maine Power Company's ("CMP's") MPRP CWIP balance as recorded in FERC Account No. 107 for costs determined to be Pool- Supported PTF in accordance with Schedule 12 of this OATT.

Merger-Related Costs shall equal NSTAR Electric Company's ("NSTAR Electric") (East and West), CL&P's and Public Service Company of New Hampshire's ("PSNH") amortized merger-related costs as authorized by FERC or by state regulatory order.

New England East-West Solution Construction Work in Progress ("NEEWS CWIP") shall equal the NEEWS CWIP balances of The Connecticut Light and Power Company ("CL&P") and NSTAR Electric (West) and New England Power Company ("NEP") as recorded in FERC Account No. 107 for costs determined to be Pool-Supported PTF in accordance with Schedule 12 of this OATT.

Other Regulatory Assets/Liabilities - FAS 106 shall equal the net of the PTO's FAS 106 balance as recorded in FERC Account 182.3 and any FAS 106 balance as recorded in the PTO's FERC Account No. 254.

Other Regulatory Assets/Liabilities - FAS 109 shall equal the net of the PTO's FAS 109 balance in FERC Account No. 182.3 and any FAS 109 balance as recorded in the PTO's FERC Account No. 254.

Payroll Taxes shall equal those payroll expenses as recorded in the PTO's FERC Account Nos. 408.1.

Pequonnock Substation- Construction Work in Progress ("Pequonnock CWIP") shall equal the Pequonnock CWIP balance of The United Illuminating Company ("UI") as recorded in FERC Account No. 107 for costs determined to be Pool-Supported PTF in accordance with Schedule 12 of the OATT.

Phase I/II HVDC-TF Leases shall equal the PTO's balance in capital leases as recorded in FERC Account Nos. 350-359 and FERC Account Nos. 389-399.

Plant Held for Future Use shall equal the PTO's balance in FERC Account No.105.

Prepayments shall equal the PTO's prepayment balance as recorded in FERC Account No. 165.

Property Insurance shall equal the PTO's expenses as recorded in FERC Account No. 924.

PTF Transmission Plant shall equal the PTO's transmission plant as defined in the Section II.49 of the OATT and determined in accordance with Appendix A of this Rule, which is entitled "Rules for Determining Investment To be Included in PTF."

PTF/HTF Transmission Plant Investment shall equal the PTO's (a) PTF Transmission Plant plus (b) HTF Transmission Plant.

Total Accumulated Deferred Income Taxes shall equal the net of the PTO's deferred tax balance as recorded in FERC Account Nos. 281-283 and the PTO's deferred tax balance as recorded in FERC Account No. 190.

Total Loss on Reacquired Debt shall equal the PTO's expenses as recorded in FERC Account 189.

Total Municipal Tax Expense shall equal the PTO's municipal tax expenses as recorded in FERC Account Nos. 408.1.

Total Plant in Service shall equal the PTO's total gross plant balance as recorded in FERC Account Nos. 301-399.

Total Transmission Depreciation Reserve shall equal the PTO's transmission reserve balance as recorded in FERC Account 108.

Transmission Merger-Related Costs shall equal NSTAR Electric's, (East and West) CL&P's and PSNH's amortized merger-related transmission costs as authorized by FERC.

Transmission Operation and Maintenance Expense shall equal the PTO's expenses as recorded in FERC Account Nos. 560, 561.5-561.8, 562-564 and 566-573, and shall exclude all Phase I/II HVDC-TF expenses booked to accounts 560 through 573 and expenses already included in Transmission Support Expense, as described in Section K which are included in FERC Account Nos. 560-573.

Transmission Plant shall equal the PTO's Gross Plant balance as recorded in FERC Account Nos. 350-359.

Transmission Plant Materials and Supplies shall equal the PTO's balance as assigned to transmission, as recorded in FERC Account No. 154.

II. CALCULATION OF TRANSMISSION REVENUE REQUIREMENTS

The Transmission Revenue Requirement shall equal the sum of the PTO's (A) Return and Associated Income Taxes (including the Incremental Return and Associated Income Taxes for Post-2003 PTF Investment and for MPRP CWIP, ~~and~~ NEEWS CWIP and Pequonnock CWIP), (B) Transmission Depreciation and Amortization Expense, (C) Transmission Related Amortization of Loss on Reacquired Debt, (D) Transmission Related Amortization of Investment Tax Credits, (E) Transmission Related Municipal Tax Expense, (F) Transmission Related Payroll Tax Expense, (G) Transmission Operation and Maintenance Expense, (H) Transmission Related Administrative and General Expenses, (I) Transmission Related Integrated Facilities Charges, minus (J) Transmission Support Revenue, plus (K) Transmission Support Expense, plus (L) Transmission-Related Expense from Generators, plus (M) Transmission Related Taxes and Fees Charge, minus (N) Revenue for Short-Term service under the OATT, (O) Transmission Rents Received from Electric Property and (P) Transmission Revenues from MEPCO Grandfathered Transmission Service Agreements. The Incremental Return and Associated Income Taxes for Post-2003 PTF Investment for each PTO shall be calculated using the investment base components specifically identified in Section A. 1 of the formula below.

A. Return and Associated Income Taxes shall equal the product of the Transmission Investment Base and the Cost of Capital Rate. To calculate the Incremental Return and Associated Income Taxes for Post-2003 PTF Investment and for MPRP CWIP, ~~and~~ NEEWS CWIP~~,~~ and Pequonnock CWIP, Transmission Investment Base will only include Sections II.A. 1 .(a), (d), (e), (k), and (1) in the manner indicated.

1. Transmission Investment Base

The Transmission Investment Base will be the year end balances of(a) PTF/HTF Transmission Plant, plus (b) Transmission Related Intangible and General Plant, plus (c) Transmission Plant Held for Future Use, less (d) Transmission Related Depreciation and Amortization Reserve, less (e) Transmission Related Accumulated Deferred Taxes, plus (f) Transmission Related Loss on Re.acquired Debt, plus (g) Other Regulatory Assets/Liabilities, plus (h) Transmission Prepayments, plus (i) Transmission Materials and Supplies, plus (j) Transmission Related Cash Working Capital, plus (k) MPRP CWIP, plus (l) NEEWS CWIP, plus (m) Pequonnock CWIP.

(a) PTF Transmission Plant will equal the balance of the PTO's PTF Investment in (a) Transmission Plant plus (b) HTF Transmission Plant. This value excludes (i) the PTO's Phase I/II HVDC-TF Leases, (ii) the portion of any facilities, the cost of which is directly assigned under Schedule 11 to the OATT, to the Transmission Customer or a Generator Owner or Interconnection Requester, (iii) the Pre-1997 PTF gross plant investment associated with leased facilities occupied by the Phase II section of the Phase I/II HVDC-TF. In order to calculate the Incremental Return and Associated Income Taxes for Post-2003 PTF Investment, Post2003 PTF Transmission Plant shall be separately identified.

(b) Transmission Related Intangible and General Plant shall equal the sum of the PTO’s balance of investment in Intangible Plant and General Plant multiplied by the Transmission Wages and Salaries Allocation Factor and the PTF/HTF Transmission Plant Allocation Factor.

(c) Transmission Plant Held for Future Use shall equal the PTO’s balance of Transmission-related Plant Held for Future Use multiplied by the PTF/HTF Transmission Plant Allocation Factor.

(d) Transmission Related Depreciation and Amortization Reserve shall equal the PTO’s balance of Total Transmission Depreciation Reserve, plus the balance of Transmission Related Intangible Plant Amortization Reserve, Transmission Related General Plant Depreciation Reserve and Transmission Related General Plant Amortization Reserve. Transmission Related Intangible Plant Amortization Reserve, Transmission Related General Plant Depreciation Reserve and Transmission Related General Plant Amortization Reserve shall equal the product of the sum of Intangible Plant Amortization

Reserve, General Plant Depreciation Reserve and General Plant Amortization Reserve, and the Transmission Wages and Salaries Allocation Factor. This sum shall be multiplied by the PTF/HTF Transmission Plant Allocation Factor. In order to calculate the Incremental Return and Associated Income Taxes for Post-2003 PTF Investment, Transmission Depreciation Reserve associated with Post-2003 PTF Investment shall equal the PTO's balance of Total Transmission Depreciation Reserve multiplied by the ratio of Post-2003 PTF Transmission Plant to Total Investment in Transmission Plant, excluding capital leases in the Phase I/II HVDC-TF Leases.

(e) Transmission Related Accumulated Deferred Taxes shall equal the PTO's electric balance of Total Accumulated Deferred Income Taxes, multiplied by the Plant Allocation Factor, further multiplied by the PTF/HTF Transmission Plant Allocation Factor. To calculate the Incremental Return and Associated Income Taxes for Post-2003 PTF Investment, Transmission Related Accumulated Deferred Income Taxes associated with Post-2003 PTF Investment shall equal the PTO's balance of total property-related accumulated deferred income taxes as recorded in FERC accounts 281 and 282, multiplied by the ratio of Total Investment in Transmission Plant, excluding Phase I/II HVDC-TF Leases, to Total Plant in Service excluding Phase I/II HVDC-TF Leases, further multiplied by the ratio of Post-2003 PTF Transmission Plant to Total Investment in Transmission Plant, excluding Phase I/II HVDC-TF Leases.

(f) Transmission Related Loss on Reacquired Debt shall equal the PTO's electric balance of Total Loss on Reacquired Debt multiplied by the Plant Allocation Factor, further multiplied by the PTF/HTF Transmission Plant Allocation Factor.

(g) Other Regulatory Assets/Liabilities shall equal the PTO's electric balance of any deferred rate recovery of FAS 106 expenses multiplied by the Transmission Wages and Salaries Allocation Factor, plus the PTO's electric balance of FAS 109 multiplied by the Plant Allocation Factor. This sum shall be multiplied by the PTF/HTF Transmission Plant Allocation Factor.

(h) Transmission Prepayments shall equal the PTO's electric balance of prepayments multiplied by the Transmission Wages and Salaries Allocation Factor and further multiplied by the PTF/HTF Transmission Plant Allocation Factor.

(i) Transmission Materials and Supplies shall equal the PTO's electric balance of Transmission Plant Materials and Supplies, multiplied by the PTF/HTF Transmission Plant Allocation Factor.

(j) Transmission Related Cash Working Capital shall be a 12.5% allowance (45 days/360 days) of the PTO's Transmission Operation and Maintenance Expense, Transmission Related Administrative and General Expense and Transmission Support Expense, to the extent that Transmission Support Expense exceeds Transmission Support Revenue included in Paragraph J of the formula.

(k) MPRP CWIP shall equal CMP's balance as recorded in FERC Account No. 107 for the MPRP as authorized by Commission order and in accordance with CMP's Accounting Procedures for MPRP CWIP. In order to calculate the Incremental Return and Associated Income Taxes for MPRP CWIP, MPRP CWIP shall be separately identified.

(l) NEEWS CWIP shall equal CL&P, NSTAR Electric (West) and NEP's balances as recorded in FERC Account No. 107 for the NEEWS as authorized by Commission order and in accordance with the companies' respective Accounting Procedures for NEEWS CWIP. In order to calculate the Incremental Return and Associated Income Taxes for NEEWS CWIP, NEEWS CWIP shall be separately identified.

(m) Pequonnock CWIP shall equal UI's balances as recorded in FERC Account No. 107 for the Pequonnock Substation as authorized by Commission order and in accordance with UI's respective Accounting Procedures for Pequonnock CWIP. In order to calculate the Incremental Return and Associated Income Taxes for Pequonnock CWIP, Pequonnock CWIP shall be separately identified.

2. Cost of Capital Rate

The Cost of Capital Rate will equal (a) the PTO's Weighted Cost of Capital, plus (b) Federal Income Tax plus (e) 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), (ii), and (iii) below. The Cost of Capital

Rate to be used in calculating the Incremental Return and Associated Income Taxes for Post-2003 PTF Investment and for MPRP CWIP, ~~and~~ NEEWS CWIP and Pequonnock CWIP, shall only reflect item (iii) below and shall apply in the manner indicated below.

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

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

(iii) the return on equity component, shall be the product of the allowed ROE of the PTO's common equity and the ratio that common equity is to the PTO's total capital. For pre-1997 and post-1996 assets, the ROE is 11.07%. In order to calculate the Incremental Return and Associated Income Taxes for Post-2003 PTF Investment and for MPRP CWIP, ~~and~~ NEEWS CWIP and Pequonnock CWIP, the incremental return on equity shall be the product of: (1) the PTO's incremental return on equity of 1.0% for plant investments associated with projects included in the RSP and placed in service by December 31, 2008 or otherwise permitted in Docket Nos. ER04-157, et al.; (2) any ROE incentive approved by the FERC under Order No. 679 for other plant investments (however; the 125 basis point ROE incentive adder granted to NEEWS under Order No. 679 in Docket No. ER08-1548 and the 50 basis point ROE incentive adder for RTO participation shall not apply to the costs related to the Central Connecticut Reliability Project, consistent with FERC's order) and MPRP CWIP, ~~and~~ NEEWS CWIP and Pequonnock CWIP, provided that the total ROE for any project, including any such ROE incentives, shall be capped by the top of the applicable zone of reasonableness determined by FERC for the relevant period, and (3) the ratio that common equity is to the PTO's total capital) [1]

(b) Federal Income Tax shall equal

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

$$\frac{(A+[(C+B)/D])(FT)}{I\text{-}FT}$$

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 Sections ll.A.2.(a)(ii) and (iii) above, B is Transmission Related Amortization of Investment Tax Credits, as determined in Section II.D., below, C is the Equity AFUDC component of Transmission Depreciation Expense, as defined in Section ll.B., and D is Transmission Investment Base, as determined in Section II.A.1., above. In order to calculate the Incremental Return and Associated Income Taxes for Post-2003 PTF Investment and for MPRP CWIP, ~~and~~ NEEWS CWIP and Pequonnock CWIP, the incremental Federal Income Tax shall equal

$$\frac{(A' * FT)}{(1 - FT)}$$

where FT is the Federal Income Tax Rate and A' is the incremental return on equity component, as determined in Section II.A.2.(a)(iii) above.

(c) State Income Tax shall equal

$$\frac{(A+[(C+B)/D] + \text{Federal Income Tax})(ST)}{1 - ST}$$

where ST is the State Income Tax Rate, A is the sum of the preferred stock component and return on equity component determined in Sections II.A.2.(a)(ii) and (iii) above, B is the Amortization of Investment Tax Credits as determined in Section ll.D.below, C is the equity AFUDC component of Transmission Depreciation Expense, as defined in Section II.B.. D is the Transmission Investment Base, as determined in II.A.1., above and Federal Income Tax is the rate determined in Section II.A.2.(b) above. In order to calculate the Incremental Return and Associated Income Taxes for Post-2003 PTF Investment and for MPRP CWIP, ~~and~~ NEEWS CWIP and Pequonnock CWIP, the incremental State Income Tax shall equal

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

where ST is the State Income Tax Rate, A' is the incremental return on equity component determined in Section II.A.2.(a)(iii) above, and Federal Income Tax is the rate determined in Section II.A.2.(b) above.

B. Transmission Depreciation and Amortization Expense shall equal the PTF/HTF Transmission Plant Allocation Factor, multiplied by the sum of (i) the PTO's Depreciation Expense for Transmission Plant, plus (ii) an allocation of Intangible Plant Amortization Expense and (iii) General Plant Depreciation and Amortization Expense calculated by multiplying the sum of (a) Intangible Plant Amortization Expense and (b) General Plant Depreciation and Amortization Expense by the Transmission Wages and Salaries Allocation Factor.

C. Transmission Related Amortization of Loss on Reacquired Debt shall equal the PTO's electric Amortization of Loss on Reacquired Debt multiplied by the Plant Allocation Factor, and further multiplied by the PTF/HTF Transmission Plant Allocation Factor.

D. Transmission Related Amortization of Investment Tax Credits shall equal the PTO's electric Amortization of Investment Tax Credits multiplied by the Plant Allocation Factor, and further multiplied by the PTF/HTF Transmission Plant Allocation Factor.

E. Transmission Related Municipal Tax Expense shall equal the PTO's total electric municipal tax expense multiplied by the Plant Allocation Factor, and further multiplied by the PTF/HTF Transmission Plant Allocation Factor.

F. Transmission Related Payroll Tax Expense shall equal the PTO's total electric payroll tax expense, multiplied by the Transmission Wages and Salaries Allocation Factor, further multiplied by the PTF/HTF Transmission Plant Allocation Factor.

G. Transmission Operation and Maintenance Expense shall equal the PTO's Transmission Operation and Maintenance Expenses multiplied by the PTF/HTF Transmission Plant Allocation Factor.

H. <u>Transmission Related Administrative and General Expenses</u> shall equal the sum of the PTO's (1) Administrative and General Expenses multiplied by the Transmission Wages and Salaries Allocation Factor, (2) Property Insurance multiplied by the Transmission Plant Allocation Factor, and (3) Expenses included in Account 928 (excluding Merger-Related Costs included in Account 928) related to FERC Assessments multiplied by Plant Allocation Factor, plus any other Federal and State transmission related expenses or assessments, plus specific transmission related expenses included in Account 930.1 plus Transmission Merger-Related Costs. This sum shall be multiplied by the PTF/HTF Transmission Plant Allocation Factor.

I. <u>Transmission Related Integrated Facilities Charges</u> shall equal the PTO's transmission payments to Affiliates for use of the PTF and HTF integrated transmission facilities of those Affiliates.

J. <u>Transmission Support Revenues</u> shall equal the PTO's revenue received for PTF and HTF transmission support but excluding the support payments to PTOs or their designee pursuant to Schedule 11 and excluding the support payments to PTOs or their designee pursuant to Schedule 12 Part 1(a) and Part B.2, and excluding support payments, if any, made to PTOs or their respective designee pursuant to Part II.C of this OATT.

K. <u>Transmission Support Expense</u> shall equal the expense paid by (1) PTOs, (2) Transmission Customers or (3) Related Persons pursuant to Section II.49 of the Tariff for PTF and HTF transmission support other than expenses for payments made for congestion rights or for transmission facilities or facility upgrades placed in service on or after January 1, 1997, where the support obligation is required to be borne by particular PTOs or other entities in accordance with the OATT. Transmission Support Expenses by any entity other than a PTO, included in this provision, shall be capped at that entity's annual payment for Regional Network Service or its Point To Point Service for each individual Point To Point transaction from the resource with which the support payment is associated.

L. <u>Transmission-Related Expense from Generators</u> shall equal the expenses from generators that both (1) the PTO Administrative Committee determines should be included as transmission expense as a result of the impact of such generators on reducing transmission costs that would otherwise be required to be paid by Transmission Customers and (2) are reflected in a filing made by the PTOs with the Commission under Section 205 of the Federal Power Act and accepted by the Commission for recovery under the OATT.

M. Transmission Related Taxes and Fees Charge shall include any fee or assessment imposed by any governmental authority on service provided under this Section which is not specifically identified under any other section of this rule.

N. Revenues for Short-Term service under the OATT shall be revenues distributed to each PTO for short term service provided under the OATT, received after March 1, 1999. These revenues will be credited pro-rata between pre-1997 and post-1996 PTF revenue requirements in proportion to pre-1997 and post-1996 PTF Transmission Plant.

O. Transmission Rents Received from Electric Property shall equal any Account 454 Rents from electric property, associated with PTF and HTF Transmission Plant as defined in Section II.A.1.(a) above but not reflected as a credit in Transmission Support Revenues in paragraph K of this Attachment.

P. Transmission Revenues from MGTSAs shall equal any MGTSA revenues recorded in Account 456.

APPENDIX A TO ATTACHMENT F
IMPLEMENTATION RULE RULES FOR DETERMINING
INVESTMENT TO BE INCLUDED IN PTF

Section A – Transmission Lines*

Section B – Terminal Facilities*

Section C – Right of Way*

Effective June 1, 1998

*The following provision shall apply to Sections A, B and C below:

Of those transmission facilities that are upgrades, modifications or additions to the New England Transmission System on and after January 1, 2004, only those that: (i) are rated 115kV or above, and (ii) otherwise meet the non-voltage criteria specified in Section II.49 of this OATT shall be classified as PTF. Those transmission facilities that were PTF on December 31, 2003, and any upgrades to such facilities that meet the definition of PTF specified in this OATT, shall remain classified as PTF for all purposes under the Transmission, Markets and Services Tariff.

Section A: Rules for Determining Transmission Line Investment to be Included in PTF

Pool Transmission Facilities (PTF) are the transmission facilities owned by PTO rated 69 kV or above required to allow energy from significant power sources to move freely on the New England transmission network, and include:

1. All transmission lines and associated facilities owned by the PTOs rated 69 kV and above, except:

   a. those which are required to serve local load only, thereby contributing little or no parallel capability to the transmission network,

   b. generator leads, which are defined as the radial transmission from a generator bus to the nearest point on the transmission network,

c. lines that are normally operated open.

d. those that are classified as MTF.

2. Terminal facilities (including substation facilities such as transformers, circuit breakers, and associated equipment) required to interconnect the lines which constitute PTF (see Section B).

3. If a PTO with significant generation in its system (initially 25 MW) is connected to the New England Transmission System and none of the transmission facilities owned by the PTO qualify to be included in PTF as defined in “1” and “2” above, then such PTO’s connection to PTF will constitute PTF if both of the following requirements are met for this connection:

a. The connection is rated 69 kV or above.

b. The connection is the principal transmission link between the PTO and the remainder of the ISO PTF network.

The PTF facilities covered by this provision shall consist of a single line from the point of connection on the transmission network to the first bus within the PTO’s system.

4. R/W and land required for the installation of PTF facilities listed in “1”, “2”, or “3” (see Section C).

The following examples indicate the intent of the above definitions:

a. Radial tap lines to local load are excluded.

b. Lines which loop, from two geographically separate points on the transmission network, the supply to the load bus from the transmission network are included.

c. Lines which loop, from two geographically separate points on the transmission network, the connections between a generator bus, and the transmission network are included.

d. Radial connection or connections from a generating station to a single substation or switching station on the transmission network are excluded unless the requirements of paragraph 3 above are met.

e. The cost of a PTF line will include only those costs associated with that line. When other facilities require rebuilding or undergrounding to permit the construction of a PTF facility, the investment costs in the relocated or undergrounded facility will not be included.

f. Where multiple circuit structures support a mixture of PTF and Non-PTF circuits, the total cost of the multiple circuit structures will be allocated between the circuits in accordance with the ratio of costs of comparable individual structures.

The PTOs shall review at least annually the status of transmission lines and related facilities and determine whether such facilities constitute PTF and shall prepare and keep current a schedule or catalog of PTF facilities.

All new facilities being installed should be properly classified at the time the facilities are approved under Section I.3.9 of the Transmission, Markets and Services Tariff.

Transmission facilities owned or supported by a Related Person of a PTO which are rated 69 kV or above and are required to allow Energy from significant power sources to move freely on the New England Transmission System shall also constitute PTF provided (i) such Related Person files with the ISO its consent to such treatment; and (ii) the ISO determines in consultation with the PTO Administrative Committee determines that treatment of the facility as PTF will facilitate accomplishment of the ISO's objectives. If such facilities constitute PTF pursuant to this paragraph, they shall be treated as "owned" or "supported," as applicable, by a PTO for purposes of the OATT and the other provisions of the TOA, including the ability to include the cost associated with such PTF and any Transmission Support Expenses for support of PTF made by its Related Person in that PTO's Annual Transmission Revenue Requirements pursuant to Attachment F of the OATT.

Section B: Rules for Determining Terminal Investment to be Included in PTF

Terminal Investment is investment associated with the terminal facilities of electrical lines, including substation facilities such as transformers, circuit breakers, disconnects and airbreaks, bus conductor, related protection equipment and other related facilities (see paragraph 7).

1. The investment in terminal facilities shall be included where these facilities are identifiable and serve directly for terminating and/or switching PTF lines.

2. In cases where a line terminal is used in conjunction with both PTF and Non-PTF lines and/or facilities, it will be considered a PTF facility providing the terminal facility is at 69 kV or above and carries any power flow at 69 kV or above through parallel paths within the interconnected network under normal operation. PTF equipment is any element of the transmission system in those parallel paths. Any equipment not in these parallel paths is Non-PTF.

3. Where line terminals are installed solely for Non-PTF facilities, and do not carry any power flow at 69 kV or above through parallel paths within the interconnected network under normal operation, such terminal cost shall not be included in PTF.

4. A two-winding transformer which connects PTF facilities at both terminals along with any switcher which can be identified as pertaining solely to the transformer, will be included in their entirety as PTF.

5. An autotransformer or three winding transformer which connects PTF facilities at two (2) or more terminals, along with any switchgear which can be identified as pertaining solely to the PTF-connected terminals of the transformer, will be included in their entirety as PTF. An autotransformer or three winding transformer which is connected to PTF at only one terminal will not be PTF.

6. When a transformer supplies only Non-PTF facilities, the entire transformer installation, including the high side disconnect switch or circuit breaker and associated structures or tap lines shall be excluded from PTF except for the portion of line terminal facilities covered by paragraph 2.

7. Other facilities – the investment in that portion of a multi-use substation or switching station which is identifiable as serving a PTF function shall be included in PTF, while the investment in such facilities which are identifiable as serving a Non-PTF function shall be excluded. The investment in land, structures, ground mats, fences, ducts, lighting, etc., can often be identified and thus allocated. The investment in other facilities in the substation or switching station, excluding transformers, which are not identifiable as serving either a PTF or a Non-PTF function and general overheads shall be allocated to PTF on the basis of the ratio of the investment in those facilities identified as PTF to the sum of the investments in the facilities which are identified as serving PTF and Non-PTF functions; the equipment cost of power transformers shall not be included in this calculation for determining the division of investment, since this would produce a distorted balance.

8. Alternate method of allocating the cost of terminal facilities – In those cases where the major portion of the investment has been lumped and utility plant records do not permit the accurate assignment of costs to specific terminals, the total investment may be prorated to PTF and Non-PTF according to the number of terminals serving PTF and Non-PTF facilities.

9. In cases where microwave facilities are used in whole or part for PTF purposes, a prorated portion of such investment shall be included in PTF based on the PTF and Non-PTF functions served by the microwave facilities except where these facilities are otherwise supported under the Microwave Sharing Agreement dated June 1, 1970 among some of the New England utilities.

10. Generator unit transformers and generator circuit breakers shall be excluded from PTF, unless otherwise included by paragraphs 1 or 5.

11. In cases where remote control (Supervisory Control) and telemetering facilities are used in whole or in part for PTF purposes, a prorated portion of such investment shall be included in PTF based on the PTF and Non-PTF functions served by these facilities.

12. The PTO Administrative Committee may designate appropriate facilities as PTF.

Section C: Rules for Determining PTF R/W Costs

1. If a R/W has only PTF lines and no Non-PTF lines are expected to be added, the entire cost of the R/W is to be included as PTF.

2. If the R/W has only PTF lines but includes additional unused R/W which was purchased for future use by Non-PTF lines, the cost of the additional R/W is not to be included as PTF.

3. If the R/W contains both PTF and Non-PTF lines, the R/W cost to be assigned to PTF is to be determined as follows:

    a. Where new or additional R/W is required to permit the construction of PTF line(s) and the added R/W is adequate to contain the new PTF, the cost of the new R/W is to be assigned to the PTF line(s), (even if the PTF line is located on the old R/W).

    b. Where an existing R/W is used (without additional R/W), the amount allocated to PTF will be determined in accordance with paragraph 4.

    c. Where a R/W is widened, but the new facilities, either PTF or Non-PTF, require partial use of the existing R/W, the incremental cost of the new R/W will be assigned to the new facilities. The width of the original R/W will be added to the width of the new R/W and the combined width will be allocated between PTF and Non-PTF as in paragraph 4. The cost of the old R/W and the combined width will be allocated between PTF and Non-PTF as in paragraph 4. The cost of the old R/W will be allocated to the new facilities in proportion to the width of the old R/W assigned to the new facilities. Thus, the R/W for the new facilities will be the additional R/W plus a share of the old R/W.

4. In allocating R/W between PTF and Non-PTF lines, each shall bear a share of the R/W in accordance with the following formulae.

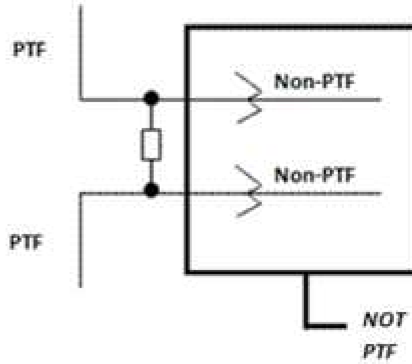
    a. Determine the R/W width required for each facility if constructed independently using appropriate type structures.

b. Allocate the actual R/W width to each facility in the proportion its independent R/W requirement would be to the sum of the independent R/W requirements.

5. R/W and land held for future PTF facilities may be included in PTF facilities only if specifically approved by the PTO Administrative Committee included under paragraph 1.

ATTACHMENT 1 TO APPENDIX A TO
ATTACHMENT F IMPLEMENTATION RULE

Examples of the Methods for Distinguishing PTF
from Non-PTF Terminal Facilities
in a Number of Typical Substation Configurations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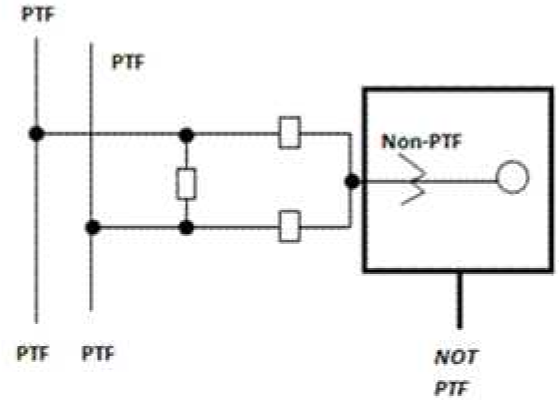
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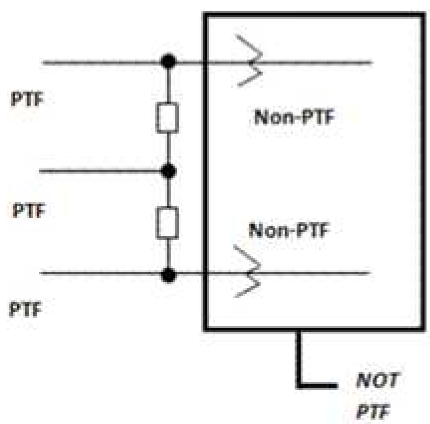
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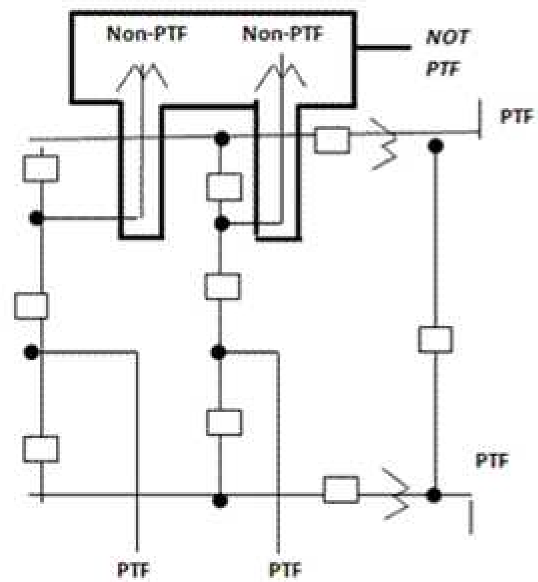
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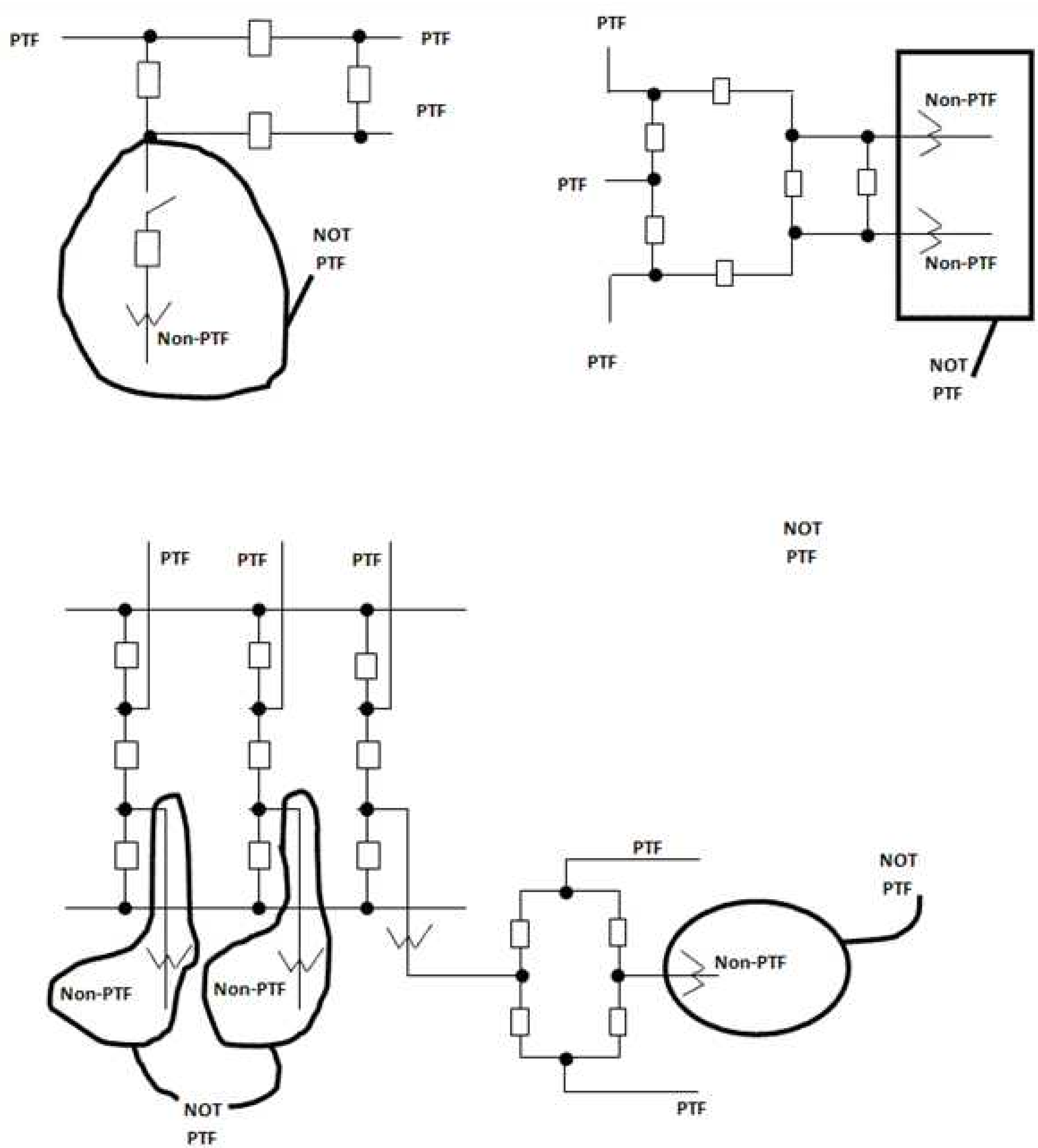
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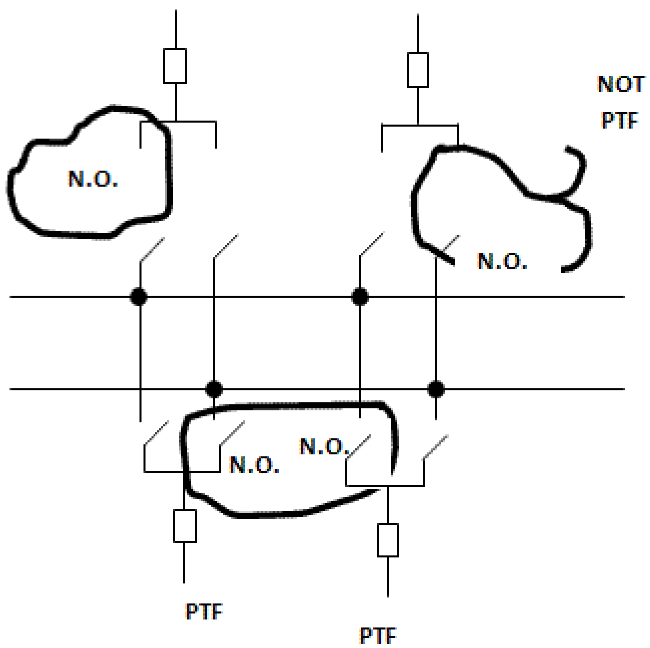

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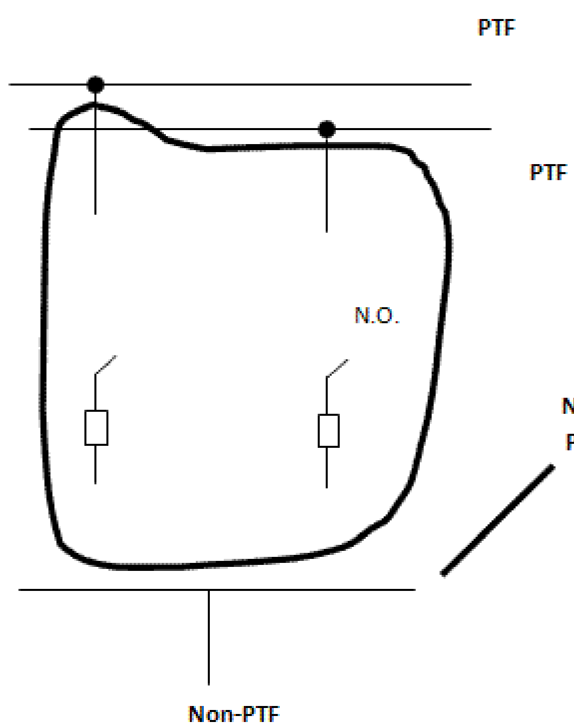

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APPENDIX B TO ATTACHMENT F IMPLEMENTATION RULE
HTF TRANSITION SCHEDULE

The inclusion of HTF Annual Transmission Revenue Requirements in Attachment F (and the calculation of the Pool PTF Rate) to this OATT will be limited by the provisions of this schedule.

VELCO, as a PTO and acting as agent for the HTF owners, may include the HTF Annual Transmission revenue Requirements (i.e., HTF Transmission Plant) within the Attachment F calculations. Additionally, the total HTF Annual Transmission Revenue Requirements included shall be limited to the following:

Year 1: A maximum of $1.2M in Year 1. For the sole purpose of this Schedule, “Year 1” shall be defined as the first full year after the Operations Date:

Year 2: A maximum of $2.0M in Year 2. For the sole purpose of this Schedule, “Year 2” shall be defined as the second full year after the Operations Date;

Year 3: A maximum of $2.8M in Year 3. For the sole purpose of this Schedule, “Year 3” shall be defined as the third full year after the Operations Date;

Year 4: A maximum of $3.5M in Year 4. For the sole purpose of this Schedule, “Year 4” shall be defined as the fourth full year after the Operations Date;

and

Year 5 and thereafter: All HTF Annual Transmission Revenue Requirements shall be included in Attachment F.

ATTACHMENT F IMPLEMENTATION RULE
APPENDIX C

I. DEFINITIONS

(i) Adjusted Carrying Charge Factor (ACCF): shall equal the sum of the Carrying Charge Factor and the quotient of (i) the Cost of Capital Rate multiplied by the PTOs' Transmission Related Accumulated Deferred Taxes associated with Post-1996 PTF Transmission Plant for the most recently concluded calendar year, and (ii) Post-1996 PTF Transmission Plant for the most recently concluded calendar year, as shown:

ACCF = CCF + [(COC * Transmission Related Accumulated Deferred Taxes associated with Post-1996 PTF Transmission Plant) ÷ Post-1996 PTF Transmission Plant]

(ii) Annual True-up – Pre-1997 (ATU): shall be the difference between the actual Pre-1997 Annual Transmission Revenue Requirements and the as-billed Pre-1997 Annual Transmission Revenue Requirements, adjusted to include interest pursuant to Part II below. The actual Pre-1997 Annual Transmission Revenue Requirements shall be an after-the-fact calculation and shall be determined at the conclusion of each rate-effective period, i.e. June 1 through May 31 of each year, by application of the Attachment F formula rate and each PTO's relevant Pre-1997 PTF cost data for the most recently concluded calendar year. The as-billed Pre-1997 Annual Transmission Revenue Requirements shall be those Pre-1997 Annual Transmission Revenue Requirements used to establish the RNS rates that were made effective on June 1 of the most recently concluded calendar year.

(iii) Annual True-up – Post-1996 (ATU'): shall be the difference between the actual Post-1996 Annual Transmission Revenue Requirements and the as-billed Post-1996 Annual Transmission Revenue Requirements, adjusted to include interest pursuant to Part II below. The actual Post-1996 Annual Transmission Revenue Requirements shall be an after-the-fact calculation and shall be determined at the conclusion of each rate-effective period, i.e. June 1 through May 31 of each year, by application of the Attachment F formula rate and each PTO's relevant Post-1996 PTF cost data for the most recently concluded calendar year.The as-billed Post-1996 Annual Transmission Revenue Requirements shall be those Post-1996 Annual Transmission Revenue Requirements used to establish the RNS rates that were made effective on June 1 of the most recently concluded calendar year and which included the sum of the Post-1996 Transmission

Revenue Requirements for the year prior to the most recently concluded calendar year plus the Forecasted Transmission Revenue Requirements for the most recently concluded calendar year.

(iv) Carrying Charge Factor (CCF): shall reflect the most recent calendar year data used in determining Post-1996 Annual Transmission Revenue Requirements and shall equal the sum of Attachment F Sections II.A, excluding MPRP CWIP and NEEWS CWIP, through II.H divided by Attachment F Section II.A.1.a.

(v) Cost of Capital Rate (COC): shall be determined in accordance with Attachment F Section II.A.2.

(vi) Forecast Period: The calendar year immediately following the calendar year for which the most recent FERC Form 1 data is available.

(vii) Forecasted ADIT (FADIT): shall equal the PTOs' projected change in Accumulated Deferred Income Taxes from the most recently concluded calendar year related to accelerated depreciation and associated with PTF Transmission Plant for the Forecast Period calculated in accordance with Treasury regulation Section 1.167(l)-1(h)(6).

(viii) Forecasted CL&P NEEWS CWIP (FCCWIP): shall equal CL&P's estimated incremental change in NEEWS CWIP for the Forecast Period.

(ix) Forecasted MPRP CWIP (FCWIP): shall equal CMP's estimated incremental change in MPRP CWIP for the Forecast Period.

(x) Forecasted NEP NEEWS CWIP (FNCWIP): shall equal NEP's estimated incremental change in NEEWS CWIP for the Forecast Period.

(xi) Forecasted Pequonnock CWIP (FPCWIP): shall equal UI's estimated year-end balance of Pequonnock CWIP for the Forecast Period.

(xii) Forecasted Transmission Plant Additions (FTPA): shall equal an estimate of the PTO's Post-1996 PTF plant additions for the Forecast Period.

(xiii) Forecasted Transmission Revenue Requirement (FTRR): shall equal FTPA multiplied by the

ACCF, minus FADIT multiplied by the COC, plus FCWIP multiplied by the MCOC, plus FCCWIP multiplied by CCOC, plus FWCWIP multiplied by WCOC, plus FNCWIP multiplied by NCOC, plus FPCWIP multiplied by PCOC, as shown:

FTRR = (FTPA * ACCF) - (FADIT * COC) + (FCWIP * MCOC) + (FCCWIP * CCOC) + (FWCWIP * WCOC) + (FNCWIP * NCOC) + (FPCWIP * PCOC)

(xiv~~iii~~) Forecasted NSTAR Electric (West) NEEWS CWIP (FWCWIP): shall equal NSTAR Electric's (West) estimated incremental change in NEEWS CWIP for the Forecast Period.

(x~~i~~v) MPRP Cost of Capital Rate (MCOC): shall be determined in accordance with Attachment F Section II.A.2.

(xvi) NEEWS CL&P Cost of Capital Rate (CCOC): shall be determined in accordance with Attachment F Section II.A.2.

(xvii) NEEWS NSTAR Electric (West) Cost of Capital Rate (WCOC): shall be determined in accordance with Attachment F Section II.A.2.

(xviii) NEEWS NEP Cost of Capital Rate (NCOC): shall be determined in accordance with Attachment F Section II.A.2.

(xix) Pequonnock Cost of Capital Rate (PCOC): shall be determined in accordance with Attachment F Section II.A.2.

II. INTEREST ON ANNUAL TRUE-UPS

Interest on the Annual True-up amounts (i.e., interest applicable to any over or under collection) shall be calculated in accordance with the methodology specified in the Commission's regulations at 18 C.F.R. § 35.19a (a) (2) (iii).

III. INFORMATIONAL FILINGS

The PTOs' annual informational filing shall include supporting documentation for their estimated capital additions to be placed in service during the current calendar year as well as supporting documentation pertaining to any annual true-up and interest calculations.