

ATTACHMENT F – APPENDIX C

FORMULA RATE PROTOCOLS

Attachment 1 to Appendix C - Timeline

APPENDIX C TO ATTACHMENT F

Transmission Formula Rate Protocols

I. Introduction

The following Transmission Formula Rate Protocols (“Protocols”) are designed to provide increased transparency into the calculation of the Annual Transmission Revenue Requirement (“ATRR”) that is used to determine (a) the Regional Service rates in accordance with the ISO New England Inc. (“ISO-NE”) Transmission, Markets and Services Tariff (“Tariff”) and (b) the Local Service rates and Schedule 12C costs under ISO-NE Tariff Section II (collectively, the “Tariff Rates”). The Protocols are also designed to comply with Federal Energy Regulatory Commission (“Commission” or “FERC”) requirements, the requirements of the ISO-NE Tariff and FERC Staff Guidance on Formula Rate Updates dated July 17, 2014 which, consistent with 18 C.F.R § 388.104(a), provides informal Staff guidance on preparing annual formula rate updates. A copy of these Protocols shall be posted on the ISO-NE website and filed with the Commission as a part of Attachment F to the ISO-NE Open Access Transmission Tariff (“OATT”), which is Section II of the ISO-NE Tariff. These Protocols supersede the Interim Transmission Formula Rate Protocols and take effect on the first June 15 that is more than one year after the Formula Rate Effective Date.

II. Definitions

The terms below that are used in these Protocols have the following definitions; other capitalized terms not defined in these Protocols shall have the meaning given to them in other parts of the ISO-NE Tariff:

Accounting Changes shall mean any change in a Participating Transmission Owner’s (“PTO”) accounting policies and practices from those in effect for the calendar year upon which the immediately preceding Annual Update was based, which affects inputs to the Formula Rate or the resulting charges billed under the Formula Rate, including:

1. the initial implementation of an accounting standard or policy;
2. the initial implementation of accounting practices for unusual or unconventional items where the Commission has not provided specific accounting direction;
3. corrections of errors and prior period adjustments that cause restatement of previously issued financial statements (consistent with SFAS 154);
4. the implementation of new estimation methods or policies that change prior estimates; and

5. a change in an allocation factor or method to allocate costs between functions or between companies within a single holding company system.

Affected Parties shall mean with respect to a PTO, a Local Service customer of that PTO; the state utility regulatory commission of the state in which that PTO operates, on behalf of such state's retail customers; any state consumer advocacy agency of the state in which that PTO operates, on behalf of such state's retail customers; the attorney general of the state in which that PTO operates, on behalf of such state's retail customers; or the New England States Committee on Electricity ("NESCOE").

Annual Meeting shall mean a specific meeting that occurs at the joint summer NEPOOL Transmission Committee and NEPOOL Reliability Committee meeting whereby the PTOs explain the RNS Rates change generally and Interested Parties can seek additional information and clarifications and otherwise discuss the RNS Rates change.

Annual Update shall mean the current year update to the data used in the Formula Rate, a draft of which is posted on the Publication Date, with new Tariff Rates effective January 1 of the following year, and submitted in an informational filing to the Commission on or before July 31 of the current year. It is based on the previous calendar year's data, except where an Applicable Form is statutorily required to be on a fiscal year basis, and the current year's and following year's forecast data. The Annual Update will include the true-up of charges under the Formula Rate for the prior year.

Applicable Form shall mean the PTO's FERC Form No. 1, Energy Information Agency ("EIA") Form No. 860, EIA Form No. 861, Rural Utilities Service Form No. 12 or other forms produced by municipal entities for accounting and reporting purposes.

Formula Rate shall mean the filed rate comprising Section II, Attachment F, of the ISO-NE Tariff.

Formula Rate Effective Date shall mean the date the Formula Rate included as Attachment I to the Settlement Agreement filed and accepted by the Commission in Docket No. EL16-19-002 becomes effective in accordance with such Settlement Agreement.

Formal Challenge shall mean a challenge through a filing with the Commission, consistent with the procedures in Section VI of these Protocols, to PTO action or inaction that is alleged to violate the Formula Rate or Protocols relating to the relevant Annual Update. A Formal Challenge is not a complaint pursuant to Section 206 of the Federal Power Act, but instead is a filing governed by these Protocols.

Informal Challenge shall mean a challenge from Interested Party(ies) that is communicated to the PTO(s) in writing consistent with the procedures in Section VI of these Protocols, in which an objection to the Annual Update is articulated, including taking exception to the Accounting Changes (if any), inputs, supporting explanations, allocations, or calculations.

Information Exchange Period shall mean the time from the Publication Date through September 15th during which time Interested Parties can serve reasonable information and document requests on the PTO(s) relating to the Annual Update.

Interested Party(ies) shall mean Transmission Customers under the ISO-NE Tariff, New England state utility regulatory commissions, New England consumer advocacy agencies, NESCOE, New England state attorneys general, NEPOOL as an organization and including members of the NEPOOL Transmission Committee, and ISO-NE.

Publication Date shall mean the date on which a draft of the Annual Update is posted as set forth in Attachment 1 to this Appendix C.

Rate Year shall mean the period January 1 of each calendar year through December 31 of the same calendar year.

Review Period shall mean the period of time from the Publication Date until November 15 of the same year or such other time as provided in Attachment 1 to this Appendix C.

Supplemental Informational Filing shall mean any subsequent informational filing after July 31 that encompasses any corrections to the Annual Update filed that same year.

Technical Session shall mean the session that is held by August 31 of each year and shall provide (1) the PTOs the opportunity to explain the RNS Rates change in more detail than at the Annual Meeting and (2) Interested Parties an opportunity to seek additional information and clarifications and otherwise discuss the revenue requirement and rate change.

Timeline shall refer to the Formula Rate Transparency Timeline in Attachment 1 to this Appendix C. The Timeline displays the relevant dates for important deadlines. As noted on the Timeline, if any of the deadlines displayed are extended by the PTOs, which extension must be documented in writing, or by Commission order, then each subsequent deadline shall be extended by the same number of business days that the preceding deadline was extended. If either the original or revised deadline falls on a weekend or a holiday or on a day on which the Commission is otherwise closed, the deadline shall be extended to the next business day.

III. Transparency Requirements

The Annual Update and the draft informational filing to the Commission shall be posted on the ISO-NE website and on ISO-NE's OASIS (with a link to the ISO-NE website posting) on the Publication Date and shall:

1. Include a workable populated Formula Rate template with fully functional spreadsheets showing the calculation of the Annual Update and underlying work papers in native format with all formulas and links intact;
2. Provide work papers and supporting documentation for data that are used to develop the inputs to the Formula Rate and are not otherwise available directly from the Applicable Form or other supporting data in sufficient detail and with sufficient explanations to determine that each input is consistent with the Formula Rate; and further, shall identify all material adjustments made to the Applicable Form data in determining formula inputs, including relevant footnotes to the Applicable Form and any adjustments not shown in the Applicable Form;
3. Provide information sufficient to enable Interested Parties to replicate the calculation of the results from the Formula Rate;
4. Include information sufficient to verify that the Formula Rate has been applied according to the terms and the procedures in Attachment F;
5. Identify any changes to the Formula Rate references (page and line numbers) to the Applicable Form;
6. Identify any system planning costs included in operating expenses by project for the following types of projects:
 - a. Reliability or Market Efficiency Backstop Transmission Solution proposals submitted but not subsequently selected by ISO-NE as the preferred solution;
 - b. Reliability or Market Efficiency Phase One Proposals selected by ISO-NE to advance to Phase 2, but not subsequently selected by ISO-NE as the preferred solution;
 - c. Other Reliability or Market Efficiency Phase One Proposals submitted but not subsequently constructed (projects not competitively bid and subsequently not built);
 - d. Stage One Proposals (Public Policy) where NESCOE or one or more states or regulatory authorities makes a written request to a PTO to submit a Stage One proposal, but not subsequently selected by ISO-NE as the preferred solution; and

- e. Stage One Proposals (Public Policy) selected by ISO-NE to advance to Stage 2 (Stage 2 costs only) but not subsequently selected by ISO-NE as the preferred solution; and
1. Identify any Accounting Changes. To the extent these Accounting Changes affect a PTO's inputs to the Formula Rate, the PTO must provide a narrative explanation of the individual impact of those items on charges billed under the Formula Rate;
 2. Identify any reorganization or merger transaction during the previous year and explain the effect of the accounting for such transaction(s) on inputs to the Formula Rate;
 3. Identify items included in the Formula Rate at an amount other than on a historical cost basis (e.g., fair value adjustments);
 4. Provide the derivation of amounts of (i) post-retirement benefits other than pensions ("PBOPs"), (ii) depreciation expense (including depreciation rates) and (iii) any asset retirement obligations;
 5. Provide the forecasted transmission plant additions and incremental construction work in progress ("CWIP") for projects where CWIP is included in rate base that are utilized in the calculation of forecasted PTF and non-PTF revenue requirements, including the following information, where applicable: project name, estimated dollar value of plant in service, Regional System Plan Identification number, estimated construction start date, and the actual or projected Transmission Cost Allocation application date;
 6. Provide the Tariff Rates resulting from the Formula Rate calculations;
 7. Provide workpapers identifying and supporting any prior period adjustments included in the Formula Rate; and
 8. Provide depreciation and/or amortization rates by account in Appendix D to Attachment F for any company that wishes to recover depreciation and/or amortization expenses through an Attachment F formula rate template. The depreciation and amortization rates used in the Attachment F formula rate template must be stated, and are to remain fixed values that cannot be changed absent a section 205 or 206 filing before the FERC.

IV. Review of Annual Update

Within five (5) days of posting a draft of the Annual Update on the ISO-NE website, the PTOs shall provide ISO-NE with a "notice of posting" and request that it be distributed to the NEPOOL Transmission and Participants Committees and posted to the ISO-NE

website. Interested Parties that are not members of the NEPOOL Transmission and Participants Committees may receive notice of such posting by subscribing to the associated webpage on the ISO-NE website.

1. In accordance with the Timeline, the PTOs will participate in the Annual Meeting and lead a discussion of the RNS Rates review agenda item that will provide (i) the PTOs the opportunity to explain the RNS Rates change generally and (ii) Interested Parties an opportunity to seek additional information and clarifications and otherwise discuss the RNS Rates change. No less than seven (7) days prior to such Annual Meeting, the PTOs shall provide a notice of the RNS Rates review agenda item and associated materials and request that ISO-NE post such notice to the ISO-NE website. Interested Parties may receive notice of such posting by subscribing to the associated webpage on the ISO-NE website.
2. The PTOs will host a Technical Session in accordance with the Timeline. The PTOs shall make available to Interested Parties remote access to this Technical Session. No less than seven (7) days prior to such Technical Session, the PTOs shall provide a notice of the Technical Session and request that ISO-NE distribute such notice to the NEPOOL Transmission and Participants Committees and post it to the ISO-NE website. Interested Parties that are not members of the NEPOOL Transmission and Participants Committees may receive notice of such posting by subscribing to the associated webpage on the ISO-NE website. The Technical Session shall: (i) provide the PTOs the opportunity to explain the RNS rate change in more detail than at the Annual Meeting and (ii) provide Interested Parties an opportunity to seek additional information and clarifications and otherwise discuss the revenue requirement and rate change.
3. Separate meetings to discuss the Local Service rates and Schedule 12C costs of any PTO may thereafter be scheduled upon the request of one or more Affected Parties, and attendance at any such meeting shall be limited to Affected Parties.

V. Information Exchange Process

1. Interested Parties may participate in the Information Exchange Period in accordance with the Timeline. Information and document requests shall be limited to what may be reasonably necessary to determine:
 - a. The extent or effect of an Accounting Change;
 - b. Whether the Annual Update fails to include data properly recorded in accordance with these Protocols;

- c. The proper application of the Formula Rate to the Annual Update and procedures in these Protocols;
- d. The recording and accounting of costs pursuant to Commission accounting practices and procedures, or accounting practices applicable to municipal entities;
- e. The accuracy of data included in the Annual Update and the calculations and charges made therein;
- f. The consistency with the Formula Rate of data included in the Annual Update;
- g. The accuracy of the inputs in accordance with the Applicable Form to the extent applicable;
- h. The prudence of actual costs and expenditures;
- i. Allocation of revenues or costs between Regional Service, Local Service and Schedule 12(C) categories; or
- j. The effect of any change to the underlying FERC Uniform System of Accounts, municipal entity equivalent, the Formula Rate template, or Applicable Form.

Interested Parties may also submit reasonable discovery requests to the PTO(s) for any other information that may have an effect on the calculation of the charge pursuant to the Formula Rate.

The information and document requests shall not otherwise be directed to ascertaining whether the Formula Rate is just and reasonable.

- 2. The PTO(s) shall make a good faith effort to respond to any information requests pertaining to the Annual Update in accordance with the Timeline. Information requests received after 4 p.m. Eastern Prevailing Time shall be considered received the next business day.
- 3. The PTO(s) shall cause to be posted publicly all information requests from Interested Parties and the PTO's(s') response(s) to such requests; except, however, if responses to information and document requests include material deemed by the PTO(s) to be confidential information, such information will not be publicly posted but will be made available to requesting parties pursuant to a confidentiality agreement to be executed by the applicable PTO(s) and the requesting party. In such a case, there will be a notice posted that the information requested is available pursuant to a confidentiality agreement.

4. Subject to the confidentiality provisions in Section V.3 above, the PTOs shall not claim that responses to information and document requests pursuant to these Protocols are subject to any settlement privilege in any subsequent Commission proceeding addressing the PTOs 'Annual Update, or any other FERC proceeding and in any proceeding before an Article III court to review a FERC decision.
5. To the extent the PTO(s) and applicable Interested Parties are unable to resolve disputes related to information requests, the PTO(s) or applicable Interested Parties may avail themselves of the on-call settlement judge or the Commission's Office of Administrative Law Judges and Dispute Resolution to resolve such matters.
6. Nothing herein shall prevent an Interested Party from addressing information and document requests to individual PTOs, including information and document requests concerning the allocation of costs among a PTO's Tariff Rates, or prevent individual PTOs from responding to such requests. Review of Local Service rates or Schedule 12C costs shall be limited to the Affected Parties.

VI. Challenge Procedures – Informal and Formal

1. Informal Challenges must be communicated to the PTO(s) in writing, which may be made electronically, in accordance with the Timeline. During the Review Period, Interested Parties may review the Accounting Changes (if any), inputs, supporting explanations, allocations, calculations or other information relating to the current Annual Update and notify the PTO(s) of any specific Informal Challenges. Failure to pursue an issue through an Informal Challenge shall not bar pursuit of that issue as part of a Formal Challenge with respect to the same Annual Update as long as the Interested Party has submitted an Informal Challenge on any issue with respect to that Annual Update. Failure to submit a Formal Challenge regarding any particular issue as to a given Annual Update shall bar pursuit of such issue with respect to that Annual Update, but shall not bar pursuit of such issue or the lodging of a Formal Challenge as to such issue as it relates to a subsequent Annual Update, or an Annual Update correction under Section VII.
 - a. The Interested Party submitting an Informal Challenge to the PTO(s) must specify the inputs, supporting explanations, allocations, calculations, or other information to which it objects, and provide an appropriate explanation and documents, as applicable, to support its challenge. The PTO(s) shall respond to any Informal Challenges in accordance with the Timeline. The PTO(s) shall appoint a senior representative to work with the party that submitted the Informal Challenge (or its representative) toward a resolution of the challenge. If the PTO(s) disagree with such challenge, the PTO(s) will provide the Interested Party(ies) with a written explanation supporting the inputs,

explanations, allocations, calculations, or other information and why they disagree with the Informal Challenge.

- b. The PTO(s) will cause to be posted publicly all Informal Challenges from Interested Parties and the PTO's(s') response(s) to such Informal Challenges; except, however, if Informal Challenges or responses to Informal Challenges include material deemed by the PTO(s) to be confidential information, such information will not be publicly posted but will be provided by the PTO(s) to requesting parties pursuant to a confidentiality agreement to be executed by the PTO(s) and the requesting party. In such a case, there will be a notice posted that the information requested is available pursuant to a confidentiality agreement.
2. Interested Parties shall file Formal Challenges with the Commission pursuant to these Protocols in accordance with the Timeline. Formal Challenges shall only be initiated after the Informal Challenge process has been pursued and the results not found satisfactory to one or more of the Interested Parties making the Formal Challenge.
- a. A Formal Challenge shall:
 - i. Clearly identify the action or inaction in the current Annual Update which is alleged to violate the Formula Rate or Protocols;
 - ii. Explain how the action or inaction violates the Formula Rate or Protocols;
 - iii. Set forth the business, commercial, economic or other issues presented by the action or inaction as such relate to or affect the party filing the Formal Challenge, which will include the following items, where applicable:
 - (a) The extent or effect of an Accounting Change;
 - (b) Whether the Annual Update fails to include data properly recorded in accordance with these Protocols;
 - (c) The proper application of the Formula Rate to the Annual Update and procedures in these Protocols;
 - (d) The recording and accounting of costs pursuant to Commission accounting practices and procedures or accounting practices applicable to municipal entities;

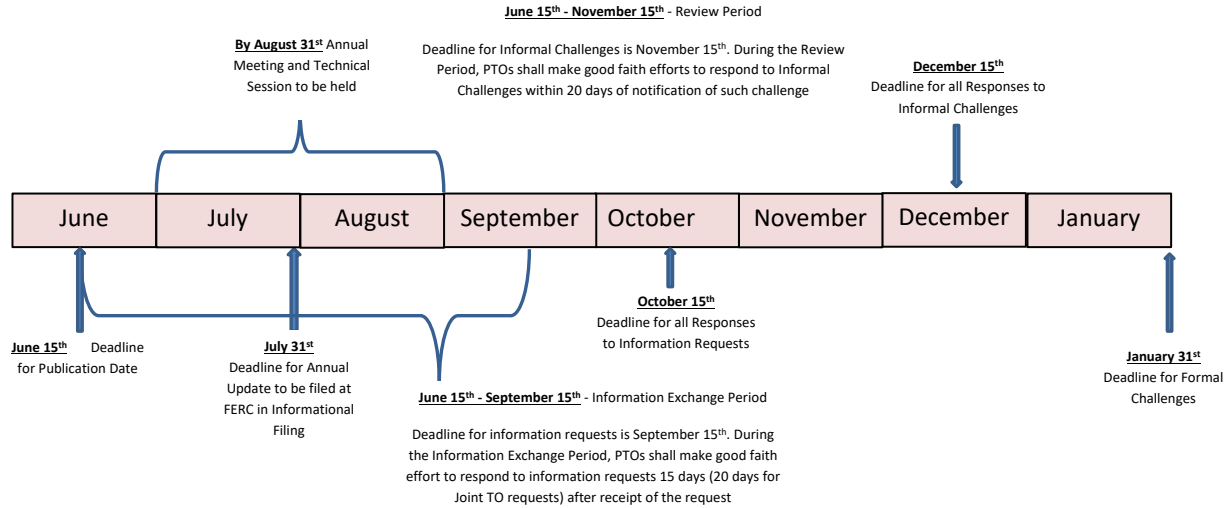
- (e) The accuracy of data included in the Annual Update and the calculations and charges made therein;
 - (f) The consistency with the Formula Rate of data included in the Annual Update.
 - (g) The accuracy of the inputs in accordance with the Applicable Form to the extent applicable;
 - (h) The prudence of actual costs and expenditures;
 - (i) The effect of any change to the underlying FERC Uniform System of Accounts, municipal entity equivalent, the Formula Rate template, or Applicable Form; or
 - (j) Any other information that may reasonably have substantive effect on the calculation of the charge pursuant to the Formula Rate.
- iv. Make a good faith effort to quantify the financial impact of the items comprising the Formal Challenge;
- v. State whether the issues presented in the Formal Challenge are pending in an existing Commission proceeding or in any other proceeding of which the party is aware, and if so, provide an explanation why timely resolution cannot be achieved in that forum;
- vi. State the specific relief or remedy requested, including any request for stay or extension of time, and the basis for that relief;
- vii. Include all documents that support the facts in the Formal Challenge in possession of or otherwise obtainable by the filing party, including but not limited to affidavits; and
- viii. State whether the filing party utilized the Informal Challenge procedures described in these Protocols to dispute the action or inaction raised by the Formal Challenge, and if not, why not.
- a. Any Interested Party filing a Formal Challenge with the Commission must serve a copy of the Formal Challenge on the PTO(s) and ISO-NE by electronic service on the date of such filing. The party filing the Formal Challenge shall serve the individuals listed as the contact person on the PTO'(s') Informational Filing.
- b. The PTO(s) must respond to the Formal Challenge by the schedule established by the Commission.

- c. In response to a Formal Challenge, the PTO(s) shall bear the burden, consistent with section 205 of the Federal Power Act, of proving that it has (they have) correctly applied the terms of the Formula Rate consistent with these Protocols and the Tariff, and that it (they) followed the applicable requirements and procedures in these protocols in that year's Annual Update. Nothing herein is intended to alter the burdens applied by the Commission with respect to prudence issues.
3. Subject to any moratorium on changes to the Formula Rate, and the exceptions thereto, described in Attachment F to Section II of the ISO-NE Tariff, nothing herein shall be deemed to limit in any way the right of any PTO to file unilaterally, pursuant to Federal Power Act section 205 and the regulations thereunder, to change the Formula Rate or any of its inputs, or to replace the Formula Rate with a stated rate, or the right of any other party to request such changes pursuant to section 206 of the Federal Power Act and the regulations thereunder. Subject to any moratorium described in the preceding sentence, failure to file an Informal Challenge or a Formal Challenge shall not bar anyone from making a Federal Power Act section 206 filing.
4. No Interested Party shall seek to modify the Formula Rate under the Informal and Formal Challenge procedures ("Challenge Procedures") set forth in these Protocols, and the Annual Update shall not be subject to challenge by anyone for the purpose of modifying the Formula Rate. Any modifications to the Formula Rate will require, as applicable, a Federal Power Act section 205 or section 206 filing.
5. Any challenges by an Interested Party to the implementation of the Formula Rate must be made through the Challenge Procedures described in Section VI of these Protocols or in a separate complaint proceeding.
6. Subject to Section VII, relating to Corrections to Annual Update, if no Formal Challenges are filed in accordance with these Protocols, then the transparency and challenge procedures related to the Annual Update, as contemplated in this Protocol document, shall be deemed complete for that Annual Update.
7. Informal and Formal Challenges by an Interested Party regarding a single PTO's costs, expenditures or data included in the Annual Update, including Informal and Formal Challenges concerning the allocation of costs among a PTO's Tariff Rates, shall be directed to such PTO. Informal and Formal Challenges of Local Service rates or Schedule 12C costs shall be limited to the Affected Parties.

VII. Corrections to Annual Update

Any changes to the data inputs, including but not limited to revisions to a PTO's Applicable Form, or as the result of any Commission proceeding to consider the Annual Update, or as a result of the procedures set forth herein, shall be incorporated into a Supplemental Informational Filing in the same docket as the PTO's original informational filing for the Annual Update or incorporated as a prior period adjustment into the Formula Rate and the charges produced by the Formula Rate in the Annual Update for the next effective Rate Year, at the discretion of the PTO(s). Interest on any refund or surcharge shall be calculated in accordance with 18 C.F.R. § 35.19a and this OATT. Any Supplemental Informational Filing will be subject to all of the provisions in this document for information exchange, and Informal and Formal Challenge procedures; however, the scope of review and challenge shall be limited to the corrections.

Attachment 1 to Appendix C: Formula Rate Transparency Timeline



Note: If any of the above deadlines are extended by the PTOs, which must be documented in writing, or by Commission Order, then each subsequent deadline shall be extended by the same number of business days that the preceding deadline was extended. If either the original or revised deadline falls on a weekend or a holiday or on a day when the Commission is otherwise closed, then the deadline shall be extended to the next business day.