

October 12, 2004

Connecticut Siting Council
10 Franklin Square
New Britain, CT 06505
Attn: Pamela B. Katz, Chairman

***Re: Docket 272, Application of The Connecticut Light and Power
Company and The United Illuminating Company ("Applicants")***

Dear Chairman Katz,


At the September 29 hearings, the Council distributed copies of a memorandum of that date by S. Derek Phelps, Executive Director, concerning the regional transmission cost allocation process; and you invited comments on the memorandum and any additional information concerning the cost recovery process that parties and intervenors wished to file. The Applicants accordingly file herewith the following two documents:

- "Comments of the Applicants On Memorandum of S. Derek Phelps dated September 29, 2004 Concerning Cost Recovery Procedures
- "Applicants' Memorandum Concerning Nepoch / ISO-NE Planning Procedure No. 4"

Very truly yours,

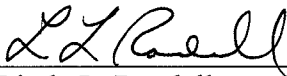
Applicants,

The Connecticut Light and Power Company,

By 
Anthony M. Fitzgerald
Carmody & Torrance LLP
195 Church Street; P.O. Box 1950
New Haven, CT 06509-1950

- and -

The United Illuminating Company,

By 
Linda L. Randell
Wiggin and Dana LLP
265 Church Street; P.O. Box 1832
New Haven, CT 06508-1832

Enclosures
cc: Service List

**COMMENTS OF THE APPLICANTS
ON MEMORANDUM OF S. DEREK PHELPS D. SEPTEMBER 29, 2004,
CONCERNING COST RECOVERY PROCEDURES.**

The Applicants' Comments are submitted in the form of annotations to the original memo, which is reproduced below with those annotations:

September 29, 2004

TO: Parties and Intervenors

FROM: S. Derek Phelps, Executive Director

RE: **DOCKET NO. 272** - The Connecticut Light and Power Company and The United Illuminating Company application for a Certificate of Environmental Compatibility and Public Need for the construction of a new 345-kV electric transmission line and associated facilities between the Scovill Rock Switching Station in Middletown and the Norwalk Substation in Norwalk, Connecticut.

I. Introduction

In a December 18, 2003 Order in Docket No. ER03-1141, the Federal Energy Regulatory Commission (FERC) approved a new rule and process for the transmission project cost allocation that the New England Power Pool (NEPOOL) and the ISO New England (ISO NE) must use to determine who pays for the cost of transmission projects in New England. The purpose of this memo is to provide an overview of this new rule and process. As a general rule, projects that have been determined to provide reliability or economic benefits to the region will be given regional cost support. However, any costs for such projects that exceed the reasonable costs for such a project will not be supported regionally, but will be paid by local customers.

Comment: Page: 1
Strictly speaking, the process described here determines only whether costs will be recovered pursuant to a regional transmission tariff, not "who pays." Costs that qualify for such treatment will be recovered through regional tariffs and will be imposed on transmission customers throughout New England. Costs that do not qualify must be recovered, if at all, through the utility's local transmission tariff; and the terms of that tariff will determine "who pays." This distinction should be made throughout the memo.

II. Who determines who will pay for the costs of transmission projects?

Using rules approved by the FERC, the ISO NE (in consultation with NEPOOL) decides if a transmission project can be built and who should pay for the project. If anyone disagrees with the ISO NE's determination about cost allocation, they can file a complaint with the FERC.

Comment: Page: 1
Section 1.6.2 of NEEPOOL/ISO-NE Planning Procedure No. 4, d. May 19, 2004 ("PP-4"), provides standards for determining "reasonableness" in this context. These are discussed in the Applicants' Memorandum Concerning NEPOOL / ISO-NE Planning Procedure No. 4 ("PP-4 Mem.") filed together with these annotations.

NEPOOL:

Comment: Page: 1
There is also a dispute resolution provision in § 1.11 of PP-4 that an Applicant may invoke before resorting to FERC.

NEPOOL, which was organized in 1971, is a voluntary association comprised of more than two hundred and thirty New England electric industry participants. Participations include electric utilities rendering or receiving services, independent power generators, marketers, load aggregators, brokers, consumer-owned utility systems, end users and a merchant transmission provider. NEPOOL, through its FERC-approved Restated NEPOOL Agreement (RNA) and NEPOOL Tariff, develops and implements the rules and procedures for the operation of the wholesale regional electricity market for New England. With respect to transmission projects, NEPOOL is responsible for planning and technical review of proposed modifications or upgrades to the New England regional transmission system and the associated cost allocation.

Comment: Page: 2
ISO-NE, not NEPOOL, is responsible "planning and technical review, etc."

Deleted: NEPOOL

ISO NE:

The ISO NE is a private, non-profit corporation that operated the New England bulk power system under guidelines contained in a contract with NEPOOL, the RNA and the NEPOOL Tariff. ISO NE is responsible to protect short-term reliability of the electricity grid of New England, to administer competitive and efficient wholesale markets, to administer the NEPOOL Tariff on behalf of NEPOOL participants, and to operate the system as provided in NEPOOL's market rules and according to reliability standards established by NEPOOL, the Northeast Power Coordinating Council (NPCC) and the North American Electric Reliability Council (NERC). With respect to transmission projects, under the NEPOOL Tariff, ISO NE is the primary decision-maker regarding whether: (1) a proposed modification or upgrade to the regional transmission system will have an adverse impact on the reliability and operation of the system; (2) a proposed modification or upgrade to the regional system is needed; and (3) there are excessive costs related to such modifications or upgrades that should be excluded from regional cost support.

Comment: Page: 2
ISO-NE is responsible to protect the reliability of the electricity grid of New England, both long-term and short-term.

Comment: Page: 2
ISO makes determinations of cost allocation, not cost responsibility (i.e., "who pays." See comment 1).

FERC:

FERC resolves any disputes. If any persons disagree with the ISO NE's determination regarding cost responsibility, they can file a complaint with the FERC seeking review of the ISO NE's determination.

III. What are the rules for who should pay for the cost of a transmission project?

States Share Under Regional Cost Support:

The December 12, 2003 FERC Order established a general rule, effective January 1, 2004, that certain classes of transmission upgrades should receive regional cost support. For these upgrades the cost will be rolled into the regional transmission rates paid by all New England transmission customers under the NEPOOL Tariff. For projects that qualify for regional cost sharing, the costs would be shared as follows based on each state's approximate share of network load: Connecticut 27%; Massachusetts 45%; Rhode Island 9%; Maine 7%; New Hampshire 7%; Vermont 5%.

Comment: Page: 2
A statement that these classes of cost support would be more precise than that they "should receive" it. As Mr. Phelps' memo recognizes elsewhere, even if a given upgrade is eligible for regional cost support, some or all of its costs may be localized for "gold plating" or other reasons. See, "Excessive Costs Not Shared Regionally" at p. 3 of the Phelps memo and PP-4 Mem. This distinction should be made throughout.

Comment: Page: 2
These costs are actually imposed on transmission customers, who are electric distribution companies, according to load share; and then recovered by those companies pursuant to their own tariffs. Thus, the costs are imposed by customer, rather than by state. But the stated percentages reflect the current distribution of these costs on a state-by-state basis.

Classes of Projects Eligible For Regional Cost Sharing:

The two classes of projects eligible for regional support are: 1) Regional Benefit Upgrades (RBUs) and 2) those projects listed in Schedule 12B of the NEPOOL Tariff from the Regional Transmission Expansion Plan for 2002 (RTEP02 Upgrades) if the project is placed in service on or before Dec. 20, 2007. To qualify as an RBU a project must: 1) rate 115 kV or above; 2) meet the non-voltage criteria as specified in Section 15.1 of the RNA; 3) be identified by the Transmission Expansion Advisory Committee (TEAC) in a Regional Transmission Expansion Planning (RTEP) as providing regional reliability or economic benefits. TEAC is a group of NEPOOL participants that, in consultation with state regulators, advises the ISO NE on regional system infrastructure needs.

Note: The Connecticut upgrades referred to as Phase I and II are RTEP02 projects listed in Schedule 12B. So, if Phase I and II are placed in service by December 20, 2007, these projects would qualify for regional support. If Phase I and II projects are not placed in service by December 20, 2007 deadline, these projects could also be eligible as RBUs which do not have to be in service by any deadline.

The December 18, 2003 Order also identified certain projects, i.e. Generator Interconnection Related Upgrades, Elective Transmission Upgrades, Merchant Transmission Facilities, and Local Benefit Upgrades that are not eligible for regional support.

Excessive Costs Not Shared Regionally:

Even if a project qualifies as an RTEP02 or RBU for regional cost support, some of all costs associated with the project may not be eligible for regional support if the ISO NE determines that certain of the costs are excessive and constitutes a localized cost, i.e. "gold plating." In making a determination whether localized costs exist, the ISO NE, under Schedule 12C of the NEPOOL Tariff, is required to consider the reasonableness of the proposed design and construction with respect to Good Utility Practice; current engineering design and construction practices in the area in which the upgrade is built; alternate feasible and practical upgrades; the relative costs, operation, timing of implementation, efficiency and reliability of the proposed upgrades. The costs that exceed reasonable requirements shall be deemed localized costs.

Note: Under a settlement with CL&P in the T10 case, if any portions of Phase I and II are not supported regionally, these costs would fall under the local network service tariff of CL&P. Under this tariff, the approximate shares are Connecticut 65%, Massachusetts 15% and New Hampshire 20%.

IV. What is the review process for determining what transmission project costs will receive regional support?

Comment: Page: 3

The standards of excessiveness are provided in PP-4. See PP-4 Mem.

Comment: Page: 3

Localized costs would be recovered through the appropriate utility's local network service transmission tariff. In the case of CL&P, this would be the NU Companies' Tariff No. 10, which is referenced in this paragraph. Under this tariff, localized facility costs for the Middletown to Norwalk project may be allocated to CL&P, one of the NU Companies' transmission customers, subject to FERC's approval. See Northeast Utilities Service Co., 108 FERC ¶61,240 (2004), Order Approving Uncontested Settlement, issued 9/16/04; see also, Northeast Utilities Service Co., 105 FERC ¶61,089 at ¶3 (2003) and Northeast Utilities Companies FERC Electric Tariff No. 10 Attachment I, www.transmission-nu.com/business/tariffs.asp. UI, which will own approximately 20% of the Middletown to Norwalk project, would recover its portion of any localized costs through its own tariff.

FERC's Order Regarding Rhode Island Underground Transmission Provides Clarification Regarding the ISO NE's Review of Cost Responsibility. Indeed, Schedule 12 of the NEPOOL Tariff, which was approved in the December 18, 2003 Order, establishes the ISO NE review process for cost responsibility.

FERC's June 2, 2004 FERC Order in Docket No. EL04-91-000, involving a proposed underground transmission project in Rhode Island, provides an instructive overview of the ISO NE and NEPOOL project review process. Simply put, the Order clarifies that siting approval must occur prior to ISO NE review in order that there be a final ruling approving a specific location and configuration. Subsequent to that action, the ISO NE will review the project for system impacts under RNA Section 18.4. After the project receives approval under the Section 18.4 process, the ISO NE and NEPOOL Reliability Committee will review the project under schedule 12 for cost responsibility.

Comment: Page: 4

This order confirmed that the NEPOOL process must occur prior to ISO NE review, but did not require that siting approval be obtained first. See the next comment.

In this docket, the Rhode Island Attorney General (RIAG) filed a petition seeking a declaratory ruling from the FERC that the cost of undergrounding certain transmission lines should be supported by all customers in the New England region. The transmission line in question had not yet been approved by the Rhode Island siting authority. The ISO NE and NEPOOL objected to RIAG's filing on the basis that he was seeking to circumvent the established procedures for transmission planning, technical review, and cost responsibility, including the cost allocation provisions just recently approved by the Commission in the December 18, 2003 Order. The FERC dismissed the RIAG's petition.

Siting Approval Must Come First:

The FERC reasoned that final siting approval of a specific location and configuration was necessary in order to enable the ISO NE the ability to perform review of the project impact on the electric system under RNA Section 18.4 and of cost responsibility Schedule 12 of the NEPOOL Tariff.

Comment: Page: 4

The order did not specify that siting approval must be completed before the 18.4 process can begin. However, the 18.4 process requires a specific and detailed project configuration. As a practical matter, for complex projects such as Bethel to Norwalk or Middletown to Norwalk, that exact configuration will not be determined until the siting process is complete.

ISO NE Review Under Section 18.4 of the RNA:

Under Section 18.4 of the RNA, proposed modifications to the transmission system are initially submitted to the ISO-NE for engineering review so the ISO-NE can decide what effect the modifications may have on the reliability or operational characteristics of the system. The reliability and operational requirement must be met before any significant changes to the regional transmission system, such as underground construction of transmission lines that are currently overhead. Under Section 18.4, the ISO NE must determine if "implementation of the plan will have a significant adverse effect upon the reliability or operating characteristics of its system or the one or more systems of other Participants." If the ISO NE determines that the project will have a significant adverse effect, the project sponsor must make modifications in order to avoid the adverse effect if it wishes to proceed with the project. If ISO NE determines that there is no potential harm, the project may proceed.

ISO NE Review Under Schedule 12 of the NEPOOL Tariff:

The FERC went on to say that once a project was approved to proceed under section 18.4, the ISO NE could then decide who should pay the cost of the upgrade. Schedule 12 of the NEPOOL OATT sets forth the procedures for transmission cost allocation. Under those procedures, upgrades, modifications or additions to the transmission system are reviewed in a two-step process. First, projects are classified into one of the categories such as RBU, RTEP02 Upgrade, Generator Interconnection Related Upgrades, Elective Transmission Upgrades, Merchant Transmission Facilities, or Local Benefit Upgrades. Unless the project, after review in the RTEP process, qualifies as an RBU or RTE02 Upgrade, it does not qualify for any regional cost support.

Second, if a project qualifies as an RBU or RTEP02 Upgrade eligible for regional cost support, the ISO NE must, under Schedule 12C, decide whether proposed upgrades include excessive costs. In this process, the ISO NE must consult with the NEPOOL Reliability Committee which acts in an advisory capacity on this issue. If excessive costs are identified, these costs are deemed to be localized costs, which are the responsibility of the entity or entities causing or subject to such localized costs. A party that disagrees with the ISO NE's determination regarding cost responsibility can file a complaint with the FERC.

FERC Wants the ISO NE to Provide Siting Authorities with Guidance on Cost Responsibility:

It is noteworthy that the FERC went on to say that it approved the cost allocation provisions in part because it believed that they would provide greater certainty to entities investing in transmission. FERC reasoned that siting boards are entitled to similar guidance to allow them to perform their function more effectively. While the FERC stopped short of ordering any tariff revision to mandate the ISO to provide siting boards with guidance, the FERC encourage the ISO NE to provide state siting boards with as much guidance as possible regarding the likely cost allocation for proposed transmission projects.

I wish to acknowledge and thank Robert Luysterborghs of the adjudication unit of the Department of Public Utility Control for his assistance in preparing this memorandum. Documents that were referenced in the development of this memorandum included FERC

TCA Order, December 18, 2003; FERC RIAG Order June 2, 2004; NEPOOL/ISO-NE
Planning Procedure No. 4, June 11, 2004.

{AMF1000}

STATE OF CONNECTICUT

SITING COUNCIL

Re: The Connecticut Light and Power Company and) Docket 272
The United Illuminating Company Application for a)
Certificate of Environmental Compatibility and)
Public Need for the Construction of a New 345-kV)
Electric Transmission Line and Associated Facilities)
Between Scovill Rock Switching Station in)
Middletown and Norwalk Substation in Norwalk,)
Connecticut Including the Reconstruction of)
Portions of Existing 115-kV and 345-kV Electric)
Transmission Lines, the Construction of the Beseck)
Switching Station in Wallingford, East Devon)
Substation in Milford, and Singer Substation in)
Bridgeport, Modifications at Scovill Rock)
Switching Station and Norwalk Substation and the)
Reconfiguration of Certain Interconnections) October 12, 2004

**APPLICANTS' MEMORANDUM CONCERNING NEPOOL / ISO-NE
PLANNING PROCEDURE NO. 4**

On December 18, 2003, the Federal Energy Regulatory Authority (“FERC”) approved the incorporation in the Restated NEPOOL Agreement (“RNA”) and NEPOOL Tariff modifications of a new transmission cost allocation process. Thereafter, NEPOOL Participants and other New England stakeholders developed Planning Procedure No. 4 (“PP-4”) – Procedure for Pool-Supported PTF Cost Review, which became effective on June 11, 2004. A copy of PP-4 is attached hereto.

PP-4 provides detailed guidance with respect to the cost review of Pool Transmission Facility (“PTF”) additions and modifications (“Projects”) that are eligible for regional cost allocation; the cost information that the applicant must provide to ISO-NE and the NEPOOL Reliability Committee (“RC”) in an application for such allocation;

the process for RC and ISO-NE review of such an application; and the factors that will be considered in determining whether there are Localized Costs associated with a Project.

The following provisions of PP-4 will be of interest to the Council in relation to this Docket:

(A) Section 1.6.2 - "Considerations" for localizing costs

Section 1.6.2 states the "Considerations" by which the RC and ISO-NE will determine whether costs will be localized, as follows:

1.6.2 Considerations

In making its determination of whether Localized Costs exist, ISO-NE, with advisory input from the RC will consider the reasonableness of the proposed design and construction method with respect to:

- (a) Good Utility Practice;*
- (b) Current engineering design and construction practices in the area in which the Project is proposed to be built/is being built;*
- (c) Allows for appropriate expansion and load growth;*
- (d) Alternate feasible and practical transmission alternatives; and*
- (e) The relative costs, operation, efficiency, reliability and timing of implementation of the proposed Project."*

(B) Section 1.6.3 – required information

Section 1.6.3 requires an applicant for Pool- Supported PTF Cost Review to include the following information in its application:

The Applicant shall identify in their TCA Application any significant additional proposed Pool-Supported PTF costs introduced as a result of local or state regulatory and/or legislative requirements. ISO-NE will then determine, with the advice of the RC, whether these incremental costs resulting from the requirements of any local or state regulatory and/or legislative requirements will be identified as Localized Costs.

(C) Attachment A – Examples of costs that will be localized

Attachment A to PP-4 (p. 14) provides the following “non-exclusive list of examples for illustration of the types of Projects that would be considered to contain Localized Costs”;

1. *The Project costs more than a feasible or practical transmission alternative and has equal or less robust bulk power system performance than the transmission alternative.*
2. *The Project does not address a bulk power system need.*
3. *The Project includes underground transmission cable, which is selected (a) at the direction of a local or state siting board, or (b) to address other local concerns, and the cost of overhead transmission lines is less expensive, taking into account all relevant costs.*
4. *The Project is a gas-insulated or covered substation when an open-air substation would be feasible and practical for lower cost.*


(D) Section 1.6.1(d) (i) – Note on feasible and practical alternatives

Illustration (1) above concerns a Project that costs more than a “feasible and practical transmission alternative.” Section 1.6.1 (d) requires that an application include a discussion of why the Project was selected over other such “feasible and practical alternatives,” and includes the following:


Note: A feasible and practical transmission alternative means a transmission alternative that is feasible and practical from an engineering design and construction perspective. An alternative that is not or may not be approved by a Siting or local review board may still be considered a feasible and practical transmission alternative.

APPLICANTS,

THE CONNECTICUT LIGHT AND
POWER COMPANY,

BY: 
ANTHONY M. FITZGERALD
Carmody & Torrance LLP
195 Church Street
New Haven, CT 06509-1950

THE UNITED ILLUMINATING COMPANY,

BY: 
LINDA L. RANDELL
Wiggin & Dana LLP
265 Church Street
PO Box 1832
New Haven, CT 06508-1832

NEPOOL/ISO-NE PLANNING PROCEDURE NO. 4

**PROCEDURE FOR POOL-SUPPORTED PTF COST
REVIEW**

Recommended
For

Approval: May 19, 2004 by the NEPOOL Reliability Committee

Effective as of: June 11, 2004

Planning Procedure No. 4
Procedure For Pool-Supported PTF Cost Review

TABLE OF CONTENTS

<u>Section</u>	<u>Title</u>	<u>Page</u>
1.0	General	3
1.1	Projects Requiring TCA Applications	4
	1.1.1 Categories of Projects requiring TCA Application	4
	1.1.2 Exemptions from TCA Application Requirements	4-5
	1.1.3 Grandfathering of Section 15.5 Approvals	5
	1.1.4 Projects not subject to this Procedure	5
1.2	Review of Adequacy of Application Documents	5
1.3	Confidentiality	5-6
1.4	RC and ISO-NE Roles in TCA Application Review Process	6
1.5	Evaluation	6-7
1.6	Submittal of TCA Application	8
	1.6.1 Review	8-9
	1.6.2 Considerations	9
	1.6.3 Additional Costs Due to Regulatory or Public Requirements	10
1.7	Time Guidelines	10
1.8	Actions on a TCA Application	10-11
1.9	Withdrawal of a TCA Application	11
1.10	Reviews and Update of Approved TCA Applications	11-12
1.11	Dispute Resolution	12
2.0	Application Form	12
2.1	Summary Statement	12
2.2	Application Identification	12
2.3	Completing the Application	12
Attachment A – Supplemental Guidelines for Pool-Supported PTF Cost Review		14-15
Attachment B – TCA Application Form		16-17

Planning Procedure No. 4

Procedure for Pool-Supported PTF Cost Review¹

1.0 General

This procedure (“PP-4”) provides detailed guidance, pursuant to the Restated NEPOOL Agreement (“RNA”) and the NEPOOL Tariff, regarding the cost review of those necessary additions and modifications, reconstructions or replacements (referred to herein as “Projects”) of Pool Transmission Facilities (“PTF”) that are eligible for regional cost support: including Regional Benefit Upgrades (“RBUs”); RTEP02 Upgrades; plans requiring submittal for review under Section 18.4 of the RNA; and reconstruction/replacement of the PTF.

Under Section 15.5 of the RNA and Schedules 11 and 12 of the NEPOOL Tariff, ISO-NE New England Inc. (“ISO-NE”) with advisory input from the NEPOOL Reliability Committee (“RC”) will determine whether there are Localized Costs to be excluded from Pool-Supported PTF costs.

This PP-4 provides guidance on: what Projects are subject to cost review, what information the applicant for cost review (the “Applicant”) must provide to ISO-NE, the process for RC and ISO-NE review of an applicant’s Project, and the factors that will be considered in determining whether there are Localized Costs associated with a Project.

This Planning Procedure also provides guidelines for preparing a Transmission Cost Allocation (“TCA”) application (“TCA Application”) for use by the ISO and the RC. The Applicant must support the TCA Application with the necessary information and analysis of the Project. This procedure provides guidance on what information and analysis should be available and supplied to support a TCA Application. The completed form provided in Attachment B and all supporting materials describing and assessing the impact of the proposed plans together shall constitute submittal of a TCA Application.

Approval of a TCA Application allows an Applicant to include the approved costs associated with the Project, after the Project has been placed in service, into Pool-Supported PTF costs, subject to determinations made pursuant to this PP-4.

This PP-4 shall be effective upon the date that the PP-4 has received approval from ISO-NE and the NEPOOL Participants Committee (the “Effective Date”).

¹ Capitalized terms used in this Procedure are intended to have the same meaning given to such terms in Section 1 of the Restated New England Power Pool Agreement (the “Restated NEPOOL Agreement” or “Agreement”), Section 1 of the Restated NEPOOL Open Access Transmission Tariff (“NEPOOL Tariff” or “Tariff”) and/or Section 1.3 of Market Rule 1.

1.1 Projects Requiring a TCA Application

1.1.1. Categories of Projects requiring TCA Application

This procedure pertains to the cost allocation treatment of upgrades/additions/modifications to the PTF on and after the Effective Date. These upgrades/additions/modifications include the following: RBUs; RTEP02 Upgrades; plans requiring submittal for review under Section 18.4 of the RNA; or reconstruction/replacement of the PTF. These upgrades/additions/modifications to the PTF are referred to in this PP-4 as “Projects”.

TCA Applications are required for the following types of Projects that are seeking regional cost support: (1) an RBU as described in the annual Transmission Plan; (2) an RTEP02 Upgrade as described in the annual Transmission Plan; (3) one or more plans that otherwise require submittal for review under RNA Section 18.4 and that address the same system need; and (4) reconstruction/replacement of PTF that does not require approval under RNA Section 18.4 but that impacts over fifty percent of the quantity of like-kind equipment, including conductors, structures, transformers, circuit breakers, disconnects and airbreaks, on or in the facility or circuit in which that equipment is located.

Although the Project may be projected over any time frame to demonstrate prudent planning, action on TCA Applications will only be taken on plans that reasonably are expected to be implemented within the next five (5) year period from the date of the TCA Application, unless engineering and construction lead times will take longer than five (5) years. In the case of longer lead times, an extension will be considered through the period of construction if the Project is initiated and completed within projected period of construction plus (2) years originating from the date of ISO-NE action on the TCA Application.

Generally, an Applicant must file a single TCA Application for its Project. ISO-NE may, in the exercise of reasonable discretion, require multiple TCA Applications for individual pieces of a single Project.

1.1.2. Exemptions from TCA Application Requirements

If a Project does not require a TCA Application under Section 1.1.1 above, or if it otherwise costs less than \$500,000, then the Applicant need not file a TCA Application unless specifically requested to do so by ISO-NE. A TCA Application is also not required for reconstruction/replacement of

equipment of like-kind whose conditions requires a prompt response (*e.g.*, damaged or failed equipment) to restore the system to normal operating capability and reliability or to prevent an imminent failure that would result in a potential bulk power system disturbance.

1.1.3. Grandfathering of Section 15.5 Approvals

If a Project has received Section 15.5 approval prior to January 1, 2004 but was not in service as of that date, the Project shall be deemed to have no Localized Costs associated with the costs approved in the Section 15.5 approval; the Project shall, however, be subject to a review of its costs and a possible Localized Cost determination under Schedule 12C and this PP-4 if the Project's costs have exceeded or are anticipated to exceed 10% of the amount approved to be included in Pool-Supported PTF costs under the Section 15.5 approval or if there is a material change in the design of the Project.

1.1.4. Projects not subject to this Procedure

This Review Process does not pertain to:

1. Schedule 11, Category C Generator Interconnection Related Upgrades (“GIRUs”), except to the extent such GIRUs may be eligible for regional cost support under the terms of Schedule 11
2. Elective Transmission Upgrades
3. Local Benefit Upgrades
4. Recovery of Localized Costs
5. Merchant Transmission Facilities or their interconnection

1.2 Review of Adequacy of Application Documents

The complexity of proposed changes to the transmission system can range from minor changes to major alterations. The intent of the PP-4 process is to match information required as part of a TCA Application, to the review effort, and relative cost of the Project. Section 1.5 below provides guidance as to the level of information required in a TCA Application. The Applicant may request further guidance or preliminary review of Project-related information from ISO-NE and the RC prior to submitting a formal Application.

1.3 Confidentiality

Should any documentation be submitted that is considered confidential, it is the responsibility of the Applicant to describe to ISO-NE, by name, the

documents to be considered confidential. All information marked as confidential will be controlled in accordance with the NEPOOL Information Policy.

1.4 Roles of RC and ISO-NE in TCA Application Review Process

The RC or its designee will review the TCA Application and the RC will make a recommendation to ISO-NE as to whether there are Localized Costs associated with the Project that should not be supported as Pool-Supported PTF costs. ISO-NE will consider the RC's advisory recommendation in making its determination of whether there are Localized Costs associated with the Project that should not be included as Pool-Supported PTF costs.

1.5 Evaluation

Based on the cost of the Project, four (4) categories of analysis are identified for supporting a particular Project (ranging from no analysis for exempt Projects to full costs analyses of transmission alternatives for Projects in excess of \$20 million). ISO-NE and/or the RC may also, however, request additional analyses. The analysis categories are summarized as follows:

Table 1

Category	Estimated Project Cost for Pool Supported PTF Costs	Documentation Detail Required [Note: ISO-NE and/or RC may request additional information]	Timeline for Submission of Application	RC Action	ISO-NE Action
1	Less than \$500,000	TCA Application is not required	None	None	None
2	Greater than or equal to \$500,000 but less than \$5 Million	<ul style="list-style-type: none"> TCA Application A description of the Project, including any alternatives considered. A cost estimate. 	60-days prior to a RC meeting for which action is expected.	Recommendation to ISO-NE	Written Findings and Determination
3	Greater than or equal to \$5 Million but Less than \$20 Million	<ul style="list-style-type: none"> TCA Application A description of the Project, including a detailed discussion of alternatives considered and reasons for choosing the particular design based on the factors outlined in NOATT Schedule 12C An overall cost estimate and categorized cost estimates for labor, materials and engineering An overall cost estimate of each alternative 	60-days prior to a RC meeting for which action is expected.	Recommendation to ISO-NE	Written Findings and Determination
4	Greater than or equal to \$20 Million	<ul style="list-style-type: none"> TCA Application. A description of the Project, including a detailed discussion of alternatives considered and reasons for choosing the particular design based on the factors outlined in NOATT Schedule 12C. An overall cost estimate and a detailed description of the categorized cost estimates for labor, materials and engineering An overall cost estimate of each alternative ISO-NE may request a detailed description of the categorized cost estimates for labor, materials and engineering of each alternative 	90-days prior to a RC meeting for which action is expected.	Recommendation to ISO-NE	Written Findings and Determination

1.6 Submittal of TCA Application

Applications will be submitted via e-mail to ISO-NE and shall be submitted per the described timelines in Section 1.5 above, and the guidelines within this section and Section 2.0 below, in order to provide the RC sufficient time to review the Application before the requested action date. The timelines provided in this PP-4 are intended to provide guidance to the Applicant, the RC and the ISO but do not bind the Applicant, the RC or ISO-NE to take any action.

1.6.1 Review

An Applicant is encouraged to discuss their TCA Application and supporting documentation with ISO-NE to ensure completeness prior to submittal for review.

A completed TCA Application, and supporting documentation, shall be submitted electronically to ISO-NE, who will collect, distribute, and provide a permanent record of the TCA Application.

Upon receipt of a TCA Application, ISO-NE will notify the Applicant if the submitted TCA Application is incomplete or additional information is required.

A typical TCA Application will include the following :

- (a) Cover Letter (including when action by ISO-NE is requested by)
 - Including a summary discussion of the need for the Project.
- (b) TCA Application (as detailed in Attachment B)
A review and discussion of the need for the proposed Project.
 - Note: To the extent that the needs analysis was conducted during the RTEP process, a summary of that analysis may be considered sufficient.
- (c) A summary of the technical analysis performed for the Project and the identified transmission alternatives.
- (d) A discussion of why the Project was selected over other transmission alternatives, with a description of the benefits of the proposed Project over other transmission alternatives from an operational, timing of implementation, cost and reliability perspective.
 - (i) The proposed Project, and any feasible and practical transmission alternatives that were considered, including those offered in the most recent RTEP report.
 - Note: A feasible and practical transmission alternative means a transmission alternative that is feasible and

practical from an engineering design and construction perspective. An alternative that is not or may not be approved by a Siting or local review board may still be considered a feasible and practical transmission alternative;

- (ii) The most currently available cost estimates of building the Project and if required, transmission alternatives that were considered;
 - (iii) A comparison of the potential operational impacts on the bulk power system during construction of the Project with any feasible and practical transmission alternatives that were considered;
 - (iv) A comparison of the potential operating costs of the Project and any feasible and practical transmission alternatives that were considered; and
 - (v) Design considerations affecting maintenance, construction and/or future expansion of the Project.
- (e) One-line diagrams and a map locating the facilities.
 - (f) Any additional relevant information requested by ISO-NE or the RC.

The Applicant has an ongoing responsibility to update any TCA Application when additional information relevant to review of the Application becomes available prior to RC review and issuance of ISO-NE's written findings and determination.

1.6.2 Considerations

In making its determination of whether Localized Costs exist, ISO-NE, with advisory input from the RC will consider the reasonableness of the proposed design and construction method with respect to:

- (a) Good Utility Practice;
- (b) Current engineering design and construction practices in the area in which the Project is proposed to be built/is being built;
- (c) Allows for appropriate expansion and load growth;
- (d) Alternate feasible and practical transmission alternatives; and
- (e) The relative costs, operation, efficiency, reliability and timing of implementation of the proposed Project.

Attachment A provides examples of relevant consideration for determination of Localized Costs.

1.6.3 Additional Costs Due to Regulatory or Public Requirements

The Applicant shall identify in their TCA Application any significant additional proposed Pool-Supported PTF costs introduced as a result of local or state regulatory and/or legislative requirements. ISO-NE will then determine, with the advice of the RC, whether these incremental costs resulting from the requirements of any local or state regulatory and/or legislative requirements will be identified as Localized Costs.

1.7 Time Guidelines

Applicants are urged to supply appropriate data, with adequate lead times for anticipated review as described in Sections 1.5 and 1.6 above. Failure to follow these timeframes may result in a delay of review of the TCA application.

1.8 Actions on a TCA Application

On each Application, the RC will provide a recommendation and suggested motion describing the conditions of the approval for the TCA Application. (Such motion should be distributed consistent with the Technical Committee Bylaws). Any such recommendations will be distributed with the meeting material and agenda to the extent practicable.

If in reviewing the TCA Application, the RC decides additional information, review, or study is required prior to acting on the application, the RC may elect to defer action and solicit supplementary information, review, or study as required.

Therefore, the RC may defer action, recommend approval of the TCA Application by ISO-NE, or recommend a determination of Localized Costs by ISO-NE.

In accordance with the Restated NEPOOL Agreement the Secretary of the RC will notify the Members and Alternates of the NEPOOL Participants Committee and ISO-NE of the actions taken by the RC. This written notice will be delivered prior to the end of the fifth (5th) business day following a meeting of the RC as specified by the NEPOOL Technical Committee Bylaws. This notification will constitute formal confirmation that such action was taken.

If the Applicant seeks input by the Participants Committee, it may request TCA Application review after the RC meeting but before the fifth (5th) business day following a meeting of the RC. The request should be submitted in writing to the Secretary of the RC with a copy sent to ISO-NE by the Applicant.

ISO-NE will consider the recommendations of the RC, and the Participants Committee as appropriate, in the process of making a determination on each TCA Application. ISO-NE may also seek additional information after RC or Participants Committee action and prior to making its decision. ISO-NE will transmit, in a timely manner, its written findings and determination to the Applicant (with copy to the RC) stating its decision, and the basis for its decision.

If the Applicant disagrees with the ISO's written findings and determination, the dispute resolution procedures outlined in Section 1.11 below and NOATT Schedule 12C should be followed.

1.9 Withdrawal of a TCA Application

Should an Applicant wish to withdraw its TCA Application, it should send a letter to that effect to the ISO. ISO-NE will distribute the notice of withdrawal to the RC.

In cases where an 18.4 Application was not required, but a TCA Application was submitted, ISO-NE issued a written findings and determination and the Project was cancelled, the TCA Applicant must provide written notification to ISO within 60-days of such cancellation, requesting withdrawal of the approved TCA Application. Conversely, in cases where an 18.4 Application was submitted, and a TCA Application was submitted, ISO-NE issued a written findings and determination and the Project was cancelled, the TCA Application will automatically be withdrawn upon notification of withdrawal of the 18.4 Application. However, the Applicant may submit a TCA Application for costs incurred prior to cancellation of the Project.

1.10 Reviews and Update of Approved TCA Applications

The RC and ISO-NE will review an updated Application for the proposed Project, as provided for below. ISO-NE, after considering the advice of the RC, may require that the Applicant resubmit its TCA Application.

The Applicant is responsible to inform ISO-NE of any significant additional Pool-Supported PTF costs or any material changes in the design associated with a proposed Project made subsequent to approval of the TCA Application. Specifically, an Applicant, which has already received approval of its TCA Application, must notify both the RC and ISO-NE if either: (i) costs have exceeded or are anticipated to exceed 10% of the amount determined by ISO-NE to be included in Pool-Supported PTF costs; or (ii) there is a material change in design of the Project. If an Applicant fails to notify ISO-NE of either of these developments, and it is discovered during

the course of an RNS Audit, then the additional costs associated with such development will be excluded from the Pool-Supported PTF until the process described in this Procedure has been followed and ISO-NE accepts the costs following appropriate review by the RC and ISO-NE. In such instance, the costs shall be recovered only prospectively pursuant to the Tariff.

1.11 Dispute Resolution

Should the Applicant disagree with ISO-NE's written findings and determination as described in Section 1.8 above, a dispute may be filed.

Disputes should be submitted in writing first to ISO-NE, describing in detail the basis for its challenge, and must be submitted within 60 days of receipt of the ISO-NE's written findings and determination. ISO-NE will then enter into good faith negotiations for a period not to exceed 60-days from the date of the Applicant's written notice to try to resolve the dispute. If there is no resolution of the dispute at the end of the negotiation period, the Applicant may file a complaint. ISO-NE shall notify the RC of the outcome of the dispute resolution process.

2.0 Application Forms

2.1. Summary Statement

The form in Attachment B must be submitted with each TCA Application as outlined in Section 1.6 above. Supporting documentation should supplement the form as appropriate.

2.2 Application Identification

Application Number (Company - Year (2 digits) – TCA– Unique ID (Sequential Application #s) – Rev #

e.g. CMP-04-TCA-01

CMP-04-TCA-02

CMP-04-TCA-01- Rev 1,

2.3 Form Completion Instructions

TBD – after form revised

Document History

Rev. 0 App.: 4/17/98

Rev. 1 Rec.: RC – 5/19/04; Eff.: PC - 6/11/04

Attachment A
Supplemental Guidelines for Pool-Supported PTF Cost Review

In determining whether there are Localized Costs, ISO-NE will consider as appropriate and with the advisory input of the RC, the following non-exclusive list of factors:

- Costs of construction including all costs associated with rights of way, easements and associated real estate.
- Assessment of the schedule or in-service date of the Project from an engineering and construction standpoint rather than from the standpoint of potential delays in local or state siting.
- Relative reliability and operational impacts of the Project as compared to alternatives considered.
- Costs associated with operation and maintenance of the proposed design and alternatives, including consideration of whether the proposed design is consistent with Good Utility Practice
- Costs of related and long-term congestion impacts, if any, of each proposed PTF and non-PTF design alternative, including costs related to outages associated with construction
- The proposed design's fit into reasonable future expansion plans including the Regional Transmission Expansion Plan (RTEP)
- Consistency with current engineering, design and construction practices in the area

The following, non-exclusive list of examples is provided for illustration of the types of Projects that would be considered to contain Localized Costs:

1. The Project costs more than a feasible or practical transmission alternative and has equal or less robust bulk power system performance than the transmission alternative.
2. The Project does not address a bulk power system need.
3. The Project includes underground transmission cable, which is selected (a) at the direction of a local or state siting board, or (b) to address other local concerns, and the cost of overhead transmission lines is less expensive, taking into account all relevant costs.
4. The Project is a gas-insulated or covered substation when an open-air substation would be feasible and practical for lower cost.

The following, non-exclusive list of examples is provided for illustration of the types of Projects that are not likely to contain Localized Costs.

1. The Project includes underground transmission cable but the total cost of the underground transmission cable Project is lower than a feasible and practical overhead transmission line, the operating and maintenance costs are comparable, and the reliability benefits provided by the underground cable are equal to those provided by the overhead line.

2. The Project has higher total cost than feasible and practical transmission alternatives, but provides for more robust bulk power system performance consistent with the RTEP planning horizon and predicted load growth, than such transmission alternatives.

Attachment B
TCA Application Form

Project Name:

1. Applicant:	Date:
---------------	-------

2.	<u>Project Description:</u>	<u>In Service Date:</u>
a.	Summary of PTF-related Work for Project:	
b.	Summary of Non-PTF-related work for Project:	

3. Was a transmission 18.4 Application required for this work?	Yes <input type="checkbox"/>	No <input type="checkbox"/>	
4. Has a transmission 18.4 Application been approved? If yes, attach a copy and reference Section 18.4 Application # and approval date.	Yes <input type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/> Approval Date:

Need For Project:

5. Need Based On:	Yes	No	
a. Reliability	<input type="checkbox"/>	<input type="checkbox"/>	
b. Economic	<input type="checkbox"/>	<input type="checkbox"/>	
c. Service to new load	<input type="checkbox"/>	<input type="checkbox"/>	
d. New generator interconnection	<input type="checkbox"/>	<input type="checkbox"/>	
If yes, Category of Generator (See NEPOOL Tariff Schedule 11):	'A' <input type="checkbox"/>	'B' <input type="checkbox"/>	'C' <input type="checkbox"/>
18.4 Generator Application Number	_____		
18.4 Generator Application Date	_____		
(Attach copy of cover letter & 18.4 Generator Application)			
e. Other (specify in line 6)	<input type="checkbox"/>	<input type="checkbox"/>	

6.	Provide a narrative description of the need for this Project.
----	---

Cost of Project:

7. Total Proposed PTF Cost of this Project:
 a. PTF Costs associated with this Project:
 b. Generator Supported PTF Costs**:

If the costs in 7.a. plus 7.b do not equal the total PTF cost,
 please explain and indicate who is responsible for the
 remaining costs.

8. Costs introduced as a result of local, state or other
 regulatory/legislative requirements, including costs
 identified pursuant to Section 1.6.3 of this PP-4.

9. Total Non-PTF Cost associated with this Project (if any) \$

10. Total PTF Cost based on: (check one)

Actual Costs	<input type="checkbox"/>	OR
Estimated Costs*	<input type="checkbox"/>	

11. Provide a breakdown of the total costs consistent with Table 1. If applicable, explain how the cost of common facilities was allocated between PTF and non-PTF.

12. Does this Project result in a change of existing non-PTF facilities to PTF? Yes No

13. Describe the major transmission alternatives that were considered and why the preferred alternative was selected.

* If the actual PTF cost exceeds the estimated PTF cost by more than 10%, a revised filing is required.

** Pool-Supported PTF costs were determined pursuant to NEPOOL OATT Schedule 11.