

Sources Used to Prepare *Two Myths Debunked*

The costs associated with the RMR Cost of Service Agreements for Southwest Connecticut ("SWCT") and the rest of Connecticut ("ROC") proposed zones were taken from an ISO-NE document entitled, "Annual Fixed Cost Summary - RMR Agreements". This document can be found on ISO-NE's website at http://www.iso-ne.com/genrtion_resrcs/reports/rmr/ in the document title "RMR Agreements Summary With Fixed Costs".

Below is a summary of the data taken from the document that was used in preparing Slide 6:

Resource	Owner	SWCT Area	ROC Area
Devon 11 - 14	NRG	16,568,124	
Devon 11 - 14 (Dev. 7 Settlement)	NRG	3,000,000	
Middletown 2-4, 10	NRG		49,617,744
Montville 5, 6, 10 & 11	NRG		23,032,716
Milford 1	Milford Power	40,824,787	
Milford 2	Milford Power	40,797,848	
New Haven Harbor	PSEG		47,368,806
Bridgeport Harbor 2	PSEG	19,012,116	
Bridgeport Energy	Bridgeport	57,825,915	
Total Agreements in Area		\$178,028,790	\$120,019,266

The current ICAP cost provided in Slide 6 and the base inputs for the analysis of LICAP cost in SWCT and ROC were derived from ISO-NE's mathematical computer model "2004-08-27 Integrated LICAP Impact Model.xls", which is attached hereto. The ICAP cost summarized below were obtained from the section of the model titled, "Annual Cost Impact of ISO Proposal – Base".

LICAP Region	Current ICAP Market Offset	
Southwest Connecticut	29,577,600	(i.e. ~ 30,000,000)
Rest of Connecticut	27,547,200	(i.e. ~28,000,000)

The base inputs provided below for the SWCT and ROC can be found in the sections of the model entitled, "Demand Curve Parameters and Planning Input Data". Certain hypotheses were tested by varying these base inputs. The results obtained from the model appear on slides 7, 8, 9 and 11 of the presentation.

Demand Curve Parameters by Region	New Entry Price ICAP (\$/kw-mo)	ICAP Requirement MW	Available Local Capacity MW	As-Is Import Over Constraint MW (CTL)	Local Sourcing Requirement MW
Southwest Connecticut	8.26	4108	2532	1919	2189
Rest of Connecticut	8.04	3826	4426	1737	2089

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Demand Curve Parameters

Demand Curve Parameters by Region	New Entry		Availability		New Entry (cap)		Kink Point		Zero Point		ICAP		Available		As-Is		Local Sourcing Requirement
	Price	ICAP (\$/kw-mo)	Adjusted	New Entry	Multiple	Multiple	Multiple	Multiple	Multiple	Requirement	Local	Capacity	Constraint	MW (CTL)			

Southwest Connecticut	8.25	\$9.18	2	1,037	1.15	4108	2532	1919	2189
Rest of Connecticut	8.04	\$8.93	2	1,037	1.15	3926	4426	1737	2089
NEMA/Boston	8.15	\$9.07	2	1,037	1.15	5806	3430	3073	2733
Rest of Pool	7.77	\$8.56	2	1,037	1.15	13394	19033	1400	11994
Maine	7.27	\$8.08	2	1,037	1.15	2232	3345	0	N/A

Pool EFORD	10.00%								
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Planning Input Data

Market Clearing Price Calculation

	ICAP Requirement	Available Local Capacity	Actual Import Over Constraint MW	Net Import Over All Constraints MW	Total Purchased Demand (MW)	Regional Resource Scarcity (MW)	Clearing Price \$/KW-Mo	Gross Payment by Load \$/Month	CTR Overcollection Revenue
Southwest Connecticut	4108	2532	1919	1919	4451	1,083	\$5.40	\$24,041,798	\$4,183,612
Rest of Connecticut	3926	4426	1737	-182	4244	1,109	\$3.22	\$13,671,357	\$2,241,286
NEMA/Boston	5806	3430	3073	3073	6503	1,120	\$2.40	\$15,628,076	\$1,451,048
Rest of Pool	13394	19033	838	-3972	15061	1,124	\$1.93	\$29,084,008	\$0
Maine	2232	3345	-838	-838	2507	1,123	\$1.93	\$4,840,109	
Total	29366	32766			32766		\$2.98	\$87,265,348	

Cost Impact Calculation

	Local Capacity Purchased (MW)	Payments to Local Capacity	Clearing Price \$/KW-Mo	Total Zonal Purchases (MW)	Gross Payment by Load \$/Month	CTR Revenue Offset SWCT CTR	CTR Revenue Offset CT CTR	CTR Revenue Offset NEMA CTR	Net Cost of LICAP (\$/month)
Southwest Connecticut	2532	\$13,676,440	\$5.40	4,451	\$24,041,798	\$4,183,612	1,160,474	0	\$18,697,712
Rest of Connecticut	4426	\$14,257,640	\$3.22	4,244	\$13,671,357	0	1,080,812	0	\$12,590,545
NEMA/Boston	3430	\$8,243,011	\$2.40	6,503	\$15,628,076	0	0	\$1,451,048	\$14,177,028
Rest of Pool	19033	\$36,753,058	\$1.93	15,061	\$29,084,008	0	0	0	\$29,084,008
Maine	3345	\$6,459,254	\$1.93	2,507	\$4,840,109	0	0	0	\$4,840,109
Total	32766	\$79,389,402			\$87,265,348	\$4,183,612	\$2,241,286	\$1,451,048	\$79,389,402

Annual Cost Impact of ISO Proposal - Base

	Annual LICAP Payment (\$)	Energy Revenue Offset (\$)	Unavailability Offset Revenue (\$)	Net LICAP Market Cost (\$)	Fixed RMR Offset (\$)	Current ICAP Market Offset	Incremental Impact Net of RMR and ICAP Market Revenue
Southwest Connecticut	\$224,372,549	\$25,637,760	\$22,437,255	\$176,297,534	\$40,583,349	\$29,577,600	\$106,136,585
Rest of Connecticut	\$151,086,542	\$24,445,440	\$15,108,654	\$111,532,448	\$94,224,632	\$27,547,200	-\$10,239,384
NEMA/Boston	\$170,124,336	\$37,457,280	\$17,012,434	\$115,654,622	\$37,445,450	\$41,803,200	\$36,405,972
Rest of Pool	\$349,005,095	\$86,754,200	\$34,900,809	\$227,353,086	\$96,436,800	\$16,070,400	\$130,916,286
Maine	\$58,081,307	\$14,437,480	\$5,808,131	\$37,895,696	\$172,253,431	\$211,435,200	\$21,765,296
Total	\$952,672,829	\$188,732,160	\$95,267,283	\$668,673,386			\$284,984,755

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Demand Curve Parameters

Demand Curve Parameters by Region	New Entry		New Entry (cap)		Kink Point		Zero Point	
	Price ICAP (\$/kw-mo)	Adjusted New Entry Price (\$/kw-mo)	Multiple	Multiple	Multiple	Multiple	Multiple	Multiple

Southwest Connecticut	8.26	\$9.18	2	1,037	1,15
Rest of Connecticut	8.04	\$8.93	2	1,037	1,15
NEMA/Boston	8.16	\$9.07	2	1,037	1,15
Rest of Pool	7.7	\$8.56	2	1,037	1,15
Maine	7.27	\$8.08	2	1,037	1,15
Pool EFOR	10.00%				

Planning Input Data

	ICAP Requirement		Available Local Capacity		As-Is Import Over Constraint MW (CTL)		Local Sourcing Requirement
	Requirement	Requirement	Capacity	Capacity	MW	MW	
Southwest Connecticut	4108	4108	2532	2532	1619	2189	
Rest of Connecticut	3826	3826	4426	4426	1737	2089	
NEMA/Boston	5806	5806	3430	3430	3073	2733	
Rest of Pool	13394	13394	19033	19033	1400	11994	
Maine	2232	2232	3345	3345	0	N/A	

Market Clearing Price Calculation

	ICAP Requirement		Available Local Capacity		Actual Import Over Constraint MW		Net Import Over All Constraints MW		Total Purchased Demand (MW)		Regional Resource Scarcity (MW)		Clearing Price \$/KW-Mo		Gross Payment by Load \$/Month		CTR Overcollection Revenue		Monthly Unavailability Offset Revenue	
	Requirement	Requirement	Capacity	Capacity	Constraint MW	Constraint MW	All Constraints MW	All Constraints MW	Demand (MW)	Demand (MW)	Scarcity (MW)	Scarcity (MW)	\$/KW-Mo	\$/KW-Mo	\$/Month	\$/Month	Revenue	Revenue	Offset	Offset
Southwest Connecticut	4108	4108	2532	2532	1919	1919	1919	1919	4451	4451	1,083	1,083	\$5.40	\$5.40	\$24,041,798	\$24,041,798	\$4,183,612	\$4,183,612	\$1,367,644	\$1,367,644
Rest of Connecticut	3826	3826	4426	4426	1737	1737	-182	-182	4244	4244	1,109	1,109	\$3.22	\$3.22	\$13,671,357	\$13,671,357	\$2,238,931	\$2,238,931	\$1,425,764	\$1,425,764
NEMA/Boston	5806	5806	3430	3430	3073	3073	3073	3073	6503	6503	1,120	1,120	\$2.40	\$2.40	\$15,628,076	\$15,628,076	\$1,446,881	\$1,446,881	\$824,301	\$824,301
Rest of Pool	13394	13394	19033	19033	838	838	-3972	-3972	15061	15061	1,124	1,124	\$1.93	\$1.93	\$29,103,965	\$29,103,965	\$7,576	\$7,576	\$3,677,886	\$3,677,886
Maine	2232	2232	3345	3345	-838	-838	-838	-838	2507	2507	1,123	1,123	\$1.92	\$1.92	\$4,821,316	\$4,821,316	\$643,356	\$643,356	\$643,356	\$643,356
Total	29366	29366	32766	32766					32766	32766			\$2.98	\$2.98	\$87,266,512	\$87,266,512	\$79,389,512	\$79,389,512	\$7,938,951	\$7,938,951

Cost Impact Calculation

	Payments to Local Capacity		Clearing Price \$/KW-Mo		Total Zonal Purchases (MW)		Gross Payment by Load \$/Month		CTR Revenue Offset		CTR Revenue Offset		CTR Revenue Offset		Net Cost of LICAP (\$/month)	
	Local Capacity Purchased (MW)	Local Capacity	Price \$/KW-Mo	Price \$/KW-Mo	Purchases (MW)	Purchases (MW)	\$/Month	\$/Month	Revenue Offset	Revenue Offset	Revenue Offset	Revenue Offset	Revenue Offset	Revenue Offset	Cost of LICAP (\$/month)	Cost of LICAP (\$/month)
Southwest Connecticut	2532	\$13,676,440	\$5.40	\$5.40	4,451	4,451	\$24,041,798	\$24,041,798	\$4,183,612	\$4,183,612	1,159,255	1,159,255	0	0	\$18,697,785	\$18,697,785
Rest of Connecticut	4426	\$14,257,640	\$3.22	\$3.22	4,244	4,244	\$13,671,357	\$13,671,357	0	0	1,079,676	1,079,676	0	0	\$12,590,613	\$12,590,613
NEMA/Boston	3430	\$8,243,011	\$2.40	\$2.40	6,503	6,503	\$15,628,076	\$15,628,076	0	0	0	0	\$1,446,881	1,621	\$14,179,573	\$14,179,573
Rest of Pool	19033	\$36,778,863	\$1.93	\$1.93	15,061	15,061	\$29,103,965	\$29,103,965	0	0	0	0	0	3,740	\$29,100,226	\$29,100,226
Maine	3345	\$6,433,558	\$1.92	\$1.92	2,507	2,507	\$4,821,316	\$4,821,316	0	0	0	0	0	0	\$4,821,316	\$4,821,316
Total	32766	\$79,389,512					\$87,266,512	\$87,266,512	\$4,183,612	\$4,183,612	\$2,238,931	\$2,238,931	\$1,446,881	\$7,576	\$79,389,512	\$79,389,512

Annual Cost Impact of ISO Proposal - Base As-Is

	Annual LICAP Payment (\$)		Energy Revenue Offset (\$)		Net LICAP Market Cost (\$)		Fixed RMR Offset (\$)		Current ICAP Market Offset		Incremental Impact Net of RMR and ICAP Market Revenue	
	Payment (\$)	Payment (\$)	Revenue Offset (\$)	Revenue Offset (\$)	Market Cost (\$)	Market Cost (\$)	RMR Offset (\$)	RMR Offset (\$)	ICAP Market Offset	ICAP Market Offset	Incremental Impact Net of RMR and ICAP Market Revenue	Incremental Impact Net of RMR and ICAP Market Revenue
Southwest Connecticut	\$224,373,418	\$25,637,760	\$22,437,342	\$22,437,342	\$176,298,316	\$176,298,316	\$40,583,349	\$40,583,349	\$29,577,600	\$29,577,600	\$106,137,367	\$106,137,367
Rest of Connecticut	\$151,087,352	\$24,445,440	\$15,108,735	\$15,108,735	\$111,533,177	\$111,533,177	\$94,224,632	\$94,224,632	\$27,547,200	\$27,547,200	-\$10,238,655	-\$10,238,655
NEMA/Boston	\$170,154,881	\$37,457,280	\$17,015,488	\$17,015,488	\$115,682,113	\$115,682,113	\$37,445,450	\$37,445,450	\$41,803,200	\$41,803,200	\$36,433,463	\$36,433,463
Rest of Pool	\$349,202,707	\$86,752,818	\$34,920,271	\$34,920,271	\$227,529,618	\$227,529,618	\$96,436,800	\$96,436,800	\$16,070,400	\$16,070,400	\$131,092,818	\$131,092,818
Maine	\$57,865,789	\$14,438,862	\$5,786,579	\$5,786,579	\$37,631,348	\$37,631,348	\$172,253,431	\$172,253,431	\$211,435,200	\$211,435,200	\$21,560,948	\$21,560,948
Total	\$952,674,146	\$188,732,160	\$95,267,415	\$95,267,415	\$668,674,571	\$668,674,571					\$284,985,940	\$284,985,940

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Demand Curve Parameters

Demand Curve Parameters by Region	New Entry		Availability		New Entry (cap)		Kink Point	Zero Point		ICAP	Available		At-Criterion		Local
	Price	ICAP (\$/kw-mo)	Adjusted	New Entry	Multiple	Price (\$/kw-mo)	Multiple	All Constraints	Multiple		Local	Capacity	Import Over	Constraint	
Southwest Connecticut Rest of Connecticut NEMA/Boston Rest of Pool Maine	8.26		\$9.18		2		1,037	1.15		4108	2532	1619			2489
	8.04		\$8.93		2		1,037	1.15		3826	4426	1117			2709
	8.16		\$9.07		2		1,037	1.15		5906	3430	2678			3128
	7.7		\$8.56		2		1,037	1.15		13394	19033	1400			11994
Maine	7.27		\$8.08		2		1,037	1.15		2232	3345	0			N/A
Pool EFORd	10.00%														

Planning Input Data

Market Clearing Price Calculation

	ICAP		Available		Actual		Net Import Over		Total		Regional		Clearing		Gross		CTR		Monthly
	Requirement	Local	Capacity	Local	Import Over	Constraint	All Constraints	Purchased	Demand	Scarcity	(MW)	(MW)	Price	\$/KW-Mo	Payment by Load	\$/Month	Revenue	Offset	Unavailability
Southwest Connecticut Rest of Connecticut NEMA/Boston Rest of Pool	4108	2532	1619	1619	1619	1619	-502	3924	4151	1,010	1,010	1,010	\$15.76	\$65,416,199	\$65,416,199	\$65,416,199	\$6,600,354	\$3,990,215	\$3,990,215
	3826	4426	1117	1117	1117	1117	-2678	6108	32766	1,026	1,026	1,026	\$11.68	\$45,841,474	\$45,841,474	\$45,841,474	\$13,049,166	\$5,170,601	\$5,170,601
	5906	3430	2678	2678	2678	2678	-3065	15968	32766	1,052	1,052	1,052	\$7.86	\$48,020,551	\$48,020,551	\$48,020,551	\$21,054,197	\$2,696,635	\$2,696,635
	13394	19033	730	730	730	730	-730	2815	32766	1,192	1,192	1,192	\$0.00	\$0	\$0	\$0	\$0	\$0	\$0
Maine	2232	3345	-730	-730	-730	-730				1,171	1,171	1,171	\$0.00	\$0	\$0	\$0	\$0	\$0	\$0
Total	29366	32766											\$7.06	\$159,278,224	\$159,278,224	\$159,278,224	\$0	\$0	\$11,857,451

Cost Impact Calculation

	Payments		Clearing		Total		Gross		CTR		CTR		CTR		CTR		CTR		Net
	Local	Capacity	Price	\$/KW-Mo	Zonal	Purchases	Payment by Load	Revenue	Offset	SWCT CTR	Revenue	Offset	NEMA CTR	Revenue	Offset	Maine CTR	Revenue	Offset	Cost of
Southwest Connecticut Rest of Connecticut NEMA/Boston Rest of Pool	2532	\$39,902,148	\$15.76	\$15.76	4,151	\$65,416,199	\$65,416,199	\$6,600,354	6,756,488	0	\$6,600,354	6,756,488	0	\$6,600,354	6,756,488	0	\$6,600,354	6,756,488	\$52,059,357
	4426	\$51,706,005	\$11.68	\$11.68	3,924	\$45,841,474	\$45,841,474	0	6,292,678	0	\$45,841,474	6,292,678	0	\$45,841,474	6,292,678	0	\$45,841,474	6,292,678	\$39,548,796
	3430	\$26,966,354	\$7.86	\$7.86	6,108	\$48,020,551	\$48,020,551	0	0	0	\$48,020,551	0	0	\$48,020,551	0	0	\$48,020,551	0	\$26,966,354
	18468	\$0	\$0.00	\$0.00	15,968	\$0	\$0	0	0	0	\$0	0	0	\$0	0	0	\$0	0	\$0
Maine	3297	\$0	\$0.00	\$0.00	2,615	\$0	\$0	0	0	0	\$0	0	0	\$0	0	0	\$0	0	\$0
Total	32153	\$118,574,507				\$159,278,224	\$159,278,224	\$6,600,354	\$13,049,166		\$6,600,354	\$13,049,166		\$6,600,354	\$13,049,166		\$6,600,354	\$13,049,166	\$118,574,507

Annual Cost Impact of ISO Proposal - Base At Criterion

	Annual LICAP		Energy Revenue		Net LICAP		Fixed		Current ICAP		Incremental	
	Payment (\$)	Offset (\$)	Revenue (\$)	Offset (\$)	Market Cost (\$)	Revenue (\$)	RMR Offset (\$)	Market Offset (\$)	Market Revenue	Impact Net of RMR and ICAP	Market Revenue	Impact Net of RMR and ICAP
Southwest Connecticut Rest of Connecticut NEMA/Boston Rest of Pool	\$624,712,287	\$23,909,760	\$62,471,229	\$23,909,760	\$538,331,298	\$62,471,229	\$40,583,349	\$29,577,600	\$468,170,349	\$468,170,349	\$468,170,349	\$468,170,349
	\$474,585,551	\$22,602,240	\$47,458,555	\$22,602,240	\$404,524,756	\$47,458,555	\$94,224,632	\$27,547,200	\$282,752,924	\$282,752,924	\$282,752,924	\$282,752,924
	\$323,595,245	\$35,182,080	\$32,359,624	\$35,182,080	\$255,054,540	\$32,359,624	\$37,445,450	\$41,803,200	\$176,805,890	\$176,805,890	\$176,805,890	\$176,805,890
	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	-\$96,436,800	-\$96,436,800	-\$96,436,800	-\$96,436,800
Maine	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	-\$16,070,400	-\$16,070,400	-\$16,070,400	-\$16,070,400
Total	\$1,422,894,083	\$81,694,080	\$142,289,408	\$81,694,080	\$1,198,910,595	\$142,289,408	\$172,253,431	\$211,435,200	\$815,221,964	\$815,221,964	\$815,221,964	\$815,221,964