



October 29, 2007

The Honorable Kimberly D. Bose
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

Re: *ISO New England Inc. and New England Power Pool,*
Docket No. ER08-____-000; Revisions to Market Rule 1 to Reflect
Addition of North East Reliability Interconnection to the New England
Transmission System and Other Changes

Dear Secretary Bose:

Pursuant to Section 205 of the Federal Power Act (“Section 205”),¹ ISO New England Inc. (the “ISO”) and the New England Power Pool (“NEPOOL”) Participants Committee hereby jointly submit an original and six copies of this transmittal letter and revised tariff sheets, reflecting proposed revisions to Market Rule 1 and its Appendix F to reflect the addition of the North East Reliability Interconnection (“NRI”) to the New England Transmission System as a Pool Transmission Facility (“PTF”).² This filing also reflects the retirement of Phase I of the Phase I/II HVDC-TF – the high-voltage direct current transmission facilities connecting the New England Control Area with Québec.³

¹ 16 U.S.C. § 824d (2000).

² Capitalized terms used but not otherwise defined in this filing have the meanings ascribed thereto in the ISO’s Transmission, Markets and Services Tariff, FERC Electric Tariff No. 3 (the “Tariff”), the Second Restated New England Power Pool Agreement and the Participants Agreement. Market Rule 1 is Section III of the Tariff.

³ See Section I.1.2 of Schedule 20A of the ISO Open Access Transmission Tariff (“OATT”). The ISO OATT is Section II of the ISO Tariff.

The ISO and NEPOOL respectfully request a waiver of the 60-day notice requirement set forth in the Commission's rules and regulations to permit the proposed revisions to Market Rule 1 to become effective on December 1, 2007. As stated below, the NRI is expected to be released for commercial operation in December 2007. An effective date of December 1, 2007 will allow the revisions to Market Rule 1 to coincide with the NRI commercial operation.

I. DESCRIPTION OF THE FILING PARTIES; COMMUNICATIONS

The ISO is the private, non-profit entity that serves as the regional transmission organization ("RTO") for New England. The ISO operates the New England bulk power system and administers New England's organized wholesale electricity market pursuant to the Tariff and the Transmission Operating Agreement with the New England Participating Transmission Owners. In its capacity as an RTO, the ISO has the responsibility to protect the short-term reliability of the New England Control Area and to operate the system according to reliability standards established by the Northeast Power Coordinating Council ("NPCC") and the North American Electric Reliability Corporation ("NERC").

NEPOOL is a voluntary association organized in 1971 pursuant to the New England Power Pool Agreement that has grown to include more than 340 members. The Participants include all of the electric utilities rendering or receiving service under the Tariff, as well as independent power generators, marketers, load aggregators, brokers, consumer-owned utility systems, end users, developers, demand resource providers and a merchant transmission provider. Pursuant to revised governance provisions accepted by the Federal Energy Regulatory Commission ("Commission"),⁴ the Participants act through the NEPOOL Participants Committee. The Participants Committee is authorized by Section 6.1 of the Second Restated NEPOOL Agreement and Section 8.1.3(c) of the Participants Agreement to represent NEPOOL in proceedings before the Commission.

All correspondence and communications in this proceeding should be addressed to the undersigned for the ISO as follows:

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⁴ *ISO New England Inc. et al.*, 109 FERC ¶ 61,147 (2004).

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II. STANDARD OF REVIEW

The ISO submits the proposed changes pursuant to Section 205 of the FPA, which “gives a utility the right to file rates and terms for services rendered with its assets.”⁶ Under Section 205, the Commission “plays ‘an essentially passive and reactive’ role”⁷ whereby it “can reject [a filing] only if it finds that the changes proposed by the public utility are not ‘just and reasonable.’”⁸ The Commission limits this inquiry “into whether the rates proposed by a utility are reasonable – and [this inquiry does not] extend to determining whether a proposed rate schedule is more or less reasonable than alternative rate designs.”⁹ The change proposed herein “need not be the only reasonable

⁵ Due to the joint nature of this filing, the ISO and NEPOOL respectfully request a waiver of Section 385.203 of the Commission’s regulations to allow the inclusion of more than two persons on the service list in this proceeding.

⁶ *Atlantic City Elec. Co. v. FERC*, 295 F.3d 1, 9 (D.C. Cir. 2002).

⁷ *Id.* at 10 (quoting *City of Winnfield v. FERC*, 744 F.2d 871, 876 (D.C. Cir. 1984)).

⁸ *Id.*

⁹ See *ISO New England Inc.*, 114 FERC ¶ 61,315 at P 33 and n.35 (2005), citing *Pub. Serv. Co. of New Mexico v. FERC*, 832 F.2d 1201, 1211 (10th Cir. 1987) and *City of Bethany v. FERC*, 727 F.2d 1131, 1136 (D.C. Cir. 1984) (“*City of Bethany*”), cert. denied, 469 U.S. 917 (1984).

methodology, or even the most accurate.”¹⁰ As a result, even if an intervenor or the Commission develops an alternative proposal, the Commission must accept the ISO’s Section 205 filing if it finds that the filing is just and reasonable.¹¹

III. BACKGROUND AND DESCRIPTION OF CHANGES

A. Adding the NRI as a Tie Line

During December 2007, the NRI – a 345 kV alternating current (“AC”) transmission tie line that will connect the Orrington Substation in Maine with New Brunswick – is expected to be placed in service.¹² The NRI has been classified as PTF for the ISO to provide Regional Network Service and Through and Out Service pursuant to the ISO’s OATT, and designated as the “Orrington-Lepreau (390) tie line.” While the addition of a new transmission facility that meets the PTF criteria set forth in Section

¹⁰ *Oxy USA, Inc. v. FERC*, 64 F.3d 679, 692 (D.C. Cir. 1995).

¹¹ *Cf. Southern California Edison Co., et al.*, 73 FERC ¶ 61,219 at 61,608 n. 73 (1995) (“Having found the Plan to be just and reasonable, there is no need to consider in any detail the alternative plans proposed by the Joint Protesters.” (citing *City of Bethany*, 727 F.2d at 1136)).

¹² On August 16, 2007, the ISO made a Section 205 filing in Docket No. ER07-1289 proposing revisions that are necessary in order for the Maine Electric Power Company, Inc. transmission facilities to be treated as PTF, and that facilitate the addition and operation of the NRI to the New England Transmission System as PTF (the “MEPCO Roll-In Proposal”). The MEPCO Roll-In Proposal addresses the complexities in the administration of transmission service over and operation of the MEPCO transmission facilities and the NRI – the two parallel external ties connecting New England to New Brunswick with a single external interface known as the New England/New Brunswick external interface. Specifically, the MEPCO Roll-In Proposal changes the treatment of the MEPCO transmission facilities from Other Transmission Facilities to Pool Transmission Facilities (“PTF”) under the OATT, such that the New England/New Brunswick external interface that is shared by the MEPCO transmission facilities and the NRI would be defined as PTF and allow for the ISO to administer the External Transactions and transmission service over both ties. While the MEPCO Roll-In Proposal is necessary to facilitate the transmission service over and the operation of the MEPCO transmission facilities and the NRI, the NRI will be added as PTF regardless of whether or not the MEPCO Roll-In Proposal is implemented. As such, the Market Rule revisions to reflect the addition of the NRI proposed by ISO and NEPOOL can be and should be accepted by the Commission upon a finding that such revisions are just and reasonable regardless of the outcome of the MEPCO Roll-In Proposal proceeding.

II.49 of the OATT does not require a filing with the Commission, the addition of the NRI warrants certain changes to the Market Rules that require Commission approval.

Like the Maine Electric Power Company, Inc. (“MEPCO”) transmission line, known as the “Orrington-Keswick (396) tie line,” the NRI may also require the purchase of New Brunswick Security Energy by the ISO to preserve minimum flows on the tie in accordance with minimum transfer limits established pursuant to applicable ISO/New Brunswick System Operator transmission operating guides. The NRI also needs to be recognized as an associated transmission facility for the “NB-NE External Node” under the New England market design. As discussed in the testimony of Marc D. Montalvo, this filing proposes to revise Section III.3.2.6.A New Brunswick Security Energy of Market Rule 1 and Section III.F.3.2.16 Local Second Contingency Protection Resource NCPC Charges, Real-Time Energy Market of Appendix F to Market Rule 1 to reflect the addition of the NRI as a tie line between New Brunswick and the New England Control Area.¹³

B. Removing References to Phase I of the Phase I/II HVDC-TF Due to Its Retirement

Additionally, this filing proposes to revise Section III.F.3.2.16 Local Second Contingency Protection Resource NCPC Charges, Real-Time Energy Market of Appendix F to Market Rule 1 to reflect the retirement of Phase I of the Phase I/II HVDC-TF. Specifically, the revision to Section II.F.3.2.16 removes the reference in the table to the Comerford terminal, because it was part of the Phase I facilities. Phase I was retired on April 1, 2007, for economic reasons.¹⁴

IV. STAKEHOLDER PROCESS

After review and comment, the NEPOOL Markets Committee recommended at its October 9, 2007 meeting that the NEPOOL Participants Committee support the proposed changes with 12 abstentions. The NEPOOL Participants Committee subsequently voted to support the proposed changes at its October 12, 2007 meeting, with 3 oppositions and 15 abstentions.¹⁵

¹³ See Testimony of Marc D. Montalvo at 2:12-24-3:2-19, Attachment 1 (“Montalvo Testimony”).

¹⁴ See Montalvo Testimony at 3:16-24-4:1-2.

¹⁵ The proposed Market Rule revisions were considered by both the NEPOOL Markets Committee and the Participants Committee in conjunction with the MEPCO Roll-In Proposal conforming manual changes, as opposed to being voted on separately. A single
(continued...)

V. REQUESTED EFFECTIVE DATE AND REQUEST FOR WAIVER

On August 23, 2007, Bangor Hydro-Electric Company informed the ISO that the NRI will be released for commercial operation in December 2007.¹⁶ Therefore, pursuant to Section 35.11 of the Commission's rules and regulations, 18 C.F.R. § 35.11, the ISO and NEPOOL request waiver of the 60-day notice requirement¹⁷ to permit the proposed revisions to the ISO New England Market Rule 1 to become effective on December 1, 2007. Good cause exists to permit this waiver. An effective date of December 1, 2007 would allow these revisions to coincide with the NRI commercial operation.

VI. ADDITIONAL SUPPORTING INFORMATION

The ISO and NEPOOL submit the following additional information in substantial compliance with relevant provisions of Section 35.13 of the Commission's regulations:¹⁸

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

- ◆ This transmittal letter;
- ◆ Attachment 1: Testimony of Marc D. Montalvo¹⁹
- ◆ Attachment 2: Redlined revised tariff sheets reflecting the changes proposed by this filing
- ◆ Attachment 3: Clean revised tariff sheets reflecting the changes proposed by this filing

(...continued)

vote may have resulted in a different outcome with respect to the number of oppositions and/or abstentions for the proposed Market Rule revisions.

¹⁶ See *MEPCO Grandfathered Transmission Service Agreements*, Docket No. ER07-1387-000 at 2 (filed September 17, 2007). See also *ISO New England Inc., et al.*, Answer of ISO New England Inc. and Maine Electric Power Co., Inc. to the Motion of the PPL Companies, Docket No. ER07-1289-000 at 4, 10 (filed August 29, 2007).

¹⁷ Section 205(d) of the FPA, 16 U.S.C. § 824d(d); 18 C.F.R. § 35.3 (2006).

¹⁸ 18 C.F.R. § 35.13 (2005).

¹⁹ Please note that the testimony is being filed with a fax copy of Mr. Montalvo's signature. The original hard copy of the signature page will be filed tomorrow.

- ◆ Attachment 4: List of governors and utility regulatory agencies in Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont to which a copy of this filing has been sent

35.13(b)(2) - As set forth in Section V above, the ISO and NEPOOL request that the proposed changes become effective on December 1, 2007.

35.13(b)(3) - Pursuant to Section 17.11(e) of the Participants Agreement, Governance Participants are being served electronically rather than by paper copy. The names and addresses of the Governance Participants are posted on the ISO's website at http://www.iso-ne.com/regulatory/ferc/nepool/gov_prtcpts_eserved.pdf. A paper copy of this transmittal letter and the accompanying materials have also been sent to the governors and electric utility regulatory agencies for the six New England states that comprise the New England Control Area, and to NECPUC. The names and addresses of these governors and regulatory agencies are shown in Attachment 4. In accordance with Commission rules and practice, there is no need for the Governance Participants or the entities identified on Attachment 4 to be included on the Commission's official service list in the captioned proceeding unless such entities become intervenors in this proceeding.

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

35.13(b)(5) - The reasons for this filing are discussed in Section III of this transmittal letter.

35.13(b)(6) - The ISO's approval of this change is evidenced by this filing. This change reflects the results of the Participant Processes required by the Participants Agreement and reflect the support of Participants Committee.

35.13(b)(7) - Neither the ISO nor NEPOOL has knowledge of any relevant expenses or costs of service that have been alleged or judged in any administrative or judicial proceeding to be illegal, duplicative, or unnecessary costs that are demonstrably the product of discriminatory employment practices.

35.13(b)(8) - A form of notice and electronic media are no longer required for filings in light of the Commission's Combined Notice of Filings notice methodology.

35.13(c)(1) - The proposed changes will not effect any rate increase.

35.13(c)(2) - The ISO does not provide services under other rate schedules that are similar to the wholesale resale and transmission services it provides under the Tariff.

35.13(c)(3) - No specifically assignable facilities have been or will be installed or modified in connection with the proposed changes.

VII. CONCLUSION

The ISO and NEPOOL request that the Commission accept the proposed revisions to New England Market Rule 1 for filing to become effective on December 1, 2007.

Please acknowledge receipt of the foregoing by date-stamping and returning to our messenger the enclosed extra copies of this filing.

Respectfully submitted,

ISO NEW ENGLAND INC.

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Attachments

cc : Governance Participants (electronically) and entities listed in Attachment 4

Attachment 1

Testimony of Marc D. Montalvo

1 degree in Finance from Clark University and a Bachelor of Science degree in
2 Mathematics from Allegheny College.

3

4 **Q: WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

5 A. The purpose of this testimony is to describe the proposed revisions to
6 Market Rule 1 and its Appendix F to reflect the addition of the North East
7 Reliability Interconnection (“NRI”) to the New England Transmission System as
8 a Pool Transmission Facility (“PTF”) and to reflect the retirement of Phase I of
9 the Phase I/II HVDC-TF, which is the high-voltage direct current facility
10 connecting the New England Control Area with Québec.

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12 **Q. HOW DOES THE ADDITION OF THE NRI AFFECT MARKET RULE 1**
13 **AND ITS APPENDIX F?**

14 A. During December 2007, the NRI – a 345 kV alternating current (“AC”)
15 transmission tie line that will connect the Orrington Substation in Maine with
16 New Brunswick – is expected to be placed in service.¹ The NRI has been

¹ On August 16, 2007, the ISO made a Section 205 filing in Docket No. ER07-1289 proposing revisions that are necessary in order for the Maine Electric Power Company, Inc. transmission facilities to be treated as PTF, and that facilitate the addition and operation of the NRI to the New England Transmission System as PTF (the “MEPCO Roll-In Proposal”). The MEPCO Roll-In Proposal addresses the complexities in the administration of transmission service over and operation of the MEPCO transmission facilities and the NRI – the two parallel external ties connecting New England to New Brunswick with a single external interface known as the New England/New Brunswick external interface. Specifically, the MEPCO Roll-In Proposal changes the treatment of the MEPCO transmission facilities from Other Transmission Facilities to Pool Transmission Facilities (“PTF”) under the OATT, such that the New England/New Brunswick external interface that is shared by the MEPCO transmission facilities and the NRI would be defined as PTF and allow for the ISO to administer the External Transactions and transmission service over both ties. While the MEPCO Roll-In Proposal is necessary to facilitate the transmission service over and the operation of the MEPCO transmission facilities and the NRI, the NRI will be added as PTF regardless of whether or not the MEPCO Roll-In Proposal is implemented. As such, the Market Rule revisions to reflect the addition of the NRI proposed by ISO and NEPOOL can be and should be accepted by the Commission upon a finding that such revisions are just and reasonable regardless of the outcome of the MEPCO Roll-In Proposal proceeding.

1 classified as PTF for the ISO to provide Regional Network Service and Through
2 and Out Service pursuant to the ISO’s OATT, and designated as the “Orrington-
3 Lepreau (390) tie line.” While the addition of a new transmission facility that
4 meets the PTF criteria set forth in Section II.49 of the OATT does not require a
5 filing with the Commission, the addition of the NRI warrants certain changes to
6 the Market Rules that require Commission approval. Like the Maine Electric
7 Power Company, Inc. (“MEPCO”) transmission line, known as the “Orrington-
8 Keswick (396) tie line,” the NRI may also require the purchase of New
9 Brunswick Security Energy by the ISO to preserve minimum flows on the tie in
10 accordance with minimum transfer limits established pursuant to applicable
11 ISO/New Brunswick System Operator transmission operating guides. The NRI
12 also needs to be recognized as an associated transmission facility for the “NB-NE
13 External Node” under the New England market design.

14
15 Specifically, it is necessary to revise Section III.3.2.6.A New Brunswick Security
16 Energy of Market Rule 1 and Section III.F.3.2.16 Local Second Contingency
17 Protection Resource NCPC Charges, Real-Time Energy Market of Appendix F to
18 Market Rule 1 in order to reflect the addition of the NRI as a tie line between
19 New Brunswick and the New England Control Area.

20
21 The revision to Section III.3.2.6A is necessary to ensure that New Brunswick
22 Security Energy is recognized as flowing over the NRI so that the propriety of
23 assigning the costs of New Brunswick Security Energy to Market Participants is
24 clear whichever physical path that energy takes.

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The revision to the table in Section III.F.3.2.16 is necessary to ensure that the NRI is considered an associated transmission facility for the “NB-NE External Node” under the New England market design. This will facilitate the appropriate allocation of Emergency Energy sales costs (as specified in the table) as part of the Local Second Contingency Protection Resource NCPC Charges calculation when the energy is delivered over the NRI.

Q. HOW DOES THE RETIREMENT OF THE PHASE 1 AFFECT APPENDIX F TO MARKET RULE 1?

A. It is necessary to revise the table in Section III.F.3.2.16 in order to reflect the retirement of Phase I of the Phase I/II HVDC-TF that connects the New England Control Area with Québec. Phase I was retired on April 1, 2007 for economic reasons. The updating of the table in Section III.F.3.2.16 of Market Rule 1 to remove the references to the Comerford terminal – which was used in connection with Phase I – achieves the same result as the addition of the NRI to that table: clarity in the appropriate allocation of Emergency Energy sales costs (as specified in the table) as part of the Local Second Contingency Protection Resource NCPC Charges calculation.

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2 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

3 A. Yes.

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5 I declare under penalty of perjury that the foregoing is true and correct.

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Executed on: 10/29/07

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Marc D. Montalvo

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Attachment 2
Redlined Tariff Sheets

are negative: (i) Real-Time Adjusted Load Obligation Deviations in MWhs during that Operating Day; (ii) generation deviations for Pool-Scheduled Resources following ISO dispatch instructions and Self-Scheduled generating Resources with dispatchable increments above their Self-Scheduled amounts following ISO dispatch instructions, including External Resources, in MWhs during the Operating Day; and (iii) deviations from the Day-Ahead Energy Market for External Transaction purchases in MWhs during the Operating Day except that positive Real-Time Generation Obligation Deviation at External Nodes associated with Emergency energy purchases are not included in this calculation. As provided for in the ISO New England Manuals, generation Resources shall have a 5% or 5 MWh threshold when determining such deviations.

III.3.2.6A New Brunswick Security Energy. New Brunswick Security

Energy is energy that is purchased from the New Brunswick System Operator by New England to preserve minimum flows on the Orrington-Keswick (396) tie line and Orrington-Lepreau (390) tie line in accordance with the applicable ISO / New Brunswick System Operator transmission operating guide with respect to the determination of minimum transfer limits. New Brunswick Security Energy costs are hourly costs in excess of the LMP at the applicable External Node

Time Load Obligations as if the Emergency energy sale were a Real-Time Load Obligation within the affected Reliability Region(s). The proportionate share calculated for the Emergency Energy Transaction shall be included in the charges under an agreement for purchase and sale of Emergency energy with the applicable adjacent Control Area.

For purposes of the calculation of Local Second Contingency Protection Resource NCPC Charges, Emergency energy sales by the New England Control Area to an adjacent Control Area at the External Nodes (see ISO New England Manual 11 for further discussion of the External Nodes) listed below shall be associated with the Reliability Region(s) indicated in the table:

External Node Common Name	Associated Transmission Facilities	Reliability Region(s)	Allocator
NB-NE External Node	Keswick-Orrington (396 Line) <u>Lepreau-Orrington (390) tie line</u>	Maine	100% to Maine
HQ Phase I/II External Node	HQ-Comerford 451 & 452 Lines HQ-Sandy Pond 3512 & 3521 Lines	New Hampshire West Central Massachusetts	When Phase 1 operates, 100% to New Hampshire When Phase 2 operates, 100% to West Central

Attachment 3

Revised Tariff Sheets

are negative: (i) Real-Time Adjusted Load Obligation Deviations in MWhs during that Operating Day; (ii) generation deviations for Pool-Scheduled Resources following ISO dispatch instructions and Self-Scheduled generating Resources with dispatchable increments above their Self-Scheduled amounts following ISO dispatch instructions, including External Resources, in MWhs during the Operating Day; and (iii) deviations from the Day-Ahead Energy Market for External Transaction purchases in MWhs during the Operating Day except that positive Real-Time Generation Obligation Deviation at External Nodes associated with Emergency energy purchases are not included in this calculation. As provided for in the ISO New England Manuals, generation Resources shall have a 5% or 5 MWh threshold when determining such deviations.

III.3.2.6A New Brunswick Security Energy. New Brunswick Security Energy is energy that is purchased from the New Brunswick System Operator by New England to preserve minimum flows on the Orrington-Keswick (396) tie line and Orrington-Lepreau (390) tie line in accordance with the applicable ISO / New Brunswick System Operator transmission operating guide with respect to the determination of minimum transfer limits. New Brunswick Security Energy costs are hourly costs in excess of the LMP at the applicable External Node

Time Load Obligations as if the Emergency energy sale were a Real-Time Load Obligation within the affected Reliability Region(s). The proportionate share calculated for the Emergency Energy Transaction shall be included in the charges under an agreement for purchase and sale of Emergency energy with the applicable adjacent Control Area.

For purposes of the calculation of Local Second Contingency Protection Resource NCPC Charges, Emergency energy sales by the New England Control Area to an adjacent Control Area at the External Nodes (see ISO New England Manual 11 for further discussion of the External Nodes) listed below shall be associated with the Reliability Region(s) indicated in the table:

External Node Common Name	Associated Transmission Facilities	Reliability Region(s)	Allocator
NB-NE External Node	Keswick-Orrington (396 Line) Lepreau-Orrington (390) tie line	Maine	100% to Maine
HQ Phase I/II External Node	HQ-Sandy Pond 3512 & 3521 Lines	West Central Massachusetts	100% to West Central

Attachment 4

List of governors and utility regulatory agencies in Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont to which a copy of this filing has been sent

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and Utility Regulatory
and Related Agencies**

October 26, 2007

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

October 26, 2007

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