



October 27, 2009

VIA HAND DELIVERY

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

Re: ISO New England Inc., Filing of Revised Tariff Sheet for Recovery of Costs for the 2010 Operation of the New England States Committee on Electricity; Docket No. ER10-

Dear Ms. Bose:

ISO New England Inc. (the “ISO” or “ISO-NE”) hereby submits, pursuant to Section 205 of the Federal Power Act (“FPA”) and Part 35 of the Rules of Regulations of the Federal Energy Regulatory Commission (the “Commission”), for Commission approval a revised tariff sheet (the “Revised Sheet”) from Schedule 5 to Section IV.A of the ISO’s Transmission, Markets and Service Tariff (“ISO Tariff”)¹ for the purpose of recovering funding for the operation of the New England States Committee on Electricity (“NESCOE”) for calendar year 2010. NESCOE also joins this filing.

This filing letter explains the proposed 2010 budget for NESCOE and requests a rate of \$0.00554 per kW of Monthly Network Load to fund that budget for 2010.² The ISO asks the Commission to accept the Revised Sheet as filed, effective January 1, 2010. The ISO believes that the attached annual budget and explanation of NESCOE’s budget process establish that this filing is just and reasonable. Six copies of this filing letter and its associated exhibits are filed herewith.

¹ Capitalized terms used but not otherwise defined in this filing have the meanings ascribed thereto in the ISO Tariff or the Participants Agreement.

² The five-year budget submitted for Commission approval was contemplated in the September 6, 2006 Term Sheet and included as Attachment C to the August 31, 2007 joint filing by the ISO, NESCOE and NEPOOL in Docket No. ER07-1324. As set forth in the term sheet, annual review of NESCOE’s budget by the NEPOOL Participants Committee “will be limited to considerations of accounting and reconciliation, so long as spending remains within the boundaries established by [the] budget frameworks.” See Term Sheet at 6.

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 ISO 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 and the North American Electric Reliability Council.

NESCOE is the Regional State Committee for the New England states. NESCOE’s mission is to represent the interests of the citizens of the New England region through policies that will provide electricity at the lowest reasonable long-run cost while maintaining reliable service and environmental quality.³ Schedule 5 of the ISO Tariff is used to recover NESCOE’s operating budget.

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

Maria Gulluni, Esq. Assistant General Counsel – Corporate ISO New England Inc. One Sullivan Road Holyoke, MA 01040-2841 Tel: (413) 540-4473 Fax: (413) 535-4379 E-mail: mgulluni@iso-ne.com	Daniel R. Simon, Esq. Ballard Spahr LLP 601 13 th Street, N.W. Washington, D.C. 20005 Tel: (202) 661-2200 Fax: (202) 661-2299 E-mail: simond@ballardspahr.com
---	---

And to NESCOE as follows:

Heather Hunt Executive Director New England States Committee on Electricity 242 Whippoorwill Lane Stratford, Connecticut 06614 Tel: (203) 380-1477 E-mail: HeatherHunt@NESCOE.com	
---	--

³ See Joint Petition for Declaratory Order to Form a New England Regional State Committee, The Governors of: Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont, Docket No. EL04-112-000 (Jun. 25, 2004).

II. STANDARD OF REVIEW

The ISO submits these changes to its filed rate schedule pursuant to Section 205 of the FPA, which “gives a utility the right to file rates and terms for services rendered with its assets.”⁴ Under Section 205, the Commission “plays ‘an essentially passive and reactive’ role”⁵ whereby it “can reject [a filing] only if it finds that the changes proposed by the public utility are not ‘just and reasonable.’”⁶ 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.”⁷ 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 is just and reasonable.⁸

III. PROPOSED 2008-2012 BUDGET

The total amount budgeted for calendar year 2010 is approximately \$1,732,000. This amount is consistent with the pro forma budget for calendar years 2008-2012 previously accepted by the Commission and is the amount approved by the NEPOOL Participants Committee on October 9, 2010.

Consistent with the pro forma budget, NESCOE intends to increase staff levels during these initial years of operation in order to reach full staffing levels and capabilities by year five. NESCOE anticipates that, in 2010, salary and benefits for staff members will be approximately \$888,000. Consulting services for economic, engineering and financial analysis, along with legal services, are budgeted to cost \$450,000 in 2010. Operational expenses, such as rent, utilities, travel and the like are budgeted to cost \$188,000 in 2010, while capital expenditures are budgeted for \$26,000.

Allowing for a contingency at ten percent of expenses, the annual operating budget for 2010 is \$1,732, 000. This is consistent with NESCOE’s pledge not to seek approval of a budget in excess of \$2.2 million in its third through fifth years of operation.

The development of the 2010 NESCOE budget is described in further detail in the attached testimony of the Honorable Thomas Getz, NESCOE President and Chairman of the

⁴ *Atlantic City Elec. Co. v. FERC*, 295 F.3d 1, 9 (D.C. Cir. 2002).

⁵ *Id.* at 10 (quoting *City of Winnfield v. FERC*, 744 F.2d 871,876 (D.C. Cir. 1984)).

⁶ *Id.*

⁷ *City of Bethany v. FERC*, 272 F.2d 1131,1136 (D.C. Cir. 1984).

⁸ *Cf. Southern California Edison Co., et al.*, 73 FERC 11 61,219 at 61,208 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)).

New Hampshire Public Utilities Commission, located at Exhibit 3. The budget process used by NESCOE for determining the 2010 budget is the same process used to develop the 2009 budget.

IV. EFFECTIVE DATE

The rate is requested to become effective on **January 1, 2010**. Pursuant to Schedule 5 and the agreements with respect to NESCOE's formation, any funds recovered but not spent in 2010 will be used to reduce 2011 collections.

V. ADDITIONAL SUPPORTING INFORMATION

The ISO submits the following additional information pursuant to Sections 205 of the FPA and 35.13 of the Code of Federal Regulations:

35.13(b)(1) – The documents submitted with this filing include:

- this transmittal letter;
- a clean copy of the sheet from Section IV.A of the ISO Tariff reflecting the proposed changes (Exhibit 1);
- blackline copy of the sheet from Section IV.A of the ISO Tariff reflecting the proposed changes (Exhibit 2);
- testimony of the Honorable Thomas Getz, NESCOE President and Chairman of the New Hampshire Public Utilities Commission (Exhibit 3);
- proposed 2010 NESCOE operating budget (Exhibit 4); and
- lists of Transmission Customers that are not NEPOOL Participants, New England Governors, New England electric regulatory agencies, and other New England regional bodies to which the ISO has sent copies of this filing (Exhibit 5).

35.13(b)(2) – As set forth in Section VI above, the ISO requests that the proposed changes become effective January 1, 2010.

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.isone.com/regulatory/ferc/nepool/gov_prtcpts_eserved.pdf. A copy of this transmittal letter and the accompanying materials has also been sent to the governors and electric utility regulatory agencies for the six New England states that comprise the New England Control Area, as well as to Customers that are not NEPOOL Participants. The names and addresses of these governors and regulatory agencies are shown in Exhibit 5. Some of the

Honorable Kimberly D. Bose

October 27, 2009

Page 5 of 6

persons identified in Exhibit 5 are also filing parties. In accordance with Commission rules and practice, there is no need for the Governance Participants or the entities identified on Exhibit 5 that are not filing parties 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 this transmittal letter.

35.13(b)(5) – A statement of the reasons for this filing is discussed in this transmittal letter.

35.13(b)(6) – The ISO has the sole authority to make this filing.

35.13(b)(7) – The ISO has no 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.

Honorable Kimberly D. Bose
October 27, 2009
Page 6 of 6

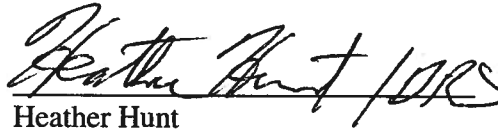
VI. CONCLUSION

The ISO and NEGC request that the Commission approve NESCOE's proposed budget and the Tariff change in Section IV.A Schedule 5 to fund NESCOE operations as submitted and without modification.

Respectfully Submitted,



Maria A. Gulluni
Assistant General Counsel – Corporate
ISO New England Inc.



Heather Hunt
Executive Director
New England States Committee on
Electricity

Enclosures

Exhibit 1

For the calendar year 2009, the six New England states shall bear NESCOE's budgeted costs as follows. Each Customer that is obligated to pay the Regional Network Service rate shall pay each month, in arrears, an amount equal to the product of \$0.00554 per kilowatt times its Monthly Network Load for that month.

Issued by: Raymond W. Hepper,
Vice President and General Counsel
Issued on: October 27, 2009

Effective Date: January 1, 2010

Exhibit 2

For the calendar year 2009, the six New England states shall bear NESCOE's budgeted costs as follows. Each Customer that is obligated to pay the Regional Network Service rate shall pay each month, in arrears, an amount equal to the product of \$0.005540~~0.00263~~ per kilowatt times its Monthly Network Load for that month.

Issued by: Raymond W. Hepper,
Vice President and General Counsel
Issued on: October 27, 2009~~October 31, 2008~~

Effective Date: January 1, 2010~~January 1, 2009~~

Exhibit 3

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

ISO NEW ENGLAND INC.

)

Docket No. ER10-____-000

DIRECT TESTIMONY
OF
THE HONORABLE THOMAS B. GETZ

Filed on: October 27, 2009

1 **UNITED STATES OF AMERICA**
2 **BEFORE THE FEDERAL ENERGY REGULATORY COMMISSION**

3
4 **ISO NEW ENGLAND INC.**) **Docket No. ER10-____-000**

5
6 **Direct Testimony of the Honorable Thomas B. Getz**

7 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS**

8 A. My name is Thomas B. Getz. My business address is 21 South Fruit Street, Suite
9 10, Concord, New Hampshire 03301-2429.

10 **Q. WHAT IS YOUR OCCUPATION?**

11 A. I am the Chairman of the New Hampshire Public Utilities Commission. I was
12 first appointed to the Commission in October, 2001. I am also President of the
13 New England States Committee on Electricity.

14 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND**
15 **PROFESSIONAL EXPERIENCE.**

16 A: I have an undergraduate degree from Holy Cross College, a law degree from
17 Franklin Pierce Law Center and a Masters of Public Administration from the
18 University of New Hampshire.

1 Prior to being appointed to the Commission in 2001, I was the Commission's
2 Executive Director. Prior to joining the Commission, I was Corporate Counsel
3 with the Public Service Company of New Hampshire. Earlier, I was an Intervenor
4 Attorney with the New York Consumer Protection Board and Assistant to the
5 Commission at the New York Public Service Commission.

6 **PURPOSE OF TESTIMONY**

7 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

8 A. I am providing this testimony to support ISO-NE's proposed rate contained in
9 Schedule 5 to Section IV.A of ISO-NE's Transmission, Markets and Services
10 Tariff designed for the purpose of recovering funding for the operation of
11 NESCOE. I will also explain NESCOE's budget process and provide support for
12 NESCOE's requested 2010 budget.

13 **Q: HOW WILL YOUR TESTIMONY BE ORGANIZED?**

14 A: I will describe: 1. NESCOE and its organizational structure; 2. NESCOE's budget
15 development process; 3. NESCOE's requested 2010 budget; and 4. the requested
16 rate for recovery of the 2010 budget and why that rate is in my view just and
17 reasonable.

1 **NESCOE'S ORGANIZATIONAL STRUCTURE**

2 **Q. PLEASE DESCRIBE NESCOE.**

3 A. NESCOE is a Regional State Committee ("RSC") as contemplated by the Federal
4 Energy Regulatory Commission in its April 28, 2003, SMD White Paper.

5 NESCOE is a not-for-profit corporation and is directed by a committee
6 representing six New England States including Connecticut, Maine,
7 Massachusetts, New Hampshire, Rhode Island and Vermont.

8 **Q. WHAT IS NESCOE'S MISSION?**

9 A. NESCOE'S mission is to represent the interests of the citizens of the New
10 England region by advancing policies that will provide electricity at the lowest
11 possible price over the long term, consistent with maintaining reliable service and
12 environmental quality.

13 NESCOE provides a means for the New England states to actively engage, with a
14 unified view, in regional electric matters and to identify and resolve issues
15 proactively, and avoid lengthy and costly litigation.

16 **Q. WHAT IS THE SCOPE OF NESCOE'S ACTIVITIES?**

17 A. NESCOE is to be active, and express its views, in two areas: resource adequacy
18 and system planning and expansion. With respect to resource adequacy, NESCOE
19 is to recommend policies and comment on proposed rule and tariff changes related

1 to resource adequacy, demand response and energy efficiency. With respect to
2 system planning and expansion, NESCOE is to recommend policies designed to
3 ensure that resources are available to provide regional electric reliability and,
4 where it is feasible and cost-effective, to eliminate persistent and costly
5 congestion over transmission lines and enable interconnection of generation
6 resources. The ability to be supported by a professional staff and technical
7 consultants as appropriate allows the states to be engaged at a more granular level
8 with the independent system operator and other market participants. This includes
9 regular committee involvement and therefore proactive problem resolution.

10 **Q. PLEASE DESCRIBE NESCOE'S STAFFING.**

11 A. NESCOE is expected to engage staff to undertake the research, analysis,
12 communication, consultation, and advocacy necessary to achieve its mission.
13 NESCOE hired an Executive Director in 2009 and is in the process of seeking
14 senior technical staff. NESCOE has also retained consultants to provide technical
15 support while NESCOE works to build the organization. Staffing levels, of
16 course, will be determined by resource availability. We expect that in order to
17 have budget support from other market participants' long term we will need to
18 show a value added contribution to system planning, market development and
19 resource adequacy.

1 **NESCOE'S BUDGET DEVELOPMENT PROCESS**

2 **Q. PLEASE DESCRIBE HOW NESCOE'S BUDGET RELATES TO ISO-NE.**

3 A. NESCOE coordinates its budget process with ISO-NE's budget cycle, and ISO-
4 NE files NESCOE's annual budget with the Commission as it has done this year.
5 The ISO does not approve NESCOE's proposed budget and NESCOE is
6 responsible for providing the information to the Commission to demonstrate that
7 the annual tariff charges for NESCOE's operations are just and reasonable.

8 **Q. HOW WAS NESCOE'S 2009 BUDGET DEVELOPED?**

9 A. NESCOE's budget was driven by a business planning process and vetted by
10 various stakeholders. NESCOE developed its 2010 budget utilizing a process that
11 included establishing priorities; defining activities, goal and objectives;
12 determining resource requirements; developing budget estimates for various
13 functions; and reviewing to ensure that the priorities are met in a cost effective
14 way. This planning resulted in the proposed 2010 budget.

15 **Q. IS THIS THE SAME BUDGETING PROCESS THAT NESCOE USED TO**
16 **DEVELOP ITS 2009 BUDGET?**

17 A. Yes.

1 **Q. WAS THIS PROCESS VALIDATED BY THE COMMISSION IN**
2 **DOCKET NO. ER08-228-000?**

3 A. Yes.

4 **DESCRIPTION OF THE 2009 OPERATING EXPENSE BUDGET**

5 **Q. PLEASE DESCRIBE THE MAJOR COMPONENTS OF THE**
6 **OPERATING EXPENSE BUDGET.**

7 A. The main components of the operating expense budget are salaries and benefits,
8 consulting services and operational expenses. For 2010, salaries and benefits are
9 anticipated to be approximately \$888,000. Consulting services, which includes
10 legal services, for 2010 are budgeted for \$450,000. As noted, NESCOE retained
11 consultants to provide technical support services while NESCOE works to build
12 the organization.

13 General and administrative expenses plus capital expenditures, along with a ten
14 percent contingency, are budgeted for \$206,000. These expense categories include
15 items such as rent, utilities, travel, computer equipment and the like. A complete
16 proposed 2010 operational expense budget is found in Attachment 4 to the filing
17 letter.

1 **Q. WHAT IS THE PROPOSED RATE TO RECOVER THE COSTS OF**
2 **NESCOE'S OPERATION?**

3 A. If NESCOE's proposed 2010 budget is adopted without modification, the rate
4 contained in Schedule 5 to Section IV.A of ISO-NE's Tariff would be \$0.00554
5 per kW of Monthly Network Load. This rate is requested to become effective on
6 January 1, 2010. Funds recovered from this rate but not spent in 2010 will be used
7 to reduce 2011 collections pursuant to Schedule 5.

8 **Q. WERE THE FUNDS RECOVERED IN 2009 BUT NOT SPENT USED TO**
9 **REDUCE COLLECTIONS NEEDED FOR THE PROPOSED 2010**
10 **BUDGET?**

11 A. Yes. This proposed 2010 budget reflects projected credits in the amount of
12 approximately \$109,363 collected but unspent from the 2008 budget and
13 \$291,614 collected but unspent from the 2009 budget. During its initial years,
14 NESCOE operations have been lean, with expenses increasing commensurate
15 with increased activity. In addition, the proposed 2010 budget accounts for
16 interest and anticipated interest on unspent funds.

17 **Q. DO YOU BELIEVE THAT THIS RATE IS JUST AND REASONABLE?**

18 A. Yes, I do. NESCOE has taken care in developing its budget to ensure that only
19 needed expenditures are being sought for recovery. Moreover, in my view, the
20 benefits that the system will see and the potential savings that could be realized

1 through NESCOE's participation in regional stakeholder processes justify this
2 modest expense.

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

4 A. Yes.

5

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

7

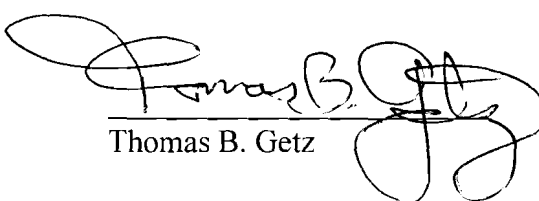
8 Executed on 10-26-09

9

10

11

12



Thomas B. Getz

Exhibit 4

NESCOE 2010 Budget

	2010
Salaries and Wages	
Salaries	600,000
Payroll Taxes	60,000
Health and Other Benefits	210,000
Retirement §401(k)	18,000
	<hr/>
Total, Salaries and Wages	888,000
	<hr/>
Direct Expenses - Consulting	
Technical Analysis	400,000
Legal (FERC)	50,000
	<hr/>
Total, Direct Expenses, Consulting	450,000
	<hr/>
General and Administrative	
Occupancy	35,000
Equipment Leasing	24,000
Professional Services	
Legal	20,000
Accounting	15,000
Payroll Service Provider	3,000
Other	5,000
Audit	20,000
Computer Maintenance	6,000
Travel and Lodging	60,000
	<hr/>
Total General and Administrative	188,000
	<hr/>
Capital Expend. & Contingencies	
Computer Equipment, etc.	20,000
Server and Secure Network	6,000
	<hr/>
Contingencies	180,000
	<hr/>
Capital Expend. & Contingencies	206,000
	<hr/>
TOTAL EXPENSES	1,732,000
	<hr/> <hr/>

Exhibit 5

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

Connecticut

The Honorable M. Jodi Rell
State Capitol
210 Capitol Ave.
Hartford, CT 06106

Connecticut Department of Public Utility Control
10 Franklin Square
New Britain, CT 06051-2605

Maine

The Honorable John E. Baldacci
One State House Station
Rm. 236
Augusta, ME 04333-0001

Maine Public Utilities Commission
State House, Station 18
242 State Street
Augusta, ME 04333-0018

Massachusetts

The Honorable Deval Patrick
Office of the Governor
Rm. 360 State House
Boston, MA 02133

Massachusetts Department of Public Utilities
One South Station
Boston, MA 02110

New Hampshire

The Honorable John H. Lynch
State House
25 Capitol Street
Concord, NH 03301

New Hampshire Public Utilities Commission
21 South Fruit Street
Suite 10
Concord, NH 03301-2429

Rhode Island

The Honorable Donald L. Carcieri
State House Room 115
Providence, RI 02903

Rhode Island Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

Vermont

The Honorable James H. Douglas
109 State Street, Pavilion
Montpelier, VT 05609

Vermont Public Service Board
112 State Street, Drawer 20
Montpelier, VT 05620-2701

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

Elia Germani, President
New England Conference of
Public Utilities Commissioners, Inc.
c/o RI Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

William M. Nugent
Executive Director
New England Conference of
Public Utilities Commissioners, Inc.
50 Forest Falls Drive, Suite 6
Yarmouth, ME 04096-6937

Harvey L. Reiter, Esq.
Counsel for New England Conference
of Public Utilities Commissioners, Inc.
c/o Stinson Morrison Hecker LLP
1150 18th Street, NW, Suite 800
Washington, DC 20036-3816

Power Planning Committee
New England Governors' Conference, Inc.
76 Summer Street, 2nd Floor
Boston, MA 02110-1226

Heather Hunt
Executive Director
New England States Committee on Electricity
HeatherHunt@NESCOE.com

Non-Market Participant Transmission Customers

October 20, 2009

Montgomery L'Energia Power Partners L.P.
403 Corporate Woods
Magnolia, TX 77354