



January 27, 2010

VIA ELECTRONIC FILING

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

**Re: Informational Filing Regarding ISO New England Inc. Filing of Revised
Tariff Sheets for Recovery of 2010 Administrative Costs;
Docket No. ER10-154-000**

Dear Secretary Bose:

On October 29, 2009, ISO New England Inc. (“ISO-NE”) filed tariff sheets revising section IV.A of its Transmission, Markets and Services Tariff to collect its administrative costs for the calendar year 2010 (the “October 29 Filing”). On December 30, 2009, the Commission accepted ISO-NE’s proposed tariff revisions to become effective January 1, 2010, subject to the requirement that ISO-NE provide the Commission with updated survey information regarding employers’ merit and promotional increase budgets on an information-only basis.¹

Specifically, in paragraphs 30 and 31 of the Commission’s Order on ISO-NE’s administrative budget, the Commission said,

As ISO-NE explained, in 2009, it cut its merit and promotional increase budget by \$500,000 after reviewing updated information provided by its consultants. ISO-NE expects that the survey firms will again produce an update at year end and ISO-NE commits to monitoring these updates and, if appropriate, reduce (but not increase) its 2010 budget. The Commission expects that such updated information would reflect further changes in the business climate and global economy. Accordingly, based on the information filed, the Commission concludes that ISO-NE has justified its proposed executive compensation and finds that the stakeholder-approved limits on executive compensation are reasonable.

¹ *ISO New England Inc.*, 129 FERC ¶ 61,299 (2009).

However, to ensure adequate disclosure of the updated reports and ISO-NE's actions with respect thereto, we will require ISO-NE to file a report for informational purposes only with the Commission within 30 days of receiving such updates, which summarizes the updated survey results and explains any revisions to compensation levels that ISO-NE decides are appropriate. This report will not be noticed, and the Commission does not intend to act on it. (footnotes omitted)

This filing provides the Commission with the requested information.

Additional Background

As the October 29 Filing explained, each year, ISO-NE reviews survey data from several national compensation consultants on expected merit and promotional pool increases. These surveys collectively poll thousands of employers and include both all-industry and utility-specific data. ISO-NE uses this information to establish its salary merit and promotional pools for the coming fiscal year.

In 2008, for the first time, the survey providers updated their information at year-end because of anticipated changes in employers' budgets as a result of the economic downturn. ISO-NE reviewed this updated data before finally establishing its 2009 merit and promotional increase budget, and ultimately eliminated \$500,000 of preliminarily-budgeted funds.

In the October 29 Filing, ISO-NE committed to again reconsider its salary increase pool when updated survey information is available. As outlined in the October 29 Filing, ISO-NE had tentatively established merit and promotional increase budgets of 2.5% and .5%, respectively, for 2010. These allocations were at the low end of the ranges reported in these surveys.

Updated Information

ISO-NE now has updates from four of the five national compensation consulting firm surveys on merit increase budgets. (One of the five vendors, The Hay Group, did not update its information, and the remaining four vendors updated information on merit increase budgets only (not promotional increase budgets).)

The information indicates that the range of merit increase budgets for utilities, which was initially 2.5% to 3.3%, is now 2.63% - 3.1%. Similarly, budgets for the general industry were reduced from an initial range of 2.6% - 3.1% to a range of 2.5% - 2.8%.

Conclusion

The Compensation and Human Resources Committee of the ISO-NE Board of Directors, by delegation from the Board, is responsible for determining the annual merit and

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promotional increase budgets. The updated survey information was presented to the Committee at its January 21 meeting.

The Committee concluded that, while there were slight reductions in the updated survey data, the reduced merit budget figures still generally exceed ISO-NE's approved 2010 merit budget of 2.5%. Given this information, the Committee decided to retain the previously-determined merit increase budget for 2010.

Please feel free to contact me if any additional information is required.

Respectfully submitted,

/s/ Robert C. Ludlow

Robert C. Ludlow
Vice President, Chief Financial Officer and Compliance Officer
ISO New England Inc.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Washington, D.C., this 27th day of January, 2010.

/s/ Pamela Higgins
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