

ISO New England Inc.
FERC Electric Tariff No. 3
Section II - Open Access Transmission Tariff
Schedule 21-FPL-NED

Original Sheet No. 4200

SCHEDULE 21-FPL-NED
Local Service Schedule
Florida Power & Light Company – New England Division

Issued By: C. M. Mennes
Vice President
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I. COMMON SERVICE PROVISIONS

This Local Service Schedule, designated Schedule 21-FPL-NED, governs the terms and conditions of service taken by Transmission Customers over the Local Network Transmission System who are not otherwise served under transmission service agreements with FPL-NED that are still in effect. In the event of a conflict between the provisions of this Schedule 21-FPL-NED and other provisions of the Tariff the provisions of this Schedule 21-FPL-NED shall control.

1. Definitions

Whenever used in this Schedule 21-FPL-NED, in either the singular or plural number, the following capitalized terms shall have the meanings specified in the Definition Sections of this Part I. Terms used in this Schedule 21-FPL-NED but not defined in this Definition Section shall have the meanings specified in Section 1 of the Tariff. Terms used in this Schedule 21-FPL-NED but not defined in this Definition Section shall have the meanings customarily attributed to such terms by the electric utility industry in New England. Sections or Attachments referred to in this Schedule 21-FPL-NED shall mean a section in or attachment to this Schedule 21-FPL-NED unless otherwise stated.

1.1 Annual Transmission Revenue Requirements (“ATRR”):

The annual revenue requirements of FPL-NED’s Local Network Transmission System for purposes of this Schedule 21-FPL-NED shall be the amount calculated pursuant to the formula in Attachment G to this Schedule 21-FPL-NED as updated each

June 1, or until amended by FPL-NED or modified by the Commission.

1.2 Backyard Generation (or Behind-the-Meter Generation):

Generation which interconnects directly with a customer's facilities that will offset all or a portion of a customer's electric load requirements. Any generation used to supply any portion of Local Network Load will not qualify for demand credits associated with Backyard Generation. Such credits shall only be applicable to load not designated as Local Network Load. In such instances, the customer shall be responsible for taking and paying for an appropriate level of Local Point-To-Point Transmission Service pursuant to this Schedule 21-FPL-NED.

1.3 Control Area Operator:

ISO, or any successor organization or entity, that is responsible for the continued operation of the New England Control Area and the administration of the Tariff, subject to regulation by the Commission.

1.4 Designated Agent:

Any entity that performs actions or functions required under this Schedule 21-FPL-NED or the Tariff on behalf of FPL-NED, an Eligible Customer, or a Transmission Customer.

1.5 Direct Assignment Facilities:

Facilities or portions of facilities that are constructed by or for FPL-NED for (1) the sole use/benefit of a particular Transmission Customer requesting service under this

Schedule 21-FPL-NED or (2) the use by an owner or developer of a generating station requesting to be interconnected to the Local Network Transmission System. Direct Assignment Facilities shall be specified in the Service Agreement or interconnection agreement that in addition to the applicable terms and conditions of this Schedule 21-FPL-NED or the OATT governs service to the Transmission Customer; and shall be subject to Commission acceptance.

1.6 FPL-NED

The New England Division of Florida Power & Light Company.

1.7 FPL-NED-Owned Interconnection Facilities:

Facilities and equipment, or portions thereof, owned by FPL-NED that are necessary to interconnect a customer with the Local Network Transmission System.

1.8 Generator or Generator Owner:

The owner, in whole or in part, of a generating unit whether located within or outside the New England Control Area.

1.9 Interconnection Agreement:

An agreement between FPL-NED and an Eligible Customer for Interconnection Service.

1.10 Interconnection Service:

Those services required to electrically connect Transmission Customer's or Generator Owner's facilities to the Local Network Transmission System. Interconnection

Service includes, but is not limited to, the identification, design, and construction of facilities required to establish and maintain such electrical connection as identified by a completed System Impact Study and Facilities Study. The customer's and FPL-NED's contractual obligations associated with Interconnection Service shall be specified in an Interconnection Agreement which shall be executed and filed with the Commission prior to the commencement of such service.

1.11 LNS Service:

The service provided by FPL-NED over its Local Network pursuant to this Schedule 21-FPL-NED.

1.12 Load Ratio Share:

Ratio of a Transmission Customer's Local Network Load to FPL-NED's total Local Network Load computed in accordance with Sections 22.2 and 22.3 of the Local Network Service under Part III of this Schedule 21-FPL-NED.

1.13 Local Network (Local Network Transmission System):

The transmission facilities owned or operated by FPL-NED within the New England Control Area that are used to provide transmission service.

1.14 Local Network Load:

The load that a Local Network Customer designates for Local Network Transmission Service under Part III of this Schedule 21-FPL-NED. The Local Network Customer's Local Network Load shall include all load served by the output of any

Network Resources designated by the Local Network Customer (including losses) and shall not be credited or reduced for any Backyard Generation. All Local Network Customers shall be required to have installed appropriate metering to determine such Backyard Generation, in accordance with the Network Operating Agreement. A Local Network Customer may elect to designate less than its total load as Local Network Load but may not designate only part of the load at a discrete Point of Delivery. Where an Eligible Customer has elected not to designate a particular load at discrete points of delivery as Local Network Load, the Eligible Customer is responsible for making separate arrangements under Part II of this Schedule 21-FPL-NED for any Local Point-To-Point Transmission Service that may be necessary for such non-designated load.

1.15 Network Operating Agreement:

An executed agreement that contains the terms and conditions under which the Local Network Customer shall operate its facilities and the technical and operational matters associated with the implementation of Local Network Service under Part III of this Schedule 21-FPL-NED.

1.16 Part I:

The sections of this Schedule 21-FPL-NED containing the definitions and common service provisions.

1.17 Part II:

The sections of this Schedule 21-FPL-NED pertaining to Local Point-To-Point

Transmission Service in conjunction with the applicable common service provisions of Part I and appropriate Schedules and Attachments.

1.18 Part III:

The sections of this Schedule 21-FPL-NED pertaining to Local Network Transmission Service in conjunction with the applicable common service provisions of Part I and appropriate Schedules and Attachments.

1.19 Parties:

FPL-NED and the Transmission Customer receiving service under this Tariff.

1.20 Transmission Service:

Transmission service provided over FPL-NED's Local Network, designated as Local Network Service or Local Point-To-Point Service that is provided pursuant to this Schedule 21-FPL-NED.

2. Purpose of This Schedule 21-FPL-NED

This Schedule 21-FPL-NED is only applicable for service over FPL-NED's transmission facilities located within the New England Control Area. It is intended to provide Transmission Service as a complement to the regional service to be provided under the OATT and is designed to ensure cost recovery by FPL-NED of its ATRR as determined in accordance with the formula specified in Attachment G hereto.

The OATT contemplates a two-tier transmission arrangement integrating regional service which is provided under Part B of the OATT, and LNS Service, including Local

Network Service and Local Point-To-Point Transmission Service, including, without limitation, service over FPL-NED-Owned Interconnection Facilities as provided under this Schedule 21-FPL-NED.

3. Reservation Priority For Existing Firm Service Customers:

Existing firm service customers receiving service with a contract term of one-year or more have the right to continue to take transmission service from FPL-NED at the same or reduced level under this Schedule 21-FPL-NED at the time when the existing contract expires, rolls over or is renewed. If at the end of the contract term, FPL-NED's Local Network Transmission System cannot accommodate all of the requests for transmission service, the existing firm service customer must agree to accept a contract term at least equal to a competing request by any new Eligible Customer and to pay the current just and reasonable rate, as approved by the Commission, for such service. This transmission reservation priority for existing firm service customers is an ongoing right that may be exercised as to any firm contract with a term of one year or longer by filing an Application in accordance with this Schedule 21-FPL-NED at least sixty days in advance of the first day of the calendar month in which the existing contract is to terminate.

4. Ancillary Services

Ancillary Services are needed with transmission service to maintain reliability within the New England Control Area.

4.1 Ancillary Services supporting transmission service over the Local Network Transmission System:

Ancillary Services to support transmission service over the Local Network Transmission System will be provided pursuant to the OATT.

5. Billing and Payment

5.1 Billing Procedure:

Within a reasonable time after the first day of each month, FPL-NED shall submit an invoice to the Transmission Customer for the charges for all services furnished under this Schedule 21-FPL-NED during the preceding month. In accordance with the formula rate contained in Attachment G of this Schedule 21-FPL-NED, such monthly invoices for transmission service shall reflect an estimate of the monthly revenues FPL-NED expects to receive associated with FPL-NED's share of regional transmission service revenues collected pursuant to the OATT, with such estimated monthly amounts being reconciled with interest pursuant to Section 35.19(a) of the Commission's Regulations to actual monthly revenues received in subsequent billing months when such actual amounts are known by FPL-NED. The invoice shall be paid by the Transmission Customer within ten (10) days of receipt. All payments shall be made, in accordance with the procedure specified by FPL-NED in immediately available funds payable to FPL-NED, or by wire transfer to a bank named by FPL-NED.

5.2 Interest on Unpaid Balances:

Interest on any unpaid amounts (including amounts placed in escrow) shall be

calculated in accordance with the methodology specified for interest on refunds in 18 C.F.R. § 35.19a(a)(2)(iii) of the Commission's regulations. Interest on delinquent amounts shall be calculated from the due date of the bill to the date of payment. When payments are made by mail, bills shall be considered as having been paid on the date of receipt by FPL-NED.

5.3 Customer Default:

In the event the Transmission Customer fails, for any reason other than a billing dispute as described below, to make payment to FPL-NED on or before the due date as described above, and such failure of payment is not corrected within thirty (30) calendar days after FPL-NED notifies the Transmission Customer to cure such failure, or if the Transmission Customer violates any provision of its Service Agreement, a default by the Transmission Customer shall be deemed to exist. Upon the occurrence of a default, FPL-NED may initiate a proceeding with the Commission to terminate service but shall not terminate service until the Commission so approves any such request. In the event of a billing dispute between FPL-NED and the Transmission Customer, FPL-NED will continue to provide service under the Service Agreement as long as the Transmission Customer (i) continues to make all payments not in dispute, and (ii) pays into an independent escrow account the portion of the invoice in dispute, pending resolution of such dispute. If the Transmission Customer fails to meet these two requirements for continuation of service, then FPL-NED may provide notice to the Transmission Customer of its intention to suspend service in sixty (60) days, in accordance with applicable

Commission rules and regulations, and may proceed with such suspension.

6. Accounting for the PTO's Use of this Schedule-21-FPL-NED.

FPL-NED will record the following amounts, as outlined below.

6.1 Transmission Revenues:

Include in a separate operating revenue account or subaccount the revenues it receives from Transmission Service when making Third-Party Sales under Part II of this Schedule 21-FPL-NED.

6.2 Study Costs and Revenues:

Include in a separate transmission operating expense account or subaccount, costs properly chargeable to expense that are incurred to perform any System Impact Studies or Facilities Studies which the PTO conducts to determine if it must construct new transmission facilities or upgrades necessary for its own uses, including Third-Party Sales, if any, under this Schedule 21-FPL-NED or at the direction of the Control Area Operator; and include in a separate operating revenue account or subaccount the revenues received for System Impact Studies or Facilities Studies performed when such amounts are separately stated and identified in a Transmission Customer's billing under this Schedule 21 or at the direction of the Control Area Operator.

7. Regulatory Filings

7.1 Rights Under The Federal Power Act

Nothing contained in this Schedule 21-FPL-NED or any Service Agreement shall be construed as affecting in any way the right of FPL-NED unilaterally to file with the Commission under Section 205 of the Federal Power Act and pursuant to the Commission's rules and regulations promulgated thereunder for a change in rates, terms and conditions, charges, classification of service, Service Agreement, rule or regulation.

Nothing contained in this Schedule 21-FPL-NED or any Service Agreement shall be construed as affecting in any way the ability of a Transmission Customer receiving service under this Schedule 21-FPL-NED or for an Excepted Transaction to exercise its rights under the Federal Power Act and pursuant to the Commission's rules and regulations promulgated thereunder.

8. Force Majeure and Indemnification

8.1 Force Majeure:

An event of Force Majeure means any act of God, labor disturbance, act of the public enemy, war, insurrection, riot, fire, storm or flood, explosion, breakage or accident to machinery or equipment, any Curtailment, any order, regulation or restriction imposed by governmental military or lawfully established civilian authorities, or any other cause beyond a Party's control. A Force Majeure event does not include an act of negligence or intentional wrongdoing. Neither FPL-NED nor the Transmission Customer will be considered in default as to any obligation under this Schedule 21-FPL-NED if prevented

from fulfilling the obligation due to an event of Force Majeure; provided that no event of Force Majeure shall excuse any payment obligation hereunder or under a Service Agreement. However, a Party whose performance under this Schedule 21-FPL-NED is hindered by an event of Force Majeure shall make all reasonable efforts to perform its obligations under this Schedule 21-FPL-NED, and shall promptly notify FPL-NED or the Transmission Customer, whichever is appropriate, of the commencement and end of each event of Force Majeure.

8.2 Indemnification:

The Transmission Customer shall at all times indemnify, defend, and save the Transmission Owner harmless from, any and all damages, losses, claims, including claims and actions relating to injury to or death of any person or damage to property, demands, suits, recoveries, costs and expenses, court costs, attorney fees, and all other obligations by or to third parties, arising out of or resulting from the Transmission Owner's performance of its obligations under this Schedule 21-FPL-NED on behalf of the Transmission Customer, except in cases of gross negligence or intentional wrongdoing by the Transmission Owner.

9. Creditworthiness

For the purpose of determining the ability of the Transmission Customer to meet its obligations related to service hereunder, FPL-NED may require reasonable credit review procedures in accordance with Attachment L of this Schedule 21- FPL-NED. This

review shall be made in accordance with standard commercial practices. In addition, FPL-NED may require the Transmission Customer to provide and maintain in effect during the term of the Service Agreement, an unconditional and irrevocable letter of credit as security to meet its responsibilities and obligations under this Schedule 21-FPL-NED, or an alternative form of security proposed by the Transmission Customer and acceptable to FPL-NED and consistent with commercial practices established by the Uniform Commercial Code that protects FPL-NED against the risk of non-payment.

10. Dispute Resolution Procedures

10.1 Internal Dispute Resolution Procedures:

Any dispute between a Transmission Customer and FPL-NED involving Transmission Service under this Schedule 21-FPL-NED (excluding applications for rate changes or other changes to this Schedule 21-FPL-NED, or to any Service Agreement entered into under this Schedule 21-FPL-NED, which shall be presented directly to the Commission for resolution) shall be referred to a designated senior representative of FPL-NED and a senior representative of the Transmission Customer for resolution on an informal basis as promptly as practicable. In the event the designated representatives are unable to resolve the dispute within thirty (30) days or such other period as the Parties may agree upon by mutual agreement, such dispute may be submitted to mediation and/or arbitration and resolved in accordance with the arbitration procedures set forth in Section I.6 of the Tariff.

10.2 Rights Under The Federal Power Act:

Nothing in this section shall restrict the rights of any party to file a complaint with the Commission, or seek any other available remedy, under relevant provisions of the Federal Power Act.

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II. LOCAL POINT-TO POINT TRANSMISSION SERVICE

Preamble

FPL-NED will provide Firm and Non-Firm Local Point-To-Point Transmission Service over its Local Network pursuant to the applicable terms and conditions of this Schedule 21-FPL-NED. Local Point-To-Point Transmission Service is for the receipt of capacity and energy at designated Point(s) of Receipt and the transmission of such capacity and energy to designated Point(s) of Delivery.

FPL-NED will provide Interconnection Service to owners and developers of generating units directly interconnected to the Local Network Transmission System in accordance with the provisions of Schedule 22 of the ISO Tariff for generators with generating capacity of more than 20MW, and Schedule 23 of the ISO Tariff for generators with generating capacity of 20MW or less. Transmission services provided over PTF and Interconnection Service to interconnect directly with PTF are governed by the OATT.

11. Unauthorized use of the Transmission System

Any use of the Local Network Transmission System that exceeds a) the Transmission Customer's firm Reserved Capacity at any Point of Receipt or Point of Delivery or b) the Transmission Customer's non-firm capacity reservation, will be deemed an unauthorized use of the Local Network Transmission System. In the event that a Transmission Customer exceeds its firm reserved capacity or non-firm capacity reservation at any Point of Receipt or Point of Delivery, it shall pay an amount equal to 200% of the otherwise applicable charge firm point to point transmission service for each Kilowatt of the excess, exclusive of any discounts offered to any other Eligible Customer.

Such charge shall apply for the
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length of the reservation period, not to exceed one month. In all cases of unauthorized use of the Local Network Transmission System, the service will be considered non-firm and FPL-NED will be under no obligation to provide any services for such use.

12. Service Availability

12.1 Determination of Available Transmission Capability:

Determinations regarding availability and capabilities of the PTF are made by the Control Area Operator. FPL-NED's specific methodology for assessing ATC over its non-PTF is posted on the OASIS and is contained in Attachment C of this Schedule 21-FPL-NED. In the event sufficient Local Network transmission capability may not exist to accommodate a service request, FPL-NED will, at the request of an Eligible Customer, respond by performing a System Impact Study as described in the following sections.

12.2 Initiating Service in the Absence of an Executed Service Agreement:

If FPL-NED and the Transmission Customer requesting Firm or Non-Firm Local Point-To-Point Transmission Service cannot agree on all the terms and conditions of the Local Point-To-Point Service Agreement, the ISO, acting as agent for FPL-NED, shall file with the Commission, within thirty (30) days after the date the Transmission Customer provides written notification to FPL-NED and the ISO directing the ISO acting as agent for FPL-NED to file, an unexecuted Local Point-To-Point Service Agreement containing terms and conditions deemed appropriate by FPL-NED for such requested Transmission Service. If the Transmission Customer refuses, or otherwise does not make such a request, the ISO acting as agent for FPL-NED, may make such a filing prior to the

commencement of service. FPL-NED shall commence providing Transmission Service and the Transmission Customer shall be obligated to (i) compensate FPL-NED at whatever rate the Commission ultimately determines to be just and reasonable, and (ii) comply with the terms and conditions of this Schedule 21-FPL-NED including posting appropriate security deposits in accordance with the terms of Section I.5.c of the Common Provisions of Schedule 21 to the OATT.

12.3 Real Power Losses:

Real Power Losses are associated with all transmission service. FPL-NED is not a Control Area Operator and is not obligated to provide Real Power Losses. The Transmission Customer is responsible for replacing losses associated with all transmission service as calculated by FPL-NED or the Control Area Operator.

12.4 Load Shedding:

To the extent that system contingency exists on the Local Network Transmission System, and FPL-NED determines shedding of load is necessary, the Parties shall shed load in accordance with procedures under the Service Agreement, the Tariff, and the rules adopted thereunder, or in accordance with other mutually agreed to provisions.

13. Transmission Customer Responsibilities

13.1 Conditions Required of Transmission Customers:

Local Point-To-Point Transmission Service and Interconnection Service shall be provided by FPL-NED only if the following conditions are satisfied by the Transmission

Customer:

(a) The Transmission Customer has pending a Completed Local Application for service with the ISO or in the case of Interconnection Service, has a Completed Application for service with the Control Area Operator and satisfied all other requirements of the Tariff or of this Schedule 21-FPL-NED, as applicable;

(b) The Transmission Customer meets the creditworthiness criteria set forth in Section 9;

(c) The Transmission Customer will have arrangements in place for any other transmission service necessary to effect the delivery from the generating source to FPL-NED's Local Network Transmission System prior to the time service under Part II of this Tariff commences;

(d) The Transmission Customer agrees to pay for any facilities constructed and chargeable to such Transmission Customer under Part II of this Tariff, whether or not the Transmission Customer takes service for the full term of its reservation; and

(e) The Transmission Customer has executed a Local Point-To-Point Service Agreement or has agreed to receive service pursuant to Section

12.2 of this Schedule 21-FPL-NED.

14. Metering and Power Factor Correction at Receipt and Delivery Points(s)

14.1 Transmission Customer Obligations:

Unless otherwise agreed, the Transmission Customer shall be responsible for installing and maintaining compatible metering and communications equipment to accurately account for the capacity and energy being transmitted under Part II of this Schedule 21-FPL-NED and to communicate the information to FPL-NED. Unless otherwise agreed, such equipment shall remain the property of FPL-NED.

14.2 Power Factor:

The Transmission Customer is required to maintain a power factor within a range as specified by FPL-NED pursuant to Good Utility Practices. The power factor requirements are specified in the Service Agreement where applicable. Where a Transmission Customer fails to maintain a power factor within the specified range, FPL-NED may make whatever improvements or repairs are required to restore or maintain the power factor, and charge the Transmission Customer accordingly.

15. Compensation for Local Point-To-Point Transmission Service

Rates for Firm and Non-Firm Local Point-To-Point Transmission Service are provided in the Schedules appended to this Schedule 21-FPL-NED: Firm Local Point-To-Point Transmission Service (Schedule 7); and Non-Firm Local Point-To-Point Transmission Service (Schedule 8).

16. Interconnection Service

Any entity proposing to interconnect with FPL-NED's transmission facilities, that is not party to an agreement executed on or before July 9, 1996, in which Interconnection Service is addressed, that (1) proposes to site a new generating unit and directly interconnect to the Local Network Transmission System, or (2) proposes to materially change electrical characteristics or increase the capacity of an existing generating unit and remain connected to the Local Network Transmission System, shall submit an application for Interconnection Service to the Control Area Operator and comply with all applicable requirements of the Tariff, including but not limited to Schedule 22 of the ISO Tariff for generators with generating capacity of more than 20MW, and Schedule 23 of the ISO Tariff for generators with generating capacity of 20MW or less.

III. LOCAL NETWORK SERVICE

17. Real Power Losses

Real Power Losses are associated with all transmission service. FPL-NED is not a Control Area Operator and is not obligated to provide Real Power Losses. The Local Network Customer is responsible for replacing losses associated with all transmission service as calculated by FPL-NED or the Control Area Operator.

18. Initiating Service

18.1 Condition Precedent for Receiving Service:

Subject to the terms and conditions of Part III of this Schedule 21-FPL-NED, FPL-NED will provide Local Network Transmission Service to any Eligible Customer, provided that (i) the Eligible Customer completes an Application for service as provided under the

OATT, (ii) the Eligible Customer and FPL-NED complete the technical

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arrangements for such service, (iii) the Eligible Customer executes a Service Agreement for service under Part III of this Schedule 21-FPL-NED or requests in writing that the ISO, acting as agent for FPL-NED, file a proposed unexecuted Service Agreement with the Commission, and (iv) the Eligible Customer executes a Local Network Operating Agreement with FPL-NED.

18.2 Application Procedures:

An Eligible Customer requesting service under Part III of this Tariff must submit an Application, with a deposit approximating the charge for one month of service, to the ISO acting as agent for FPL-NED as far as possible in advance of the month in which service is to commence in accordance with Section II. 3) a) of the common service provisions of Schedule 21 of the OATT.

18.3 Operation of Network Resources:

The Local Network Customer shall not operate its designated Network Resources, which are not subject to central dispatch by the Control Area Operator, such that the output of those facilities exceeds its designated Local Network Load, plus non-firm sales delivered pursuant to Part II of this Schedule 21-FPL-NED, plus losses. This limitation shall not apply to changes in the operation of a Transmission Customer's Network Resources at the request of the ISO or FPL-NED to respond to an emergency or other unforeseen condition which may impair or degrade the reliability of the Local Network Transmission System.

18.4 Transmission Arrangements for Network Resources Not Physically Interconnected With FPL-NED's Local Network:

The Local Network Customer shall be responsible for any arrangements necessary to deliver capacity and energy from a Network Resource not physically interconnected with FPL-NED's Local Network Transmission System. FPL-NED will undertake reasonable efforts to assist the Local Network Customer in obtaining such arrangements, including without limitation, providing any information or data required by such other entity pursuant to Good Utility Practice. The customer shall be obligated to reimburse FPL-NED for all costs FPL-NED incurs in assisting the customer in obtaining such arrangements. Upon the customer's request, FPL-NED shall provide the transmission customer an estimate of such costs before they are incurred. Upon the customer's request, FPL-NED shall provide reasonable itemization of such costs along with any invoice related to those costs.

18.5 Limitation on Designation of Network Resources:

The Local Network Customer must demonstrate that it owns or has committed to purchase generation pursuant to an executed contract in order to designate a generating resource as a Network Resource. Alternatively, the Local Network Customer may establish that execution of a contract is contingent upon the availability of transmission service under Part III of this Schedule 21-FPL-NED.

18.6 Use of Interface Capacity by the Local Network Customer:

There is no limitation upon a Local Network Customer's use of FPL-NED's

Local Network Transmission System at any particular interface to integrate the Local Network Customer's Network Resources (or substitute economy purchases) with its Local Network Loads. However, a Local Network Customer's use of the FPL-NED's total interface capacity with other transmission systems may not exceed the Local Network Customer's Load.

18.7 Local Network Customer Owned Transmission Facilities:

The Local Network Customer that owns existing transmission facilities that are integrated with FPL-NED's Local Network Transmission System may be eligible to receive consideration either through a billing credit or some other mechanism. In order to receive such consideration the Local Network Customer must demonstrate that its transmission facilities are integrated into the plans or operations of FPL-NED to serve its power and Transmission Customers. For facilities constructed by the Local Network Customer subsequent to the Service Commencement Date under Part III of this Schedule 21-FPL-NED, the Local Network Customer shall receive credit where such facilities are jointly planned and installed in coordination with FPL-NED. Calculation of the credit shall be addressed in either the Local Network Customer's Service Agreement or any other agreement between the Parties.

19. Designation of Load

19.1 Network Load Not Physically Interconnected with FPL-NED's Local Network:

This Section applies to both initial designation and the subsequent addition of

new Local Network Load not physically interconnected with FPL-NED's Local Network. To the extent that the Local Network Customer desires to obtain Local Network transmission service for a load outside FPL-NED's Local Network Transmission System, the Local Network Customer shall have the option of (1) electing to include the entire load as Local Network Load for all purposes under Part III of this Schedule 21-FPL-NED and designating Local Network Resources in connection with such additional Local Network Load, or (2) excluding that entire load from its Local Network Load and purchasing Local Point-To-Point Transmission Service under Part II of this Schedule 21-FPL-NED. To the extent that the Local Network Customer gives notice of its intent to add a new Local Network Load as part of its Local Network Load pursuant to this Section, the request must be made through a modification of service pursuant to a new Application. FPL-NED shall include such load as part of a Transmission Customer's Local Network Load only if a scheduling and interconnection agreement acceptable to FPL-NED is in effect with the Control Area in which the load is located.

20. Additional Study Procedures For Local Network Transmission Service Requests

20.1 Notice of Need for System Impact Study:

When applicable, a description of FPL-NED's methodology for completing a System Impact Study is provided in Attachment D of this Schedule 21-FPL-NED.

21. Load Shedding and Curtailments

21.1 Procedures:

Prior to the Service Commencement Date, FPL-NED and the Local Network

Customer shall establish Load Shedding and Curtailment procedures pursuant to the Local Network Operating Agreement with the objective of responding to contingencies on the Local Network Transmission System. The Parties will implement such programs during any period when FPL-NED determines that a system contingency exists and such procedures are necessary to alleviate such contingency. FPL-NED will notify all affected Local Network Customers in a timely manner of any scheduled Curtailment.

21.2 Transmission Constraints:

During any period when FPL-NED determines that a transmission constraint exists on the Local Network Transmission System, and such constraint may impair the reliability of FPL-NED's system, FPL-NED will take whatever actions, consistent with Good Utility Practice, that are reasonably necessary to maintain the reliability of FPL-NED's system. To the extent either FPL-NED or the Control Area Operator determine that the reliability of the Transmission System can be maintained by redispatching resources, FPL-NED can initiate procedures pursuant to the Local Network Operating Agreement, the Tariff, and other Control Area Operator rules and procedures including, without limitation, the Market Rules. Any redispatch under this Section may not unduly discriminate between FPL-NED's use of the Local Network Transmission System on behalf of its Native Load Customers and any Local Network Customer's use of the Local Network Transmission System to serve its designated Local Network Load

21.3 Curtailments of Scheduled Deliveries:

If a transmission constraint on FPL-NED's Local Network Transmission System

cannot be relieved through the implementation of redispatch procedures and the Control Area Operator determines that it is necessary to Curtail scheduled deliveries, the Parties shall Curtail such schedules in accordance with any applicable provisions of the Local Network Operating Agreement, the Tariff and any Control Area Operator rules and procedures including, without limitation, the Market Rules.

21.4 Load Shedding:

To the extent that a system contingency exists on FPL-NED's or the New England Transmission System and FPL-NED or the ISO determines that it is necessary for FPL-NED and the Local Network Customer to shed load, the Parties shall shed load in accordance with previously established procedures under the Local Network Operating Agreement, or in accordance with other mutually agreed to provisions.

22. Rates and Charges

The Local Network Customer shall pay FPL-NED for any Direct Assignment Facilities and applicable study costs, consistent with Commission policy, along with the following:

22.1 Monthly Demand Charge:

The Local Network Customer shall pay a monthly Demand Charge, which shall be determined by multiplying its Load Ratio Share times one twelfth (1/12) of FPL-NED's Annual Transmission Revenue Requirement. The Annual Transmission Revenue Requirement is calculated pursuant to Attachment G of this Schedule 21-FPL-NED.

22.2 Determination of Local Network Customer's Monthly Local Network Load:

The Local Network Customer's monthly Local Network Load is its hourly load (including its designated Local Network Load not physically interconnected with FPL-NED's Local Network under Section 19.1) coincident with FPL-NED's Monthly Local Network Transmission System Peak.

22.3 Determination of FPL-NED's Monthly Local Network Transmission System Load:

FPL-NED's monthly Local Network Transmission System load is FPL-NED's Monthly Local Network Transmission System Peak minus the coincident peak usage of all Firm Local Point-To-Point Transmission Service customers pursuant to Part II of this Schedule 21-FPL-NED plus the Reserved Capacity of all Firm Local Point-To-Point Transmission Service customers.

22.4 Redispatch Charge:

All costs associated with redispatch of resources shall be charged and allocated in accordance with the Tariff and any Control Area Operator rules and procedures including, without limitation, the Market Rules.

22.5 Stranded Cost Recovery:

FPL-NED may seek to recover stranded costs from the Local Network Customer pursuant to this Schedule 21-FPL-NED in accordance with the terms, conditions and procedures set forth in FERC Order No. 888. However, FPL-NED must separately file any proposal to recover stranded costs under Section 205 of the Federal Power Act.

23. Operating Arrangements

23.1 Operation under The Local Network Operating Agreement:

The Local Network Customer shall plan, construct, operate and maintain its facilities in accordance with Good Utility Practice and in conformance with the Local Network Operating Agreement. If FPL-NED and the Local Network Customer agree in the Interconnection Agreement, the Interconnection Agreement can serve as a Local Network Operating Agreement.

23.2 Local Network Operating Agreement:

The terms and conditions under which the Local Network Customer shall operate its facilities and the technical and operational matters associated with the implementation of Part III of this Schedule 21-FPL-NED shall be specified in the Local Network Operating Agreement. The Local Network Operating Agreement shall provide for the Parties to (i) operate and maintain equipment necessary for integrating the Local Network Customer within FPL-NED's Local Network Transmission System (including, but not limited to, remote terminal units, metering, communications equipment and relaying equipment), (ii) transfer data between FPL-NED and the Local Network Customer (including, but not limited to, heat rates and operational characteristics of Network Resources, generation schedules for units outside FPL-NED's Local Network Transmission System, interchange schedules, unit outputs for redispatch required under Section 21, voltage schedules, loss factors and other real time data), (iii) use software programs required for data links and constraint dispatching, (iv) exchange data on

forecasted loads and resources necessary for long-term planning, and (v) address any other technical and operational considerations required for implementation of Part III of this Schedule 21-FPL-NED, including scheduling protocols. The Local Network Operating Agreement will recognize that the Local Network Customer shall either (i) operate as a Control Area under applicable guidelines of the North American Electric Reliability Council (NERC) and the Northeast Power Coordinating Council (NPCC), (ii) satisfy its Control Area requirements, including all necessary Ancillary Services, by contracting with the Control Area Operator for all required Ancillary Services or (iii) satisfy its Control Area requirements, including all necessary Ancillary Services which may be provided by another entity, by contracting with another entity, consistent with Good Utility Practice, which satisfies any applicable requirements imposed by NERC, the NPCC, FPL-NED or the Control Area Operator. For those Ancillary Services that may be provided by another entity, FPL-NED shall not unreasonably refuse to accept contractual arrangements with another entity for Ancillary Services.

ISO New England Inc.
FERC Electric Tariff No. 3
Section II - Open Access Transmission Tariff
Schedule 21-FPL-NED

First Revised Sheet Nos. 4229 through 4234
Superseding Original Sheet Nos. 4229-4234

Sheet Nos. 4229 through 4234 are reserved for future use.

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Vice President, Transmission Operations & Planning
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SCHEDULE 7

Long and Short Term Firm Local Point-To-Point Transmission Service

Each Transmission Customer who takes Firm Local Point-to-Point Transmission Service shall pay FPL-NED each month on the basis of the highest amount of Reserved Capacity for each transaction reserved as Firm Local Point to Point Transmission Service. Except as provided otherwise below, the charges will be re-determined annually on June 1 of each year, and shall be in effect for the succeeding twelve months. The rate per kilowatt for each month is one-twelfth of the annual rate determined by dividing the Annual Transmission Revenue Requirement calculated pursuant to the Attachment G formula, by FPL-NED's average monthly Local Network Transmission System Load (as defined in Section 22.3) for the prior calendar year.

Each Transmission Customer taking Firm Local Point to Point Transmission Service shall pay the firm local point-to-point rate on the basis of the highest amount of Reserved Capacity for each transaction reserved as Firm Local Point to Point Transmission Service as follows:

- 1) **Yearly reservation:** one-twelfth of the annual rate per kilowatt of Reserved Capacity per year.
- 2) **Monthly reservation:** one-twelfth of the annual rate per kilowatt of Reserved Capacity per month.
- 3) **Weekly reservation:** $1/52^{\text{nd}}$ of the annual rate per kilowatt of Reserved Capacity per week.
- 4) **Daily reservation:** $1/7^{\text{th}}$ of the weekly rate per kilowatt of Reserved Capacity per day.

Provided that the total demand charge in any week, pursuant to a reservation for Daily delivery,

shall not exceed the rate specified in section (3) above times the highest amount in kilowatts of Reserved Capacity in any day during such week.

5) **Discounts:** Three principal requirements apply to discounts for transmission service as follows: (1) any offer of a discount made by FPL-NED must be announced to all Eligible Customers solely by posting on the OASIS; (2) any customer-initiated requests for discounts (including requests for use by FPL-NED's wholesale merchant or an affiliate's use) must occur solely by posting on the OASIS; and (3) once a discount is negotiated, details must be immediately posted on the OASIS. For any discount agreed upon for service on a path, from Point(s) of Receipt to Point(s) of Delivery, FPL-NED must offer the same discounted transmission service rate for the same time period to all Eligible Customers on all unconstrained transmission paths that go to the same Point(s) of Delivery on the Transmission System.

Exceeding Capacity Reservations and Unreserved Use: In the event the Transmission Customer exceeds the Capacity Reservation specified in the customer's transmission Service Agreement as determined by FPL-NED, the Transmission Customer shall be retroactively charged an amount equal to 200% of the rates specified above without any discount, if one is in place at the time, for any capacity exceeding the amount reserved. Such charge shall apply for the length of the period of unreserved use of FPL-NED's transmission system, except that: i) unreserved uses for any single hour period shall be based on 200% of the applicable rate for daily firm point-to-point transmission service, and ii) multiple unauthorized uses of any given duration (e.g., daily) occurring during any single billing month shall be subject to a penalty charge of 200% of the rate that is applicable to the next longest duration of service, (e.g. weekly).

SCHEDULE 8

Non-Firm Local Point-To-Point Transmission Service

Each Transmission Customer who takes Non-Firm Local Point-to-Point Transmission Service shall pay FPL-NED each month on the basis of the highest amount of Reserved Capacity for each transaction reserved as Non-Firm Local Point to Point Transmission Service. The charges will be re-determined annually on June 1 of each year, and shall be in effect for the succeeding twelve months. The rate per kilowatt for each month is one-twelfth of the annual rate determined by dividing the Local Network Service Annual Transmission Revenue Requirement calculated pursuant to the Attachment G formula, by FPL-NED's average monthly Local Network Transmission System Load (as defined in Section 22.3) for the prior calendar year.

Each Transmission Customer taking Non-Firm Local Point to Point Transmission Service shall pay the non-firm local point-to-point rate on the basis of the highest amount of Reserved Capacity for each transaction scheduled as Non-Firm Local Point to Point Transmission Service as follows:

- 1) **Yearly reservation:** one-twelfth of the annual rate per kilowatt of Reserved Capacity per year.
- 2) **Monthly reservation:** one-twelfth of the annual rate per kilowatt of Reserved Capacity per month.
- 3) **Weekly reservation:** $1/52^{\text{nd}}$ of the annual rate per kilowatt of Reserved Capacity per week.
- 4) **Daily reservation:** $1/7^{\text{th}}$ of the weekly rate per kilowatt of Reserved Capacity per day.
- 5) **Hourly reservation:** $1/24^{\text{th}}$ of the daily rate per kilowatt of Reserved Capacity per hour.

The total demand charge in any week, pursuant to a reservation for Daily delivery, shall not exceed the rate specified in section (3) above times the highest amount in kilowatts of Reserved Capacity in any day during such week.

The total demand charge in any day, pursuant to a reservation for Hourly delivery, shall not exceed the rate specified in section (4) above times the highest amount in kilowatts of Reserved Capacity in any hour during such day. In addition, the total demand charge in any week, pursuant to a reservation for Hourly or Daily delivery, shall not exceed the rate specified in section (3) above times the highest amount in kilowatts of Reserved Capacity in any hour during such week.

6) **Discounts:** Three principal requirements apply to discounts for transmission service as follows: (1) any offer of a discount made by FPL-NED must be announced to all Eligible Customers solely by posting on the OASIS; (2) any customer-initiated requests for discounts (including requests for use by FPL-NED's wholesale merchant or an affiliate's use) must occur solely by posting on the OASIS; and (3) once a discount is negotiated, details must be immediately posted on the OASIS. For any discount agreed upon for service on a path, from Point(s) of Receipt to Point(s) of Delivery, FPL-NED must offer the same discounted transmission service rate for the same time period to all Eligible Customers on all unconstrained transmission paths that go to the same Point(s) of Delivery on the Transmission System.

Exceeding Capacity Reservations and Unreserved Use: In the event the Transmission Customer exceeds the Capacity Reservation specified in the customer's transmission Service

Agreement as determined by FPL-NED, the Transmission Customer shall be retroactively

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charged an amount equal to 200% of the rates specified for Long and Short Term Firm Point to Point Transmission Service as specified in Schedule 7 of this Schedule 21-FPL-NED without any discount, if one is in place at the time, for any capacity exceeding the amount reserved.

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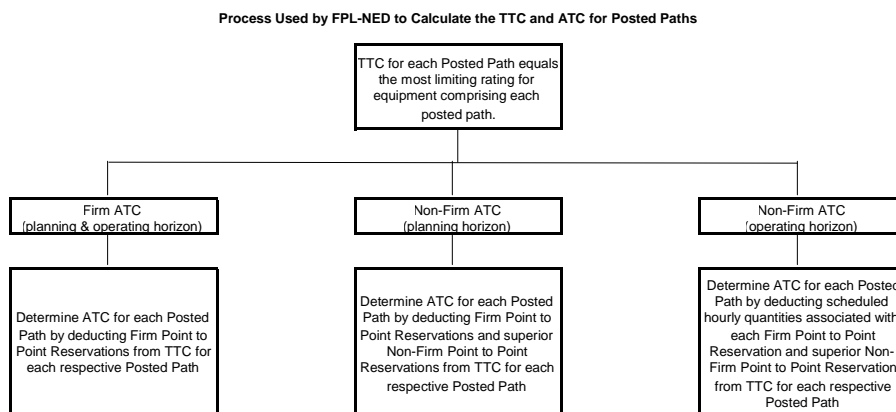
ATTACHMENT C

Methodology To Assess Available Transmission Capability

FPL-NED will respond to a valid request for Local Network and Local Point-To-Point Transmission Service by determining whether sufficient transfer capability is available to grant the request. All valid requests will be assigned a priority as set forth in the OATT. The Available Transmission Capability will be calculated based on a Contract Path Methodology, taking into account Total Transfer Capability, Transmission Reliability Margin, capacity reserved by FPL-NED to serve projected native load, existing and confirmed long-term firm transactions and all other requests consistent with the Tariff.

Total Transfer Capacity will be forecasted by FPL-NED and/or the Control Area Operator for posted paths using system models, load flow analysis and other engineering analyses, and in accordance with the FPL-NED Facilities Rating Methodology posted on the FPL-NED OASIS.

In determining Available Transmission Capacity FPL-NED will use Good Utility Practice, comply with applicable Control Area Operator criteria, rules and standards, utilize NPCC and NERC criteria and guidelines, and guidelines established by FPL-NED. The process used by FPL-NED to determine its Available Transmission Capacity is depicted by the following process flow diagram.



Notes:

1. TTC and ATC are calculated in accordance with FPL-NED's Facilities Ratings Methodology as posted on FPL-NED's OASIS.
2. FPL-NED has provided its Facilities Ratings Methodology and Facilities Ratings to ISO-NE.
3. TTC and ATC for Posted Paths relate to Point to Point Transmission Service taken over FPL-NED's Non-Pool Transmission Facilities.
4. TTC and ATC are not calculated and posted over Pool Transmission Facilities because Point to Point Transmission Service internal to New England is part of Regional Network Service and was eliminated from the ISO-NE Tariff as a stand-alone distinct service.
5. ISO-NE administers transmission service over all Pool Transmission Facilities.

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The algorithm used by FPL-NED to calculate its Available Transmission Capacity is as follows:

FPL-NED Local Service Available Transfer Capability (ATC)

- Firm/Non-Firm ATC = TTC (Total Transfer Capability); minus CBM (Capacity Benefit Margin); minus TRM (Transmission Reliability Margin); minus Transmission Service Capacity Reservation(s).
- Calculation of TTC shall equal: $\sqrt{3}$; times (operating voltage); times (ampere rating of the transmission facility).
- No Local Service capacity reservation is set aside on any non-PTF path for CBM or TRM.
- Local Service on non-Pool Transmission Facilities is currently provided for Seabrook Station Service only when there is no net generation out of the Seabrook Plant or upon failure of Generation Step Up Transformer (GSU).
- Total Existing Local Service Capacity Reservations for Seabrook Station Service: 6/1/04 through current = 50 MW. Such Local Service is provided over non-PTF paths: Path 1) Seabrook 345 kV Bus No. 2 to Seabrook Station Service; and Path 2) Seabrook 345 kV Switches 1603 - 1101 to 345 kV-GSU. These non-PTF paths are not available for additional Point-to-Point Service Requests, except to meet the needs of the Seabrook Station (e.g., increase in Station Service Requirements) due to the physical limitations of access to these specific 345 kV transmission facilities.
 - Firm TTC (Total Transfer Capability)/Non-Firm TTC (hourly, daily, weekly, monthly, yearly) over each Path 1 and Path 2, respectively, is: 1793 MVA/1793 MW
[TTC = $\sqrt{3}$ X 345 kV X 3000A]
 - Firm ATC/Non-Firm ATC (hourly, daily, weekly, monthly, yearly) over each Path 1 and Path 2, respectively, is: 1743 MVA/1743 MW [ATC = TTC ($\sqrt{3}$ X 345 kV X 3000A); minus CBM (0); minus TRM (0); minus Transmission Service Capacity Reservations (50 MW)]

• **Paths available for non-PTF Point-to-Point Service are:**

- Path 3) Seabrook 345 kV Switch Nos. 2201-2901 to Future Unit #2; and
- Path 4) Seabrook Sub. 345 kV Bus 1 to Future Tie - RAT Transformer

- Firm TTC/Non-Firm TTC over each path , respectively, (3 & 4, above) (hourly, daily, weekly, monthly, yearly) is: 1793 MVA/1793 MW [TTC = $\sqrt{3} \times 345 \text{ kV} \times 3000\text{A}$]

- Firm ATC/Non-Firm ATC (hourly, daily, weekly, monthly, yearly) over each path, respectively, (3 & 4, above) is: 1793 MVA/1793 MW [ATC = TTC ($\sqrt{3} \times 345 \text{ kV} \times 3000\text{A}$) - CBM (0) - TRM (0) - Transmission Service Capacity Reservations (0)]

Note: At present, there are no Transmission Service Capacity Reservations over Path 3) or Path 4).

ATTACHMENT D

Methodology for Completing a System Impact Study

FPL-NED (or its designated agent) may require System Impact Studies for the purpose of determining the feasibility of providing Transmission Service under this Tariff. All System Impact Studies will be coordinated with the Control Area Operator and completed using the same method employed by FPL-NED to provide Transmission Service to its affiliated customers. System Impact Studies associated with a request from an Eligible Customer for Interconnection Service shall be performed at the direction of the Control Area Operator pursuant to Schedule 22 of the ISO Tariff for generators with generating capacity of more than 20MW, and Schedule 23 of the ISO Tariff for generators with generating capacity of 20MW or less. System Impact Studies will be performed by applying NPCC Criteria and the "Reliability Standards of the New England Power Pool," or its successor, while assuring that FPL-NED's Native Load Customers and those loads directly interconnected to the Local Network Transmission System that are receiving transmission service can be served economically and reliably. All of the criteria, standards, and guidelines referenced above are included as part of the annual FERC Form 715 filing.

ATTACHMENTS E AND F

[RESERVED FOR FUTURE USE]

ATTACHMENT G

FORMULA FOR CALCULATING ANNUAL WHOLESALE TRANSMISSION REVENUE REQUIREMENTS

UNDER THE FLORIDA POWER & LIGHT COMPANY'S – NEW ENGLAND DIVISION SCHEDULE 21

This formula sets forth the details for determining each year's Annual Transmission Revenue Requirement for Florida Power & Light Company's ("FPL") – New England Division ("FPL-NED"). The Transmission Revenue Requirement reflects FPL-NED's cost to own, operate and maintain the transmission facilities used for providing Open Access Transmission Service to wholesale transmission customers in the New England Control Area under this Schedule 21-FPL-NED and the OATT. The Transmission Revenue Requirement will be an annual formula rate calculation, effective for an initial term commencing on the effective date established by FERC and ending on May 31, 2005, based on test year cost data for the period October 1, 2003 through December 31, 2003 reflecting costs as incurred by FPL-NED's affiliate, FPL Energy Seabrook, LLC, for owning, operating and maintaining the transmission facilities located in the New England Control Area during this initial test year period. Thereafter, FPL-NED's ATRR will be updated each June 1, based on FPL-NED's cost incurred during the previous calendar year as recorded in FPL's FERC Form 1 data, and based on actual data in lieu of allocated data, if specifically identified in FERC Form 1, using end-of-year balances for each rate base item, as further set forth below.

Notwithstanding the aforementioned, until such time as FPL Energy Seabrook, LLC has completed the transfer of the transmission facilities to FPL-NED for which this Schedule 21-FPL-NED pertains, FPL-NED's ATRR shall continue to be based on the cost incurred by FPL Energy Seabrook, LLC for owning, operating and maintaining the transmission facilities located in the New England Control Area. As such, all references to costs, expenses and investments attributable to FPL-NED contained in this formula, shall be deemed to refer to costs, expenses and investments attributable to FPL-NED or FPL Energy Seabrook, LLC, as applicable, to coincide with the date of such transfer. To facilitate the use of FPL Energy Seabrook, LLC's costs, expenses and investments for the purpose of deriving FPL-NED's ATRR pursuant to this Attachment G, all such FPL Energy Seabrook, LLC costs used in the determination of FPL-NED's ATRR shall be recorded in a format consistent with the FERC Uniform System of Accounts.

I. DEFINITIONS

Capitalized terms not otherwise defined in Section 1 of this Schedule 21- FPL-NED have the following definitions:

A. ALLOCATION FACTORS

1. Transmission Wages and Salaries Allocation Factor shall equal the ratio of FPL-NED's Transmission-related direct wages and salaries not otherwise assigned under this tariff, to FPL-NED's total direct wages and salaries excluding administrative and general wages and salaries.
2. Transmission Plant Allocation Factor shall be designed to ensure that no costs associated with the Seabrook Nuclear Generating Station properly functionalized as production costs or expenses are included in FPL-NED's ATRR, and therefore, prior to the Asset Transfer Date, shall equal the ratio of the sum of (1) Total Investment in Transmission Plant attributable to FPL-NED including the investment in the Generator Step-up Transformer, recorded in such Transmission Plant accounts, and (2) the balance of Transmission Related General and Intangible Plant attributable to FPL-NED, to Total Plant in Service attributable to FPL-NED, including the investment in the Generator Step-up Transformer. After the Asset Transfer Date, this Transmission Plant Allocation Factor shall be 1.00
3. LNS Plant Allocation Factor shall be designed to ensure that no costs associated with the Generator Step-up Transformer are included in FPL-NED's ATRR and shall equal the ratio of the sum of Total Investment in Transmission Plant attributable to FPL-NED, excluding the investment in the Generator Step-up Transformers, and the balance of Transmission Related General and Intangible Plant attributable to FPL-NED, to Total Transmission Plant in Service attributable to FPL-NED, including the investment in the Generator Step-up Transformer.

B. GENERAL TERMS

1. Administrative and General Expense shall equal expenses attributable to FPL NED as recorded in FERC Account Nos. 920-935, excluding Property Insurance recorded in FERC Account No. 924, Regulatory Commission Expense recorded in FERC Account No. 928 and General Advertising Expense recorded in FERC Account No. 930.1.
2. Amortization of Investment Tax Credits shall equal any credits attributable to

FPL-NED as recorded in FERC Account No. 411.4.

3. Asset Transfer Date shall be the date upon which FPL Energy Seabrook, LLC transfers its ownership in the Seabrook Transmission Substation to FPL.
4. Depreciation Expense for Transmission Plant shall equal the transmission depreciation expense attributable to FPL-NED as recorded in FERC Account No. 403. Annual Depreciation Expense for Transmission Plant shall be based on an annual rate of 3.12 percent per year for its initial year's revenue requirements and any change shall require Commission acceptance or approval.
5. Generator Step-up Transformers shall equal the investment in the generator step-up transformers used to interconnect the Seabrook Nuclear Generating Station to the Local Network Transmission System. Notwithstanding the transfer of said Generator Step-up Transformers from FPL Energy Seabrook, LLC to FPL-NED as a contribution of capital resulting in FPL-NED recording such at zero cost net book basis, for purposes of deriving the Transmission Plant Allocation Factor and the LNS Plant Allocation Factor, the investment in the Generator Step-up Transformers shall be equal to the original cost of said Generator Step-up Transformers as recorded by FPL Energy Seabrook, LLC and shall reflect any changes in that investment (i.e. retirements, replacements, additions, etc.) on a going-forward basis. Any future additional investment in the Generator Step-up Transformers shall be paid for as a direct assignment charge to FPL Energy Seabrook, LLC or its successors such that the net investment basis as recorded by FPL-NED shall continue to be zero.
6. Intangible and General Plant shall equal the gross plant balances attributable to FPL-NED as recorded in FERC Account Nos. 301-303 and 389-399.
7. Intangible and General Plant Amortization and Depreciation Expense shall equal any intangible and general plant amortization and depreciation expenses attributable to FPL-NED as recorded in FERC Account Nos. 404 and 403.
8. Intangible and General Plant Depreciation Reserve shall equal any intangible and general plant reserve balances attributable to FPL-NED as recorded in FERC Account Nos. 111 and 108.
9. Other Regulatory Assets/Liabilities - FAS 106 shall equal the net of FAS 106 balance attributable to FPL-NED as recorded in FERC Account 182.3 and any FAS 106 balance attributable to FPL-NED as recorded in FERC Account No. 254.

10. Other Regulatory Assets/Liabilities - FAS 109 shall equal the net of FAS 109 balance in FERC Account No. 182.3 and any FAS 109 balance in FERC Account 254 attributable to FPL-NED.
11. Payroll Taxes shall equal those payroll expenses attributable to FPL-NED as recorded in FERC Account Nos. 408.1.
12. Plant Held for Future Use shall equal the balance recorded in FERC Account No.105 attributable to FPL-NED.
13. Prepayments shall equal any prepayment balance attributable to FPL-NED as recorded in FERC Account No. 165.
14. Property Insurance shall equal expenses attributable to FPL-NED as recorded by FPL in FERC Account No. 924.
15. Total Accumulated Deferred Income Taxes shall equal the net of deferred tax balance attributable to FPL-NED as recorded in FERC Account Nos. 281-283 and the deferred tax balance attributable to FPL-NED as recorded in FERC Account No. 190.
16. Total Municipal Tax Expense shall equal the municipal tax expenses attributable to FPL-NED as recorded in FERC Account No. 408.1.
17. Total Plant in Service shall equal the total gross plant balance attributable to FPL-NED as recorded in FERC Account Nos. 301-399.
18. Total Transmission Depreciation Reserve shall equal the transmission reserve balance attributable to FPL-NED as recorded in FERC Account 108
19. Transmission Operation and Maintenance Expense shall equal the expenses attributable to FPL-NED as recorded in FERC Account Nos. 560 through 576.5, excluding those expenses for Load Dispatching in FERC Account 561 and excluding any amounts recorded in FERC Account No. 565 relating solely to NEPOOL & ISO Expense, and amounts recorded in FERC Account Nos. 566-576.5, excluding any expenses in support of other utilities' transmission facilities, i.e. Transmission Support Expenses, and excluding any operation and maintenance expenses associated with the Generator Step-up Transformers, which may be included in FERC Account Nos. 560-576.5.
20. Transmission Plant shall equal the Gross Plant balance attributable to FPL-NED as recorded in FERC Account Nos. 350-359.

21. Transmission Plant Materials and Supplies shall equal the balance as assigned to transmission and that is attributable to FPL-NED, as recorded in FERC Account No. 154.

II. CALCULATION OF TRANSMISSION REVENUE REQUIREMENTS

The Transmission Revenue Requirement shall equal the sum of the following cost components attributable to FPL-NED: (A) Investment Return and Associated Income Taxes, plus (B) Transmission Depreciation Expense, plus (C) Transmission Related Amortization of Investment Tax Credits, plus (D) Transmission Related Municipal Tax Expense, plus (E) Transmission Related Payroll Tax Expense, plus (F) Transmission Operation and Maintenance Expense, plus (G) Transmission Related Administrative and General Expenses, plus (H) Transmission Related Regulatory Assessments, plus (I) Transmission Support Expense, plus (J) NEPOOL & ISO Expense minus (K) Transmission Support Revenue, minus (L) ISO Revenues, minus (M) Other Wheeling Revenue, and minus (N) Transmission Rents Received from Electric Property.

A. Investment Return and Associated Income Taxes shall equal the product of the Transmission Investment Base and the Cost of Capital Rate.

1. Transmission Investment Base

The Transmission Investment Base will be the year end balances of (a) Transmission Plant, plus (b) Transmission Related Intangible and General Plant, plus (c) Transmission Plant Held for Future Use, less (d) Transmission Related Depreciation Reserve, less (e) Transmission Related Accumulated Deferred Taxes, plus (f) Other Regulatory Assets/Liabilities, plus (g) Transmission Prepayments, plus (h) Transmission Materials and Supplies, plus (i) Transmission Related Cash Working Capital.

(a) Transmission Plant will equal the balance of the Investment in Transmission Plant attributable to FPL-NED less any investment in the Generator Step-up Transformers. At December 31, 2003, Transmission Plant balance is \$28,195,111.

(b) Transmission Related Intangible and General Plant shall equal the sum of the investment in Intangible and General Plant attributable to FPL-NED multiplied by the Transmission Wages and Salaries Allocation Factor and further multiplied by the LNS Plant Allocation Factor. At December 31, 2003, Transmission Related Intangibles and General Plant Balances are zero.

(c) Transmission Plant Held for Future Use shall equal the balance of Transmission-related Plant Held for Future Use attributable to FPL-NED. To the extent any such amount relating to the Generator

Step-up Transformers exist in said balance of Total Plant Held for Future Use, such amounts shall be excluded by further multiplying said balance by the LNS Plant Allocation Factor. At December 31, 2003, the balance of Transmission Plant Held For Future Use is zero.

- (d) Transmission Related Depreciation Reserve shall equal the balance of Total Transmission Depreciation Reserve, plus the sum of the balance of Transmission Related Intangible and General Plant Depreciation Reserve, that are attributable to FPL-NED. To the extent any such amount relating to the Generator Step-up Transformers exists in said balance of Total Transmission Depreciation Reserve, such amounts shall be excluded by further multiplying said balance by the LNS Plant Allocation Factor. Transmission Related Intangible and General Plant Depreciation Reserve shall equal the product of Intangible and General Plant Depreciation Reserve attributable to FPL-NED multiplied by the Transmission Wages and Salaries Allocation Factor and further multiplied by the LNS Plant Allocation Factor. At December 31, 2003, Transmission Related Depreciation Reserve Balance is \$8,249,858.
- (e) Transmission Related Accumulated Deferred Taxes shall equal the balance of Total Accumulated Deferred Income Taxes attributable to FPL-NED. To the extent any such amount relating to the Generator Step-up Transformer exist in said balance of Total Accumulated Deferred Income Taxes, such amounts shall be excluded by further multiplying said balance of Transmission Related Accumulated Deferred Taxes by the LNS Plant Allocation Factor. At December 31, 2003, Transmission Related Accumulated Deferred Taxes is \$295,398.
- (f) Other Regulatory Assets/Liabilities shall equal the balance of any deferred rate recovery of FAS 106 expenses attributable to FPL-NED multiplied by the Transmission Wages and Salaries Allocation Factor and further multiplied by the LNS Allocation Factor, plus the balance of FAS 109 attributable to FPL-NED multiplied by the LNS Plant Allocation Factor. At December 31, 2003, Other Regulatory Assets/Liability is zero.
- (g) Transmission Prepayments shall equal the electric balance of prepayments attributable to FPL-NED multiplied by the

Transmission Wages and Salaries Allocation Factor and further multiplied by the LNS Allocation Factor. At December 31, 2003, Transmission Prepayments is \$1,374.

- (h) Transmission Materials and Supplies shall equal the electric balance of Plant Materials and Supplies attributable to FPL-NED multiplied by the Transmission Plant Allocation Factor. To the extent any such amount relating to the Generator Step-up Transformers exist in said balance of Transmission Materials and Supplies, such amounts shall be excluded by further multiplying said balance of Transmission Materials and Supplies by the LNS Plant Allocation Factor. At December 31, 2003, Transmission Materials and Supplies balance is zero.
- (i) Transmission Related Cash Working Capital shall be a 12.5% allowance (45 days/360 days) of Transmission Operation and Maintenance Expense, Transmission Related Administrative and General Expense and Transmission Support Expense, to the extent that Transmission Support Expense exceeds Transmission Support Revenue included in Paragraph K of the formula, as such expenses and revenues are attributable to FPL-NED.

2. Cost of Capital Rate

The Cost of Capital Rate will equal (a) FPL's Weighted Cost of Capital, plus (b) Federal Income Tax plus (c) State Income Tax.

- (a) The Weighted Cost of Capital will be calculated in accordance with the methodology specified in Section 35.13(h)(22) of Part 18 of the Code of Federal Regulations, *i.e.* Statement AV, based upon the capital structure for FPL at the end of each year and will equal the sum of:
 - (i) the long-term debt component, which equals the product of the actual weighted average embedded cost to maturity, including any unamortized discounts and premiums, and unamortized losses and gains on reacquired debt, and the ratio that long-term debt is to FPL's total capital.
 - (ii) the preferred stock component, which equals the product of the actual weighted average embedded cost to maturity of FPL's preferred stock then outstanding and the ratio that

preferred stock is to FPL's total capital.

(iii) the return on equity component, which equals the product of the Return on Equity of 10.9 percent and the ratio that common equity is to FPL's total capital.

(b) Federal Income Tax shall equal

$$\frac{(A+[(C+B)/D]) \times FT}{1 - FT}$$

Where FT is the Federal Income Tax Rate and A is the sum of the preferred stock component and the return on equity component, as determined in Sections II.A.2.(a)(ii) and (iii) above, B is Transmission Related Amortization of Investment Tax Credits, as determined in Section II.C. below, C is the Equity AFUDC component of Transmission Depreciation Expense, as defined in Section II.B., and D is Transmission Investment Base, as determined in II.A.1., above.

(c) State Income Tax shall equal

$$\frac{(A+[(C+B)/D] + \text{Federal Income Tax}) \times ST}{1 - ST}$$

where ST is the State Income Tax Rate, A is the sum of the preferred stock component and return on equity component determined in Sections II.A.2.(a)(ii) and (iii) above, B is the Amortization of Investment Tax Credits as determined in Section II.C. below, C is the equity AFUDC component of Transmission Depreciation Expense, as defined in Section II.B., D is the Transmission Investment Base, as determined in II.A.1., above and Federal Income Tax is the rate determined in Section II.A.2.(b) above.

B. Transmission Depreciation Expense shall equal the sum of Depreciation Expense for Transmission Plant attributable to FPL-NED, plus an allocation of Intangible and General Plant Depreciation Expense attributable to FPL-NED. To the extent any such amount relating to the Generator Step-up Transformers exist in said balance of Transmission Depreciation Expense, such amounts shall be excluded by further multiplying said balance of Transmission Depreciation Expense by the LNS Plant Allocation Factor. The allocated portion of Intangible and General Plant Depreciation Expense shall be calculated by multiplying Intangible and

General Plant Depreciation Expense by the Transmission Wages and Salaries Allocation Factor and further multiplied by the LNS Plant Allocation Factor.

- C. Transmission Related Amortization of Investment Tax Credits shall equal the electric Amortization of Investment Tax Credits attributable to FPL-NED, multiplied by the Transmission Plant Allocation Factor. To the extent any such amount relating to the Generator Step-up Transformers exist in said balance of Transmission Related Amortization of Investment Tax Credits, such amounts shall be excluded by further multiplying said balance of Transmission Related Amortization of Investment Tax Credits by the LNS Plant Allocation Factor.
- D. Transmission Related Municipal Tax Expense shall equal the total electric municipal tax expense attributable to FPL-NED multiplied by the Transmission Plant Allocation Factor and further multiplied by the LNS Plant Allocation Factor.
- E. Transmission Related Payroll Tax Expense shall equal the total payroll tax expense attributable to FPL-NED multiplied by the Transmission Wages and Salaries Allocation Factor and further multiplied by the LNS Transmission Plant Allocation Factor.
- F. Transmission Operation and Maintenance Expense shall equal the Transmission Operation and Maintenance Expenses attributable to FPL-NED and excluding any operation and maintenance expenses associated with the Generator Step-up Transformers, which may be included in FERC Account Nos. 560-576.5.
- G. Transmission Related Administrative and General Expenses shall equal the sum of (1) the Administrative and General Expenses attributable to FPL-NED multiplied by the Transmission Wages and Salaries Allocation Factor, (2) the Property Insurance attributable to FPL-NED multiplied by the Transmission Plant Allocation Factor, and (3) Expenses included in Account 928 related to FERC Regulatory Commission Expense attributable to FPL-NED multiplied by the Transmission Plant Allocation Factor, plus any other Federal and State transmission related expenses or assessments attributable to FPL-NED, plus specific transmission related General Advertising Expense included in Account 930.1 attributable to FPL-NED. The sum of these components (1) through (3) shall then be multiplied by the LNS Plant Allocation Factor.
- H. Transmission Related Regulatory Assessments shall include any FERC assessments associated with transmission service provided under the FPL-NED Tariff, based on the FERC regulations in 18 C.F.R. § 382.201, and as recorded in FERC Account No 408.

- I. Transmission Support Expense shall equal the expense for transmission support as incurred by FPL-NED.
- J. NEPOOL & ISO Expense shall equal FPL-NED's expense associated with charges assessed FPL-NED pursuant to the Tariff and/or the Restated NEPOOL Agreement.
- K. Transmission Support Revenues shall equal FPL-NED's revenue received for transmission support, excluding support revenues associated with generator step-up transformers included in Transmission Plant accounts attributable to FPL-NED, if any.
- L. ISO Revenues shall equal the revenues distributed to FPL-NED from the ISO, for network integration transmission service, internal point to point transmission service, and through and out transmission service provided under the OATT, but excluding any incremental revenues associated with FERC-approved ROE adders for RTO participation and for new transmission investment. Such amounts shall be reflected as forecast amounts in each monthly billing statement and shall be reconciled to such actual monthly revenues received by FPL-NED in the billing statement following the month in which such actual monthly revenues are received by FPL-NED, and shall be reconciled with interest as calculated pursuant to Section 35.19(a) of the Code of Federal Regulations for any over or under estimated amounts.
- M. Other Wheeling Revenues shall equal any revenues received by FPL-NED for providing wheeling out services to generators as well as any other short-term, non-firm, or unauthorized use penalty revenues received by FPL-NED associated with the provision of transmission services under this Tariff, not otherwise reflected in Section II . K above.
- N. Transmission Rents Received from Electric Property shall equal any Rents from electric property associated with Transmission Plant attributable to FPL-NED as defined in Section II.A.1.(a) above, not reflected in Section II. I. above as Transmission Support Revenues, and excluding support revenues associated with generator step-up transformers included in Transmission Plant accounts attributable to FPL-NED, if any.

ATTACHMENT L TO SCHEDULE 21 FPL - NED
CREDITWORTHINESS GUIDE

- A. **Credit Review:** For the purpose of determining the ability of a Transmission Customer to fulfill its financial obligations pursuant to the Tariff, the Transmission Provider shall require commercially reasonable credit review procedures. A creditworthiness review shall be conducted for each Transmission Customer upon its initial request for Transmission Service, and thereafter generally annually, or upon the anniversary of the Transmission Customer's Service Commencement Date, or upon reasonable request by the Transmission Customer. Provided, however, any time that a Transmission Customer experiences any credit downgrade that may place it below the standards specified in Section B, the Transmission Provider reserves the right to re-evaluate the Transmission Customer's creditworthiness pursuant to this Attachment L. Further, if in accordance with Section C.3, the Transmission Provider determines that financial assurances that a Transmission Customer has previously provided pursuant to this Attachment L have become insufficient to protect the Transmission Provider against the risk of non-payment, Transmission Provider can require the Transmission Customer to increase such financial assurances.
- B. **Creditworthiness:** Both new and existing Transmission Customers that, upon their application for Transmission Service and throughout the term of their Service Agreements, satisfy the criteria delineated in this Section B will be considered creditworthy by the Transmission Provider. Such Transmission Customers will not be required to submit financial assurances (including, with respect to new customers, the application deposits that would otherwise be required pursuant to either Sections 17.3 or 29.2 of the Tariff) in order to protect the Transmission Provider from the risk of non-payment. Pursuant to this Section B, if applicable, a Transmission Customer is creditworthy if it has not, pursuant to Section 7.3, Defaulted more than once in the last twelve (12) months and:
- B.1. has a Standard and Poor's ("S&P") Long-Term Issuer Credit Rating of BBB- (or better); or a Moody's Investor Service, Inc. ("Moody's") Long-Term Issuer Credit Rating of Baa3 (or better). In the event that a Transmission Customer or its guarantor is rated by both S&P and Moody's, then the Transmission Provider will use the lower of the two ratings; or
- B.2. is a borrower from the Rural Utilities Service ("RUS") and has a "Times Interest Earned Ratio" of 1.05 (or better) and a "Debt Service Coverage Ratio" of 1.00 (or better) in the most recent calendar year, or is maintaining the Times Interest Earned Ratio and Debt Service Coverage Ratio as established in the Transmission Customer's RUS

Mortgage. The Transmission Customer must provide appropriate documentation annually, or as agreed-upon by both parties; or

- B.3. is a federal agency and its financial obligations under the Tariff are backed by the full faith and credit of the United States; or
- B.4. is a municipal or state agency, or a rural electric cooperative (without RUS Debt) that:
 - B.4.i. if applicable, has been taking Transmission Service for one (1) year and has provided documentation that its financial obligations under the Tariff are backed by the full faith and credit of the municipality or state in which it is established; or
 - B.4.ii. has provided documentation that under the applicable laws of the state in which it is established, that its financial obligations under the Tariff are deemed to be operating expenses and that the agency or the electric cooperative is required by such applicable laws to devote its revenues first to the payment of its operating and maintenance expenses and the principal and interest of its outstanding obligations prior to payment of all other obligations; or
- B.5. the Transmission Customer provides a letter of unconditional and continuing guaranty from its parent company. Such letter of guaranty must be acceptable to the Transmission Provider as to form and substance and can be used only if the guarantor meets, at the time of execution and maintains during the life of the applicable Service Agreement, a minimum credit rating as stated in Section B1. However, to the extent that the guarantor is placed on watch for possible downgrade and has: i) a S&P Long-Term Issuer Credit Rating of BBB (or below); or ii) a Moody's Long-Term Issuer Credit Rating of Baa2 (or below), then the Transmission Customer will be required to provide additional financial assurances as provided in this Attachment L. A draft, acceptable form of a continuing guaranty shall be posted on OASIS; or
- B.6. the Transmission Customer has been in business for at least one (1) year and provides its most recent audited financial statements to the Transmission Provider which demonstrate that the Transmission Customer meets standards that are at least equivalent to the standards underlying a S&P Long-Term Issuer Credit Rating of BBB- (or better) or a Moody's Long-Term Issuer Credit Rating Baa3 (or better); provided that if the Transmission Customer is not found to be creditworthy pursuant to this Section B.6, then pursuant to Section C.5, the Transmission Provider will inform the Transmission Customer of the reasons for that determination.

C. **Creditworthiness Procedures:** The Transmission Provider shall require financial assurances in accordance with the procedures set forth below:

- C.1. **New Transmission Service:** Upon its execution of a Transmission Service Agreement, a new Transmission Customer (or an existing Transmission Customer

requesting new service) that does not meet the creditworthiness requirements established in Section B shall either:

C.1.i. provide an unconditional and irrevocable standby letter of credit, or an alternative form of security identified in Section E, in an amount equal to two (2) times the estimated charges for transmission and ancillary services including losses (rounded to the nearest thousand dollar increment) for an average month for that type of service.

C.1.i.a.1. Provided, however, uncreditworthy customers applying for Non-Firm Point-to-Point Transmission Service shall provide an unconditional and irrevocable standby letter of credit, or an alternative form of security identified in Section E, in an amount equal to three (3) times the estimated charges for transmission and ancillary services including losses (rounded to the nearest thousand dollar increment) for an average month for that type of service.

C.1.i.a.2. The estimated average monthly charge for Long-Term Firm Point-to-Point and Network Integration Transmission Service shall be based on the Long-Term Firm Point-to-Point Transmission Service rate for the reserved capacity or the load being served, respectively. Any letter of credit provided by a Transmission Customer must be acceptable to the Transmission Provider and consistent with the Commercial practices established by the Uniform Commercial Code. All costs associated with the issuance and maintenance of a letter of credit shall be paid by the Transmission Customer. A draft, acceptable form of a letter of credit shall be posted on OASIS; or

C.1.ii. arrange to prepay for Transmission Service as follows:

C.1.ii.a. For requests with a term greater than one month, the prepayment for the first month must be made when the Transmission Customer makes its reservation for that Transmission Service request, and no later than five (5) business days before the commencement of service. Prepayments for the subsequent months of service must be made no later than five (5) business days prior to the beginning of each month;

C.1.ii.b. For service for one (1) month or less, the Transmission Customer shall pay the total charge for service when it makes the request, and no later than five (5) business days prior to the commencement of service. For Network Integration Transmission Service customers, the advance payment for each month shall be based on a reasonable estimate by the Transmission Provider of the charge for that month. The Transmission Provider shall pay interest on any prepayments made pursuant to this Section C.1(ii) at the rates established in 18 C.F.R. § 35.19a(2)(iii).

Where applicable, all uncreditworthy customers applying for new service that fail to meet Section B's creditworthiness criteria shall also pay the application deposits required by either Sections 17.3 or 29.2 of the Tariff.

C.2. Existing Transmission Customers: Any Transmission Customer that originally meets the creditworthiness requirements of Section B and subsequently fails to meet those requirements after it requests Transmission Service but before termination of that service shall:

C.2.i. Within five (5) business days of receipt of a notice from the Transmission Provider, provide the Transmission Provider an acceptable form of financial assurance permitted by this Attachment L that is equal to the Transmission Customer's average monthly Transmission Services charge for the applicable Transmission Service; and

C.2.ii. Within thirty-five (35) calendar days of such notification, provide the Transmission Provider either: (a) an unconditional and irrevocable letter of credit that is equal to two (2) times the Transmission Customer's average monthly Transmission Services charge for the applicable Transmission Service, including losses; or (b) an equivalent alternate form of financial assurance pursuant to Section E; or

C.2.iii. arrange to prepay for Transmission Service in accordance with the procedures set forth in Section C.1(ii). Provided, however, the Transmission Customer must provide the Transmission Provider payment for all outstanding Transmission Service charges no later than five (5) business days prior to the beginning of the next month.

C.3. The average monthly Transmission Service charge for Sections C.2 (i) and (ii) will be based on the Transmission Customer's charges during the preceding twelve (12) months for the applicable Transmission Service. If the Transmission Customer has not yet been purchasing service for twelve (12) months, then the average will be the higher of either: (a) the average of the monthly cost of service to date; or (b) the average value specified in Section C.1.

C.4. Right to Protect Against Additional Risk of Non-payment: All financial assurances calculated and collected pursuant to Sections C.1 and C.2 must be sufficient to protect the Transmission Provider from the risk of non-payment with respect to an uncreditworthy Transmission Customer during the entire term of such customer's Transmission Service Agreement. Accordingly, after an uncreditworthy customer has provided the Transmission Provider financial assurances pursuant to Sections C.1 or C.2, the Transmission Provider will monitor the amount of such customer's Transmission Services charges to ensure that it has provided a sufficient amount of security to protect the Transmission Provider against the risk of non-payment. If a Transmission Customer is not in Default pursuant to Section 7.3, then the Transmission Customer shall provide the adjusted amount of financial assurances required pursuant to this Section C.3 within

thirty-five (35) calendar days of receipt of a notice from the Transmission Provider. A Transmission Customer will not be required to adjust its financial assurances pursuant to this Section C.3 more than twice every twelve (12) months.

C.4.i. Adjustment of Financial Assurances Provided Pursuant to Section C.1: If a Transmission Customer provided security when initially applying for service pursuant to Section C.1 and the Transmission Provider determines that the Transmission Customer's actual average monthly Transmission Services charges over any subsequent twelve (12) month period exceed the original average estimated charges for transmission and ancillary services upon which a financial assurance initially was based, then the Transmission Customer must increase its financial assurance to be equal to three (3) times its current actual average monthly purchases of Transmission Service. The value of the actual average monthly purchases of Transmission Services evaluated pursuant to this Section C.3.i will be based on the preceding twelve (12) month period as measured from the date immediately prior to the Transmission Provider's credit re-evaluation. Pursuant to Section C.1, the sum of any required security will include, where applicable, any application deposits required pursuant to Sections 17.3 or 29.2.

C.4.ii. Adjustment of Financial Assurances Provided Pursuant to Section C.2: If a Transmission Customer provided security pursuant to Section C.2 and the Transmission Provider determines that the customer's actual average monthly purchases of Transmission Services over a subsequent twelve (12) month period exceed the original monthly average for charges for transmission and ancillary services upon which the amount of a financial assurance initially was based, then the Transmission Customer must increase the amount of its financial assurance to be equal to three (3) times its actual average purchases of Transmission Service. The value of the actual average monthly purchases of Transmission Services evaluated pursuant to this Section C.3.ii will be based on the preceding twelve (12) month period as measured from the date immediately prior to the Transmission Provider's credit reevaluation.

C.4.iii. Transmission Customer Right To Request A Credit Reevaluation: Transmission Customers may make reasonable requests for the Transmission Provider to re-evaluate their creditworthiness pursuant to the relevant standard established in either Section C.4.i or C.4.ii. Based on such a re-evaluation, if appropriate, the Transmission Provider will reduce the amount of financial security requested from a Transmission Customer if an analysis of its transmission usage over the preceding twelve (12) month period indicates that the customer has provided security in excess of that required by this Attachment L.

C.4.iv. Right to Draw Upon Financial Assurances Upon Default: The Transmission Provider has the right to liquidate, or draw upon, all or a portion of a Transmission

Customer's form of financial assurance(s) in order to satisfy a Transmission Customer's total net obligations to the Transmission Provider upon a Default pursuant to Section 7.3 of the Tariff. A Transmission Customer shall replace any liquidated, or drawn-upon, financial assurances pursuant to the timeframe delineated in Section C.2.

- C.5. **Notice:** The Transmission Provider's notification to a Transmission Customer will inform the Transmission Customer:
- C.5.i. that it is not creditworthy pursuant to this Attachment L, or in accordance with Section C.3, that it must adjust previously provided financial assurances;
 - C.5.ii. why it is not creditworthy or why it must adjust previously provided financial assurances;
 - C.5.iii. that it must provide any required financial assurances by the deadlines specified in the notice; and
 - C.5.iv. that the Transmission Provider may take corrective actions, including suspension of service pursuant to Section D, if the Transmission Customer fails to provide the required financial assurances by the specified deadlines.

All notices sent to a Transmission Customer pursuant to this Section C.5 shall be in writing and shall be sent to the Transmission Customer by telefax or overnight courier at the respective telephone number or courier address specified in the Transmission Customer's application for Transmission Service (or such other address as the Transmission Customer may have designated in writing to the Transmission Provider) and shall become effective upon actual receipt as evidenced by telefax confirmation sheet or tracking information provided by the overnight courier, as the case may be.

- D. **Suspension of Service:** The Transmission Provider may suspend Transmission Service if:
- D.1. a Transmission Customer that is not in Default pursuant to Section 7.3 of this Tariff fails to provide the entirety of three (3) months of required financial assurances (or the entirety of any additional financial assurances required pursuant to Section C.3 or C.4) within thirty-five (35) calendar days after Transmission Provider's notification to such Transmission Customer pursuant to Section C.3. Transmission Provider will provide at least thirty (30) calendar days written notice to the Commission before suspending Transmission Service; or
 - D.2. a Transmission Customer that is in Default pursuant to Section 7.3 of this Tariff fails to provide the entirety of the one month's requested financial assurance within five (5) business days after the Transmission Provider's notification to such Transmission

Customer pursuant to Section C. Transmission Provider will provide five (5) calendar days written notice to the Commission before suspending Transmission Service. Any notices sent to the Transmission Customer and to the Commission pursuant to this Section D may be telefaxed/mailed concurrently. The suspension of service shall continue only for as long as the circumstances that entitle the Transmission Provider to suspend service continue. A Transmission Customer is not obligated to pay for Transmission Service that is not provided as a result of a suspension of service.

E. **Alternative Forms of Financial Assurance:** Transmission Customer may provide the following as acceptable alternative forms of financial assurance in the amounts specified in Sections C.1 or C.2:

E.1. **Cash Deposit:** The Transmission Customer may provide a cash deposit that will be retained during the term of (and until full and final payment and performance of) any relevant Service Agreement. If a Transmission Customer has submitted multiple requests for Transmission Service, then the Transmission Provider may require a cash deposit for each Service Agreement. Cash deposits submitted as a form of financial assurance will be held by the Transmission Provider and the Transmission Customer will be paid an interest rate that is equal to the interest rate earned on the escrow account in which the cash deposit is held. The cash deposit can be made by wiring immediately available funds to the Transmission Provider's account.

E.2. **Surety Bond:** The Transmission Customer may provide, and maintain in effect during the term of (and until full and final payment and performance of) the applicable Service Agreement, a surety bond issued by a financial institution acceptable to Transmission Provider. If a Transmission Customer has submitted multiple requests for Transmission Service, then the Transmission Provider may require a surety bond for each Service Agreement. All costs associated with the issuance and maintenance of a surety bond shall be paid by the Transmission Customer. A draft, acceptable form of a surety bond shall be posted on OASIS.

F. **Return of Financial Assurances upon Re-establishment of Creditworthiness:** If a Transmission Customer re-establishes creditworthiness pursuant to Section B, then upon verification by Transmission Provider, all financial assurances will be returned (or terminated, if applicable) to the Transmission Customer with interest (if applicable), upon payment of all past due balances to the Transmission Provider pursuant to the Tariff.

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