



Stephen J. Rourke
Vice President, System Planning

May 4, 2010

Mr. Gregory Sullivan
NSTAR Electric Company
One NSTAR Way
Westwood, MA 02090

Re: TCA Application NSTAR-08-TCA-03: Request for Pool-Supported PTF Cost Treatment for Short Term Lower SEMA Upgrades; ISO New England Written Findings and Determination

Dear Mr. Sullivan:

This letter is being sent in accordance with Section 1 of Schedule 12C of Part II of the ISO New England Inc. ("ISO") Transmission, Markets and Services Tariff (the "ISO Tariff") and ISO Planning Procedure No. 4.¹

I. BACKGROUND AND TCA APPLICATION

On November 5, 2008, NSTAR Electric ("NSTAR") filed a Transmission Cost Allocation ("TCA") application² pursuant to Section 12C of the ISO Tariff for Short Term Lower Southeast Massachusetts ("SEMA") Upgrades (the "Project"). This TCA Application requested recovery of \$86,590,752 in Pool Transmission Facility ("PTF") costs associated with the expansion of the Carver Street Substation, addition of a second 115 kV transmission line from the Carver substation to the Tremont substation, expansion of the Barnstable 115 kV Substation and the installation of a Static VAR Compensator dynamic control device.³ As required by Schedule 12C, NSTAR identified transmission alternatives to its preferred Project (i.e., the Project actually being built). In support of the need for this Project and the preferred alternative, NSTAR also provided information regarding the Settlement Agreement⁴ that was executed on May 18, 2007 to resolve the dispatch cost of the two Canal generating units in the SEMA Area. Since January 2006, the

¹ Capitalized terms not defined in this letter have the meaning ascribed thereto in the ISO Open Access Transmission Tariff (the "ISO OATT"), which is Section II of the ISO Tariff.

² New England Power submitted two TCA applications for their work associated with this Project, specifically NEP-08-TCA-14 and NEP-08-TCA-15. These applications will have separate determination letters.

³ As defined in Proposed Plan Applications NSTAR-07-T07 through NSTAR-07-T11 and NSTAR-07-T12 Rev 1.

⁴ Information on the Settlement Agreement can be found on the ISO website at: http://www.iso-ne.com/committees/comm_wkgrps/relbty_comm/relbty/mtrls/2008/jul21222008/index.html

Canal generating units have been operating “out-of-merit” and have been needed to maintain adequate reliability by providing second contingency protection for SEMA.

II. RELIABILITY COMMITTEE EVALUATION

Pursuant to Schedule 12C, the RC reviewed the subject TCA Application and, on December 18, 2008, NSTAR requested consideration of the subject TCA Application. The RC considered a motion to recommend that the ISO approve NSTAR’s TCA Application to treat the estimated Pool-Supported PTF costs of \$86,590,752 as Pool-Supported PTF costs.⁵ The motion passed on a show of hands with none opposed, one abstention in the Generation Sector and one abstention in the Supplier Sector.

III. ISO-NE ANALYSES AND DETERMINATION

In order to determine whether the \$86,590,752 requested amount should be recovered through the regional transmission rate as Pool-Supported PTF costs, the ISO considered, with advisory input from the RC, the reasonableness of the proposed design and construction method with respect to Good Utility Practice; current engineering design and construction practices in the area in which the Project is being built; appropriate expansion for load growth; practical and feasible transmission alternatives; and the relative costs, operation, efficiency, reliability and timing of implementation of the proposed Project.

The ISO has examined the TCA Application and supporting material provided. Further, the ISO has considered all materials distributed by NSTAR at various RC meetings,⁶ with emphasis on determining if there are any areas of Localized Costs.

To better understand the Project costs and potential areas of Localized Costs, the ISO issued a data request letter to NSTAR on July 24, 2009. This data request focused on the choice of a Static VAR Compensator (“SVC”) dynamic voltage control device over the originally planned STATCOM device, if there will be operational differences with the SVC and if the device will still be required for the Long Term Lower SEMA upgrades.

The ISO had requested information from NSTAR on why they chose to use an SVC system instead of the STATCOM that was in the original Proposed Plan Application. NSTAR responded on August 14, 2009 explaining that they did not go into the process with a pre-disposed solution but rather issued a Request for Proposal that yielded seven bids. NSTAR retained two expert consultants to assist in the evaluation of the bids, and it was decided that the SVC would best address the contingency related to voltage collapse. Furthermore, of the seven bids that were received by NSTAR there were no STATCOM devices.

⁵ No Non-PTF costs were identified by NSTAR in the TCA application

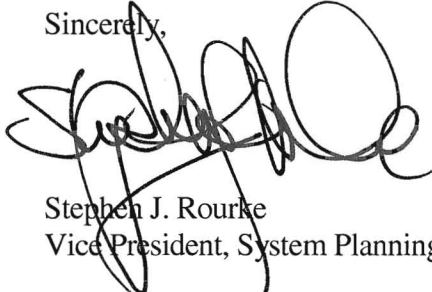
⁶ November 21, 2008 & December 18, 2008

Mr. Gregory Sullivan
May 4, 2010
Page 3 of 3

IV. CONCLUSION

In summary, the ISO finds \$86,590,752 as Pool-Supported PTF Costs and that there are no Localized Costs. The reasons identified for this determination are consistent with the criteria set forth in Schedule 12C of the ISO OATT for receiving regional support and inclusion in Pool-Supported PTF rates.

Sincerely,

A handwritten signature in black ink, appearing to read "Stephen J. Rourke", written over a large, stylized circular scribble.

Stephen J. Rourke
Vice President, System Planning

cc: TCApps
Reliability Committee