2021 Financial Report

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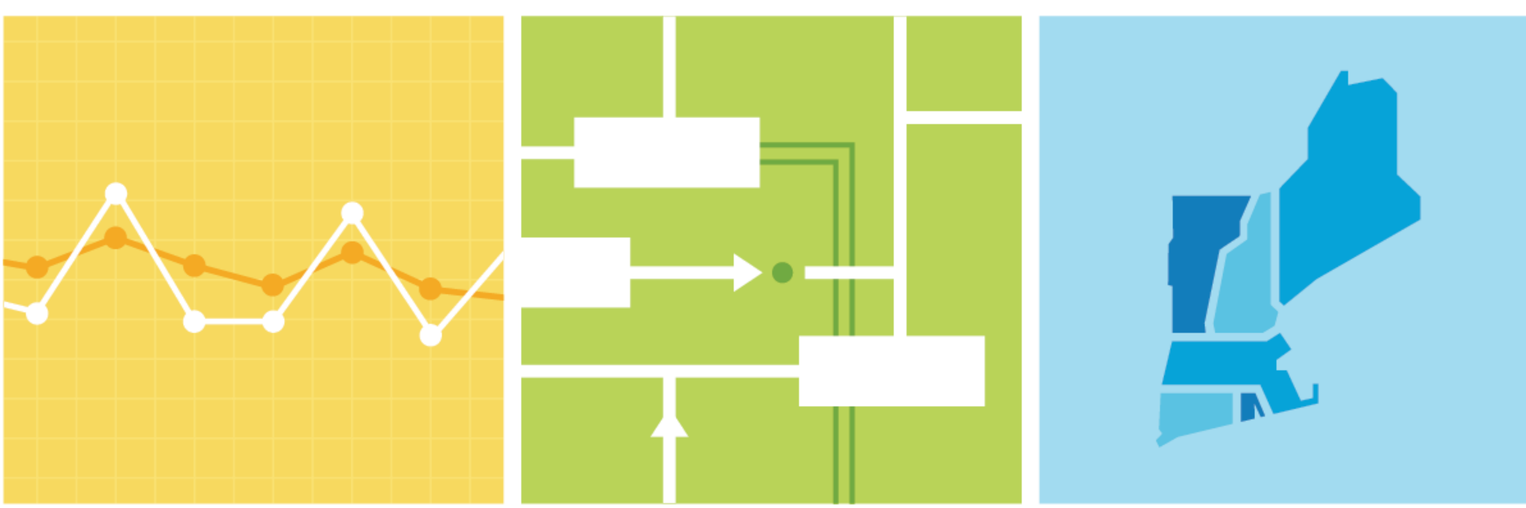

Contents

Figure

Tables

2021 Financial Statements

Letter from the CEO

ISO New England is pleased to issue its 2021Financial Report. As the not-for-profit Regional Transmission Organization for New England, the ISO measures success by our ability to deliver high-quality service within a framework of fiscal responsibility and best practices.

This document includes a summary of last year's operations and our financial position, as well as our financial statements audited by independent public accounting firm KPMG LLP. In addition to discussing the complex day-to-day operations we perform in service to the region, this report reflects expenditures for our extensive project work identified through a rigorous annual budgeting process. This process involves iterative input from New England state agencies and the New England Power Pool (NEPOOL), strong oversight from the ISO New England Board of Directors, and review and approval by the Federal Energy Regulatory Commission (FERC) (see www.iso-ne.com/budget). Some of these refinements and enhancements help address ongoing changes in and challenges to the region's electric power system, while others facilitate informed participation or introduce technological innovations and efficiencies that help the ISO provide even more value for the region.

New England's electricity industry is always moving forward, so planning for change is an inherent strength of the ISO. While the majority of our staff continued to work remotely during the second year of the COVID-19 pandemic, the focus remained the same. In 2021, we worked on projects and initiatives aimed at harnessing the power of competition and advanced technologies to reliably plan and operate the grid as the region transitions to clean energy.

We also began to educate stakeholders about the 'four pillars'—*significant amounts of renewable resources to meet decarbonization goals*, *wholesale markets structured to integrate and maintain both renewable and balancing resources*, *a reliable fuel supply or energy storage reserve*, and *a robust transmission system*—all needed to ensure New England's successful clean energy transition. Recruiting exceptional talent will remain a top priority throughout our clean energy journey, so the ISO continued to pursue our diversity and inclusion efforts to attract more women, minority, and veteran applicants.

On behalf of ISO New England, I thank the market participants, federal and state officials, and other electricity stakeholders for their participation and support of our mission. ISO New England has been able to maintain its reliability, markets, and planning functions without interruption through the COVID-19 pandemic, and further, completed and started a number of important new initiatives.

Going forward, we will need to be both flexible and resilient, and we will have to work together to address the numerous challenges in our rapidly evolving industry. Your collaborative spirit and support is instrumental to the ISO's mission of ensuring a reliable supply of electricity to support the region's prosperity and progress.

Sincerely,

GvanWelie

Gordon van Welie
President and Chief Executive Officer

Management's Discussion and Analysis

The Company

ISO New England Inc. (ISO) is the Regional Transmission Organization (RTO) serving Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont. The ISO's mission, in collaboration with its stakeholders, is to ensure that New England has reliable, competitively priced wholesale electricity through three critical and interconnected responsibilities:

- Reliably operate New England's bulk electric power system, economically dispatching and directing the generation and flow of electricity minute-to-minute across the region's interstate high-voltage transmission lines, thereby ensuring the constant availability of electricity for consumers
- Develop and administer New England's billion-dollar competitive wholesale electricity markets that provide reliability and efficiency benefits for consumers
- Manage comprehensive, long-term bulk electric power system planning that analyzes system needs over the next 10-year period and considers and incorporates federal and state policies

On January 13, 2014, the ISO, along with several Eastern Interconnection reliability coordinators (RCs), became a member of a newly formed entity, Eastern Interconnect Data Sharing Network, Inc. (EIDSN).[1] EIDSN is a 501(c)(6) nonstock, nonprofit corporation established to, among other things, facilitate the secure, consistent, effective, and efficient sharing of important electricity transmission and operational data among and between its members and other applicable parties to help improve electricity industry operations and promote the reliable and efficient operation of the Eastern Interconnection.[2]

Current Environment

ISO New England identified strategic goals for 2021 and beyond in alignment with a refreshed vision statement:

> *To harness the power of competition and advanced technologies to reliably plan and operate the grid as the region transitions to clean energy*.

The ISO will continue to focus on achieving the three critical elements of its mission: reliable operations, efficient wholesale electricity markets, and comprehensive bulk power system planning. Strategic initiatives and projects for 2022 will support these roles and target the ISO's updated vision.

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[1] According to the North American Electric Reliability Corporation (NERC) a *reliability coordinator* (RC) is an entity with the highest level of authority for reliably operating the bulk electric power system, including the authority to prevent or mitigate emergency operating situations in next-day and real-time operations. The ISO has registered with NERC as an RC and is responsible for complying with NERC standards applicable to an RC.

[2] The *Eastern Interconnection* is one of two major alternating current (AC) power grids in North America spanning from central Canada eastward to the Atlantic coast (excluding Québec), south to Florida, and west to the foot of the Rocky Mountains (excluding most of Texas-the portion in the Electric Reliability Corporation of Texas) that, during normal system conditions, interconnects transmission and distribution infrastructure and operates at a synchronized frequency of 60 hertz (Hz) average. The Eastern Interconnection connects to the Western Interconnection, the Texas Interconnection, and the Québec Interconnection generally through numerous high-voltage DC transmission lines.

Strategic goals and supporting initiatives for 2022 and beyond include:

- ***Develop Responsive Market Designs:*** *Improve the current market structure and continue to evolve and reposition the market design to accommodate the states' objectives and the transition to high levels of renewable and distributed resources. Maintain a robust fleet of balancing resources and preserve the ability of the market to attract new entry*.
  - Assess resource capacity contributions (i.e., effective load carrying capability) toward meeting the Northeast Power Coordinating Council's (NPCC) definition of *"One day in 10 years"* resource adequacy standard, with the goal of creating a new framework that appropriately recognizes the marginal value of each resource's contribution to reliability
  - Pathways to the Future Grid: Evaluate different market design options, solicit feedback, and develop a consensus-driven market design to support a resource mix that meets the New England states' decarbonization goals

- ***Promote Progress and Innovation:*** *Evolve capabilities to support the power grid as the region transitions to clean energy: improve power system and market modeling; support investments in transmission infrastructure to enable renewable energy; facilitate the integration of distributed energy resources; and provide data and information-based services.*
  - Evaluate extreme weather events and potential operational impacts to the New England power system, including any additional protections needed to protect against extreme risks
  - Enhance modeling capabilities for new technologies and distributed resources to keep pace with an evolving power system
  - Research and develop energy and battery storage market modeling enhancements to more efficiently integrate fast-responding storage resources into the energy and ancillary markets

- ***Achieve Operational Excellence:*** *Continuously improve operations and processes, with a focus on efficiency and effectiveness, business results, and continuity of operations.*
  - Modernize ISO's market application suite, Market Clearing Engine, Forward Capacity Market Tracking System, and other core systems and databases
  - Maintain reliable and secure Information Technology (IT) systems and mitigate associated IT and cyber security risks, including added protections against ransomware
  - Increase quantities of IT storage and network devices

- ***Support Stakeholder Engagement:*** *Collaboratively understand and anticipate needs, demonstrate thought leadership through high quality analysis and communication, and nurture productive relationships with FERC, the states, and market participants.*
  - Future Grid Reliability Study: Evaluate stakeholder-driven scenarios to determine if new products or resource attributes may be required to continue to reliably operate the grid as the region moves toward decarbonization
  - Respond to stakeholders: educate and increase stakeholder awareness of impacts to the reliable operation of the regional power system and wholesale markets of ongoing and relevant industry, regulatory, and policy trends

- Communicate potential tariff changes from adoption of new practices and longer-term (>10 year) studies
- Reinforce ISO's identity as an independent system operator and share best practices with the industry and region

- ***Attract, Develop, and Retain Talent:***
    - Develop a sense of internal community around our mission, vision, values, that is part ofour strategic goals; prepare and train the workforce; recognize and reward employees' success and innovation; and honor diversity and promote inclusion (see ISO Employees, Workplace and Communities further in this report)
    - Support the development of managerial, leadership, interpersonal, and business skills in the context of the "post-pandemic" work environment

Critical Accounting Estimates

ISO New England's management must conduct the following tasks to prepare the company's financial statements, conforming to accounting principles generally accepted in the United States (U.S.):

- Make estimates and assumptions that affect the reported amounts of assets and liabilities
- Disclose contingent assets and liabilities on the date of the financial statements
- Report the amounts of revenues and expenses during the reporting period

Significant items subject to such estimates and assumptions include the useful lives of fixed assets; pension and post-retirement benefits, including earnings rates, discount rates, healthcare cost trends, and reserve for employee-benefit obligations; and other contingencies.

Accounting Policies

The ISO implemented *Sarbanes-Oxley 302* (SOX 302) compliance in 2003. SOX 302 is a set of internal procedures designed to promote accurate financial disclosure as well as the disclosure of material information about the ISO, to its signing officers. In 2009, the ISO added a critical vendor matrix to its SOX 302 disclosure. This matrix, prepared by the ISO's vice president of Information Services and chief operating officer (COO), identifies those companies that provide very specialized goods or services to the ISO. The critical vendor matrix identifies the risk, as well as a mitigation plan for the risk, where applicable. The ISO also developed disclosure checklists that represent the essential internal controls for maintaining financial accuracy. Department managers, senior officers, and the ISO's chief executive officer (CEO) complete these disclosure checklists quarterly. The ISO's chief financial officer (CFO) reports the results of the disclosures and matrices quarterly to the Audit and Finance Committee of the ISO's board of directors. The Audit and Finance Committee must review the SOX 302 disclosure before the release of the quarterly unaudited financial statements.

In 2010, the ISO implemented a modified internal *Sarbanes-Oxley 404* (SOX 404) compliance process to complement the SOX 302 procedures. For SOX 404 compliance, the ISO evaluates the control environment associated with financial reporting. To perform this evaluation, the ISO developed a principle evaluation matrixthat contains specific questions covering each of the seven principles addressing the control environment component of guidance from the Committee of Sponsoring Organizations of the Treadway

Commission (COSO, 1992 framework).[3] Key individuals in the company complete the matrix annually, and the CEO and CFO review it for completeness and effectiveness. In addition, the ISO's controller and director of accounting annually assesses the Statement of Financial Position and the Statement of Activities to measure the risk of fraud, control, and various other risk profiles that certain accounts and activities have. The CEO and CFO review the results of the risk assessment and make recommendations for additional controls, as needed.

Tariff Recovery of Costs/Promoting Sound Governance

Each year since its inception, the ISO has filed a new tariff with FERC to recover its operating costs and fund its capital expenditure program for the subsequent year. The ISO's funding-recovery process is defined in Section IV of the *ISO New England Inc. Transmission, Markets, and Services Tariff* (ISO tariff).[4] The funding-recovery process begins with the development of the annual budgets, which ultimately become the revenue requirement collected under Section IV.A, Recovery of ISO Administrative Expenses, of the ISO tariff and the anticipated capital expenditures. The ISO executes a rigorous process to ensure that the budgets submitted to stakeholders for review, and to FERC for approval, align with the ISO's initiatives and goals and are just and reasonable.

Development of the Budget

The ISO's budgets are based on strategic planning goals established for the coming five years. Senior management begins to develop the strategic plan at the start of the preceding budget year. Senior management reviews the plan with the ISO board of directors and stakeholders in the spring and early summer, before establishing detailed administrative costs and capital budgets. ISO representatives meet with and obtain feedback from members of the New England Power Pool (NEPOOL), New England Conference of Public Utilities Commissioners (NECPUC), New England States Committee on Electricity (NESCOE), other state officials, and additional interested stakeholders.

In July of each year, the ISO's department managers submit their detailed budgets based on the strategic plan. Senior managers, including the CFO and CEO, review the department budgets, which are then adjusted as needed. The ISO prepares a comprehensive presentation for review and amendment by the ISO's Board Audit and Finance Committee. The presentation includes information on the budget process, new initiatives, summarized budget data, budget details, depreciation and interest rates, the capital budget (with explanations for each project), cash flow and pro forma financial projections for future years, and a comparison of cost data and services provided by other Independent System Operators and Regional Transmission Organizations.

The administrative costs and capital budgets are presented in August to the NEPOOL Budget and Finance Subcommittee for review, input, and recommendation to the NEPOOL Participants Committee, which reviews and votes on the budgets at its October meeting. During this August-to-October timeframe, the ISO representatives solicit input on the budgets from state officials. The ISO's full board of directors then must

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[3] The Committee of Sponsoring Organizations of the Treadway Commission is a joint initiative of the American Accounting Association, American Institute of Certified Public Accountants, Financial Executives International, American Association of Accountants and Financial Professionals in Business, and Institute of Internal Auditors, which develop frameworks and guidance on enterprise risk management, internal control, and fraud deterrence; see https://www.coso.org.

[4] *ISO New England Inc. Transmission, Markets, and Services Tariff* (ISO tariff), Section IV (2020), www.iso-ne.com/participate/rules-procedures/tariff.

approve the budgets in October of each year before they are considered complete and ready for filing with FERC.

The administrative costs budget and the capital budget recommended by the NEPOOL Participants Committee and approved by the ISO board of directors provide the basis for Section IV.A of the ISO tariff filed with FERC on or before November 1 of each year. Pursuant to Section IV.A, the ISO recovers its operating costs through the following three tariff schedules:

- Schedule 1—Scheduling, System Control, and Dispatch Service
- Schedule 2—Energy Administration Service
- Schedule 3—Reliability Administration Service

Each year during the tariff development process, department managers allocate their budgeted costs by activity, with each activity having an allocation to one, two, or all three of the tariff schedules. This process allows the ISO to categorize the applicable year's budget according to the three tariff schedules. The costs applicable to each schedule or set of activities become the revenue requirement for that schedule. To arrive at billable rates, the costs are then allocated to market participants on the basis of the billing determinants for each schedule's revenue requirements. The billing determinants are based on both volumetric and transactional units, depending on the schedule.

Because actual costs will vary from the budgeted costs as well as the projected billing determinants, Section IV.A of the ISO tariff contains a true-up provision. The ISO records any over- or undercollection as a deferred charge or a regulatory liability, and the adjustment for the true up increases or decreases the cost recovery in a subsequent tariff filing.

Committee Activities and Independent Board Oversight

The ISO's stakeholder engagement efforts do not end with the annual budgeting process. ISO employees actively engage with stakeholders year-round through ongoing interactions complemented by numerous recurring strategically focused committees. Totaling about 150 or more scheduled meetings, the ISO and its stakeholders participate in discussions on the following types of activities:

- New or enhanced wholesale electricity market initiatives
- Planning for the bulk power system
- Review of the operations of the bulk power system for the region
- Financial review of the ISO operations
- Market and credit risks

In addition, the ISO's board of directors have both broad and deep expertise in financial markets, law, electric power operations, regulation, and other topics important to the electric industry. To safeguard independent decision making, board members have no financial interest in any company participating in New England's wholesale electricity markets. The ISO's board and respective board committees conduct business by meeting regularly throughout the year with management to discuss emerging issues; the status of the ISO operations, both financial and physical; internal audits; strategic direction; compensation reviews; and items associated with the wholesale electricity markets, among other topics. The board also meets regularly with New England market participants and state regulators.

Culture of Compliance/Three Lines of Defense

The ISO's board and senior management promote an ethical culture and support a culture of rigorous regulatory compliance. The ISO achieves this in two major ways: 1) through an established Code of Conduct that every employee and director must sign and follow, and 2) through adherence to a company compliance handbook that is regularly maintained and updated. The purpose of the handbook is to supplement the Code of Conduct by providing an overview of the company's "Three Lines of Defense," which seek to adhere to the following:

- Quality management principles to promote the development of and adherence to business procedures
- Monitoring and support programs that identify risks and provide reasonable assurance of compliance
- An annual audit plan to formally assess internal controls, compliance with governing documents, and compliance with specified regulatory obligations

More specifically, the ISO's first line of defense is to establish and measure controls, implement corrective actions to address process and control weaknesses, execute risk and control procedures on a daily basis, and fulfill all trainings offered companywide. The ISO actively encourages employees to use the Corrective Action/Preventative Action (CAPA) (i.e., issues management) system available to all staff, which it has enhanced since its inception more than 10 years ago, to better serve its market participants and stakeholders. This system gives the entire workforce a voice and avenue to provide feedback and capture improvement opportunities for the company's processes and systems. This feedback is then reviewed and prioritized, allowing work to proceed on the most impactful projects. In addition to driving project work, the system is used for tracking and assessing enterprise risks and reporting. Every month, senior staff reviews open issues with a significant risk rating.

The second line of defense is the established risk control and oversight functions. These functions include a comprehensive compliance-management system that the chief operating officer and chief financial officer oversee. This system includes an inventory of all FERC obligations, North American Electric Reliability Corporation (NERC), and North American Energy Standards Board (NAESB) business practice obligations, and various federal and state reporting obligations. A Security Committee discusses current and emerging issues with senior staff and other appropriate personnel. In addition, several departments address cybersecurity, which provides reports to the Security Committee:

- Cybersecurity conducts 24x7 monitoring of cyber threats, along with other responsibilities
- The Critical Infrastructure Protection (CIP) and Systems Compliance Operations groups monitor compliance with NERC CIP standards.[5]

The ISO also has an internal and an external market monitor responsible for ensuring the integrity of the wholesale electricity markets. The company requires annual certification of its Code of Conduct, and it has an anonymous internet-based reporting tool anyone can use to report any issues they may see. Additionally, the ISO's legal department assists in interpreting tariff requirements for business owners.

The third line of defense includes the Internal Audit Department (IAD). The mission of the IAD is to provide independent, objective assurance and consulting services that add value and improve ISO New England

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[5] NERC, "CIP Standards," webpage, https://www.nerc.com/pa/Stand/Pages/CIPStandards.aspx.

business operations and, where appropriate, selected participant and vendor activities. IAD accomplishes its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, compliance, and governance processes at ISO New England.

The Internal Audit Department is responsible for the following tasks:

- Developing a flexible annual Audit Plan using an appropriate risk-based methodology, including any risks or control concerns identified by management, independent oversight partners (e.g. KPMG, PwC) and regulatory groups (e.g. NERC)
- Executing the annual Audit Plan, as approved by the Audit and Finance Committee and reporting results to the Committee on regular basis
- Performing audits of internal controls in selected areas to determine whether the controls are functioning in a reasonable manner that mitigates risk and recommending improvements. Performing compliance audits in selected areas to determine whether the processes examined generally conform to the requirements of the corresponding set of rules and governing documents
- Managing, coordinating, and providing oversight for external audit activities, such as the SOC 1 Type 2 engagement, benefit plan audits, network vulnerability assessments, and market system certifications

Liquidity and Capital Resources

As a nonstock, nonprofit organization, ISO New England has neither equity nor any accumulated reserves. The creditworthiness of the ISO is based on the ISO tariff, which allows recovery of costs, including debt service costs. To fund its working capital needs, the ISO has a $20 million line of credit provided by a bank. In addition, to support shortfall payments under the ISO New England Billing Policy (Exhibit ID of the ISO tariff), the ISO has a $4 million line of credit provided by a bank. In May 2021, the FERC approved a Section 204 filing to refinance the expiring lines of credit for a new three-year term, which will expire on July 1, 2024. Section IV.B, Capital Funding Arrangements, of the ISO tariff is the backstop to all the ISO's borrowings in the event of any acceleration of debt repayments.

In early 2021, ISO reassessed its five-year projection for future capital expenditures and determined that in 2022 through 2027, the capital spending program would gradually increase up to $35 million. This is an increase from the historical capital spending average over the past several years of $25-$28 million. In 2022, the capital spending program is set at $32 million, with the expectation that the 2023 capital spending program will increase to $33.5 million, and ultimately climb to $35 million by 2025. This increased need is related to modernizing the ISO's application suite, cyber security, the transition to clean energy, and reliability asset and information technology infrastructure replacements. Management has determined that the current levels of borrowing will be sufficient to fund the increased capital spending for 2022.

The ISO reviewed many available financing options for meeting the needs of the spending program in a cost-effective manner and consequently discontinued its practice of securing new term-loan debt each year. By issuing longer-term private-placement notes, the ISO saves the cost of borrowing new money each year, as well as the cost of filing with FERC, and instills budgetary discipline in the capital expenditure program.

The ISO currently has two private-placement, fixed-rate note issuances totaling $50 million.

In 2012, the ISO issued $11 million in 12-year, private-placement, fixed-rate notes (expiring in 2024) to provide funding to support the capital project program. The additional $11 million in notes issued was a result of increased project work arising from the stakeholder process and regulations, as well as longer project-implementation lead times due to increased complexity. These notes were in addition to the then existing $39 million of private-placement, fixed-rate notes, expiring in September 2014. The $39 million of private-placement, fixed-rate notes that expired in 2014 were replaced for the same amount ($39 million); the new notes will expire in 2024. The ISO updates cash-flow projections periodically, and will determine when additional borrowings will be needed. As part of the cash-flow assessment, management will determine what type of borrowing is best suited for the increased capital spending need. The continued issuance of private-placement notes aligns with the ISO's philosophy of budgetary discipline and saving the cost of new borrowings each year. As the ISO places projects in service and the projects begin to depreciate, the ISO recovers the depreciation expense under Section IV.A of the ISO tariff, and the recovered expense becomes available for funding future capital spending requirements. However, in the case of a temporary increase in capital project spending, the ISO may utilize alternative debt instruments that are more conducive to shorter-term borrowings.

In 2005, the ISO secured $45.5 million of tax-exempt debt to finance its new master control center and renovate and consolidate its existing office facilities. The debt comprises multimode variable-rate civic-facility revenue bonds, which reprice weekly. The Massachusetts Development Finance Agency issued the bonds, which the ISO will be repaying over 25 years; principal repayments began in May 2007. The weighted average cost of the debt for 2021, including the direct-pay letter of credit, was 0.42%.

In 2012, the ISO secured $36 million of tax-exempt debt to finance the construction of its new backup control center (BCC). The new BCC was fully operational in May 2014. The debt comprises multimode variable-rate civic-facility revenue bonds, which reprice weekly. Connecticut Innovations Incorporated issued the bonds. Principal repayments began in November 2014, with a redemption payment of $1,350,000, in addition to the regularly scheduled principal payments because the project completed under budget. The weighted average cost of the debt for 2021, including the direct-pay letter of credit, was 0.42%.

Regulatory Update

Federal Update

Actions in 2021 by President Joseph Biden's Administration and U.S. Congress have the potential to shape national investment in electric transmission for many years.

President Biden signed the *Infrastructure Investment and Jobs Act* (IIJA) into law in November 2021, a $1.2 trillion measure that includes over $60 billion for "Power & Grid" programs, including numerous initiatives that address the production, delivery, and consumption of electricity. The transmission-related spending includes roughly $10 billion for various incentives for electric transmission investment; establishment of a revolving loan fund to allow the U.S. Department of Energy (DOE) to serve as an "anchor-tenant" for new transmission or to upgrade an existing line; and an effort to strengthen the Federal Energy Regulatory Commission's (FERC) backstop siting authority. In February 2022, DOE announced a significant reorganization of the agency as it ramps up efforts to execute its sections of the IIJA (an effort that will include the hiring of roughly 1,000 additional employees).

The FERC also took strides last year to advance transmission planning, releasing an Advanced Notice of Proposed Rulemaking (ANOPR) in July and initiating a joint Federal-State Task Force on Electric Transmission with the National Association of Regulatory Utility Commissioners (NARUC). The rulemaking process seeks to reform traditional transmission planning and cost allocation mechanisms for policy-based resources and adopt a "more forward-looking approach" to planning, building, and allocating cost for clean energy resources. In April 2022, FERC issued a Notice of Proposed Rulemaking (NOPR) on regional transmission planning, the first of possibly other transmission planning NOPRs. The task force, expected to last at least three years, kicked off in November as a forum for FERC and state commissioners to discuss numerous issues related to investment in electric transmission.

Congress passed the IIJA late in 2021, but it is unclear if further energy legislation will move in 2022. The Democratic majority still has an opportunity to leverage a Fiscal Year 2022 (FY22) budget reconciliation package (which would not be affected by a potential Senate filibuster), even after the White House's initial FY22 reconciliation effort (referred to as "Build Back Better") could not garner sufficient support in the U.S. Senate. It is possible that the Chairman of the Senate Energy & Natural Resources Committee may lead an effort to use the reconciliation process to pass an energy/climate-focused bill; however, opponents cite forthcoming investments stemming from the IIJA as well as inflationary concerns as reasons to forgo an FY22 reconciliation package.

State Update

There is no expectation of major changes to the New England Congressional delegation following the November 2022 mid-term elections. However, the region will see some change to its representation on Capitol Hill. Vermont Senator Patrick Leahy, first elected to the U.S. Senate in 1974 and currently serving as Senate president pro tempore, is retiring, and Vermont Congressman Peter Welch has announced that he will forgo reelection to the U.S. House of Representatives and will run for the U.S. Senate. Congressman Welch holds one of New England's three seats on the powerful House Energy & Commerce Committee, so his decision not to return to the House of Representatives may result in a reduction in New England representation on the Committee. Rhode Island Congressman Jim Langevin also has announced that he will not run for reelection in November.

The New England states continued their focus on a number of issues in 2021, including advancing the priorities outlined in the states' 2020 *Vision Statement*. In September 2021, ISO New England issued a response to the states' *Vision Statement*, in which the ISO Board of Directors prioritized transmission planning studies and market pathways analysis, and targeted governance and communications enhancements.[6] As part of that work, in 2022 the ISO will engage with the states on results from the ISO's *2050 Transmission Study*, the development of high-level transmission scenarios to evaluate large-scale renewable energy integration and cost estimates. The study looks well beyond the ISO's typical 10-year horizon for transmission needs but is not a plan to build specific projects unless *states* choose to move forward. In addition, FERC just recently approved tariff changes (supported by the New England States Committee on Electricity [NESCOE]) to augment the traditional system planning process to include state-driven transmission analysis for investment needed to meet public policy goals.

In October, 2021, the NESCOE released a memorandum on progress on a variety of initiatives, including transmission planning, market design, and ISO governance.[7] Several New England states, individually, continue to provide direct financial incentives to support development of clean and renewable energy sources to meet their energy and environmental goals. Meanwhile, in 2021, the ISO, with input from the states and stakeholders, commenced a study to evaluate pathways to a future grid, which will continue to be a focus of New England stakeholder discussions in 2022. The *Pathways to a Future Grid* evaluates four approaches: keeping with the status quo of state policies that incentivize the development of clean energy resources using long-term contracts, implementation of a forward clean energy market (FCEM), net-carbon

[6] Response to the New England States' Vision Statement and Advancing the Vision Report, ISO New England Board of Directors, September 23, 2021. https://www.iso-ne.com/static-assets/documents/2021/09/iso-ne-response_to_states-vision_sept_23_2021.pdf

[7] https://nescoe.com/resource-center/memo_iso_adv_vision/

pricing, and a hybrid of these two approaches. Furthermore, discussions over the appropriate way to address New England's energy adequacy issue will continue into 2022 and beyond.

Advancing Sustainability

As noted above, there is a focus on renewable energy, climate change, and energy security, both at the state and federal levels. The ISO's independence, technical expertise, and responsibilities in overseeing the operation, planning and administration of wholesale markets in New England gives it a unique role and a bird's-eye view of trends that could have an impact on the region's power system.

The ISO does its part in conserving energy. Its two locations (i.e., the main and backup control centers) were Leadership in Energy and Environmental Design (LEED) certified for new construction. Both locations have heating, ventilation, and air conditioning (HVAC) automation systems, are equipped with exterior LED lighting, and use timers and motion sensors for all interior common area building lighting and offices. In addition, the facilities are equipped with electric car charging stations and carpool-preferred parking spaces. Solar panels installed at the backup control center provide lower cost, green energy as a supplement to this building's electricity needs.

Persevering Through a Pandemic

The COVID-19 pandemic continued to test the mettle of the country's employers and employees in 2021; while workers fought through pandemic fatigue and burnout, companies sought new ways to support and retain them. ISO New England was no exception, working tirelessly to support its staff, ramping up safety protocols as Delta and Omicron variants spread, and renewing wellness efforts to help the ISO New England team to focus and persevere.

As variants spread and stressors continued, ISO New England maintained an unwavering eye on the workforce's well-being, taking a number of measures in response, including:

- Established COVID-19 vaccination and booster requirements for the entirety of the eligible workforce with established deadlines to ensure that, when staff returned to campus, they would be coming back to a near fully-vaccinated and boostered workforce
- Provided several employee information sessions with a renowned occupational health, safety and environmental epidemiology consulting firm, dedicating time for individuals to pose questions particular to their own personal and professional circumstances
- Continued to support remote work, with 85% of the ISO New England team regularly working remotely
- Maintained collaboration tools to support the remote workforce, such as Virtual Private Network and remote desktop enhancements, as well as platforms such as Webex Teams and Webex Meetings
- Routinely provided new health and wellness resources to ISO's employees, including tips for managing stress, remote work, resiliency, and work-life balance
- Provided unrestricted use of paid time away for employees to cope with COVID-19 impacts for themselves or those they care for
- Removed all co-pay and deductible requirements for employees enrolled in the organization's insurance plans for all costs related to COVID-19
- Facilitated financial planning resources for employees to assist in retirement preparation, especially important amid the market volatility created by COVID-19

- Routinely reminded employees of the availability of the Employee Assistance Program (EAP) for support in child or elder care needs, physical and mental health well-being, and other financial and familial resources
- Created a virtual sense of community through articles and photographs of our work-from-home teams, virtual breakrooms and crowdsourced tips, tricks and support resources shared among employees
- Experienced heightened levels of employee recognition through our spot bonus and CEO award programs, acknowledging work that went above and beyond in these trying times
- Posted informative and instructive signage throughout the ISO campuses as reminders to practice safety protocols while on-site
- Ensured facility cleanliness, with more heavily trafficked areas undergoing thorough, industrial-grade deep cleaning, improvements to building ventilation, as well as Plexiglas installation
- Coordinated all sanitation and protective measures with our contracted epidemiology consulting firm to ensure best practices are utilized, including the requirement to conduct daily health screenings and certify individual wellness prior to coming on-site
- Certified several employees in contact tracing protocols
- Procured antigen tests for staff to detect COVID-19 infections as quickly as possible
- Provided continual communications and information to ISO New England's workforce on the Company's pandemic response and available resources

These represent a sampling of company efforts to provide an environment that is safe and supportive for its people as the stressful effects of the continuing pandemic challenged our workforce. Through it all, ISO New England did what it does best—embraced our mission and faced the challenges as a team.

ISO Employees, Workplace, and Communities

Employees

ISO New England's success in fulfilling its organizational responsibilities—running competitive wholesale power markets, ensuring the ongoing reliability of the power grid, and managing comprehensive long-term planning of the bulk power system—are a testament to the talent of ISO staff. Attracting, developing, rewarding and retaining a qualified, diverse and engaged workforce enables the company to fully deliver on its responsibilities for the region in collaboration with government regulators and stakeholders. The ongoing dedication and professionalism of the ISO's workforce is paramount as the company navigates the ever-evolving wholesale electricity market landscape.

Diversity and Inclusion

The ISO's workforce comprises highly educated individuals from across the globe. More than half the workforce has achieved advanced degrees—master's, PhD, and juris doctor—and most of the staff with higher degrees are in the disciplines of engineering, economics, and information technology (IT). Our staff spans generations, with Gen Zers, Millennials, Gen Xers, and Baby Boomers all present in our workforce. Women represent approximately one-third of the ISO's workforce, and approximately 20% serve in leadership positions. Over 20% of our workforce is racially and ethnically diverse. ISO New England honors diversity and promotes inclusion, knowing that a unique blend of backgrounds and perspectives improves problem-solving, spurs innovation, informs decision-making, and makes the ISO a place where, each day, people want to come to work.

The pledge to uphold these values comes from the top. In 2019, ISO's CEO Gordon van Welie pledged to take part in the largest CEO-driven business-commitment initiative to advance diversity and inclusion in the workplace, joining the growing coalition of over 2,000 committed CEOs across 85 different industries by becoming a signatory to the *CEO Action for Diversity and Inclusion* program.[8]

Since then, the ISO continues to implement efforts to advance diversity and enhance inclusivity. These efforts are grounded in a commitment to foster an open and trusting environment that allows for complex discussions about diversity, inclusion, and employee awareness of their own biases. For example, all those who supervise employees and/or interns completed unconscious bias training in 2021 with the training expanding to now become a requirement for the entire employee population by the end of 2022. In addition, 15 representatives from across the company take part in an employee-led Council for Diversity and Inclusion to help inform the company's programs and platforms for building diversity and inclusion awareness. Throughout the year, activities centered on specific focus areas such as culture, gender, and religion are shared with the workforce. Additionally, the ISO continued follow-up work after hosting women's focus groups to learn more about how the company can advance initiatives aimed at enhancing the environment for our working women.

Attracting the Best Talent

The ISO's recruitment programs source talent from multiple pipelines in support of the company's commitment to diversity, including initiatives to attract women, minority, and veteran applicants. The ISO seeks to fill open positions and promote from within, as demonstrated by having filled more than 15% of the openings in 2021 with internal candidates.

The company's robust and competitive internship program, now in its sixteenth year, provides another important talent pool of qualified candidates. The ISO receives more than 2,000 applications annually for intern openings. The program includes hands-on experiences for students in a variety of disciplines, with competitive industry compensation for their contributions to organizational goals, as well as group activities and learning opportunities. To date, this program has resulted in 58 former interns joining the ISO as full-time employees.

Professional Development Opportunities

ISO New England provides employees with many opportunities for professional development, such as the following:

- Self-directed online skill-development programs
- Lunchtime Stanford University Executive Briefing discussions
- A customized degree program in power systems engineering
- Leadership development programs for supervisors, managers and directors
- Energy-industry-focused learning through a partnership with the Power and Energy Society
- A broad catalog of university-level courses through the online learning provider, edX (founded by Harvard and MIT in 2012)

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[8] More information about the CEO Action for Diversity and Inclusion program is available at https://www.ceoaction.com/pledge/ceo-pledge/.

The ISO also encourages professional networking through memberships in organizations such as the Institute of Electrical Engineering and Electronics, New England Women in Energy and the Environment, Women in Technology International, the Society for Women Engineers, and Toastmasters. In addition, for 2021, the ISO partnered with an outside mentoring firm to pilot a broader program, initially pairing several employees with corporate leaders across a broad swath of industries in an effort to help provide staff with new perspectives, increase their confidence, and develop talents key to success.

The company's educational reimbursement program supports employees who wish to obtain advanced degrees in their fields by providing up to $15,000 per year in tuition reimbursement. In the past year, nearly three dozen employees were enrolled in degree programs and received education reimbursement.

Lastly, the organization supports development through assignments among cross-functional teams, job-shadowing opportunities and ISO-centric workshops such as Wholesale Energy Markets 101 and A Day in the Life of a Control Room Systems Operator. The ISO curates professional experiences across a broad range of disciplines to help employees not only understand their roles but also how they fit into the broader context of the organization's mission.

Compensation, Benefits, and Recognition

Competitive compensation and benefits are vital to attracting and retaining the most qualified employees. Individual employee compensation is based on a variety of internal and external factors to ensure that employees receive fair and attractive compensation that reflects their major responsibilities, experience and value to the organization. In addition, all employees are eligible to receive an annual incentive bonus based on both organizational results and individual contributions.

The ISO provides employees with a competitive suite of health and welfare benefits and retirement savings plans, as well as support through the Employee Assistance Program (EAP) and paid family and parental leave policies. The organization additionally supports the social, emotional, and financial well-being of its workforce through its comprehensive wellness program, hosting monthly activities and events to manage wealth and promote good health and well-being.

The ISO routinely recognizes its employees for their good work and contributions. The Service Recognition program celebrates the achievements of employment milestones, while the Spot Bonus program lets peers recognize coworkers any time of the year for exceeding their typical responsibilities. The annual CEO Awards provide significant recognition to teams and individuals for extraordinary accomplishments in areas of excellence, innovation and leadership. The award criteria and public acknowledgement of these accomplishments reinforce the company's commitment to them.

Retention

The ISO's strong commitment to its employees and their development is reflected in the company's low turnover rates and employees' long-standing tenure. Nearly half the employee population has worked at the ISO for over a decade. In addition, over the past three years, turnover has averaged 7.7%. However, this relatively low turnover is likely to increase over the next five to seven years, due both to expected retirements (approximately one-fifth of ISO staff will meet the age and service criteria), and to attrition, understanding the high demand for the skills ISO employees have. In anticipation of this, the ISO launched the *DISCOVER* knowledge-transfer program, which ensures that the organization retains key institutional and industry knowledge.

The ISO Workplace

Corporate Governance

Objectivity and neutrality are central tenets for independent system operators and regional transmission organizations. At ISO New England, these qualities are part of the company's culture, promoted through a number of attributes:

- Strong corporate policies against conflicts of interest
- A transparent annual budgeting process
- Intensive work to develop and document compliance with business standards and procedures that help ensure the reliable operation of the power grid

Mission, Vision, and Values

Our mission, vision and values define our purpose:

- **Mission**
  - Through collaboration and innovation, ISO New England plans the transmission system, administers the region's wholesale markets and operates the power system to ensure reliable and competitively priced wholesale electricity
- **Vision**
  - To harness the power of competition and advanced technologies to reliably plan and operate the grid as the region transitions to clean energy
- **Values**
  - *Expertise*—ISO New England maintains a highly technical, skilled and diverse staff, many of whom are experts in their respective fields and all of whom are essential to the success of the mission
  - *Respect*—ISO New England promotes a positive work culture, treats all people with dignity, and cares deeply about the well-being of its employees; ISO New England values diversity, equity, and inclusion, which is cultivated internally and in all stakeholder interactions
  - *Collaboration*—ISO New England's employees are committed to teamwork and the flow of ideas within and between business functions and with stakeholders to achieve efficient and effective outcomes for the ISO and the region
  - *Dependability*—ISO New England has a long history of reliability in operating the grid, power system planning, and being available to serve and support all stakeholders; the organization is dedicated to its mission and takes pride in its work, approaching organizational responsibilities with enthusiasm and professionalism
  - *Innovation*—Through creativity and ingenuity, ISO New England remains at the forefront of grid operation, market administration, and power system planning, always looking to create novel and more effective solutions to address complex industry challenges

To more prominently link our everyday work to these guideposts, ISO New England's mission, vision, and values have been integrated more fully into our corporate strategy, as well as a variety of programming and communications efforts, including new employee orientation, leadership training, and dedicated pages on our employee intranet. Serving as the cultural cornerstones of the organization, these characteristics guide our staff as they accomplish their work.

Corporate Environmental Commitment

As the region moves forward to a cleaner energy future, ISO New England as a company works to contribute to this effort. The ISO's environmental commitment includes green housekeeping practices, designated collection locations for recycling a variety of materials, and the decreased use of potable water: our irrigation system uses 89% less than is standard, and our low-flow lavatories, sinks, and showers consume 26% less than standard. Every year, the ISO celebrates Earth Day by providing a plant or seed packet to workforce members.

Additional efforts to minimize the company's environmental impact include encouraging regular carpooling, with preferred parking for those opting to ride in together, and easy access to the corporate automobile fleet to travel together to stakeholder meetings, offsite trainings and the like. Biking commuters have secure bike racks and access to on-site facilities for getting ready for work after their arrival. Designated preferred parking areas with charging stations are available for electric vehicles.

ISO Communities

The ISO's organization and workforce also values giving back. Staff members celebrate individual employee contributions through the *Gift of Giving* series, which features employees' charitable work. Annually, the organization supports and organizes fundraising for United Way and Community Health Plans.

In addition to planning social events and activities for employees, a team of dedicated employees organizes a variety of events supporting local charities. In the past, these events have included collecting necessities for residents at the Soldiers' Home for veterans, conducting a food drive for Margaret's Pantry, making sandwiches for Kate's Kitchen, and donating free herb, flower, and vegetable seeds to local institutions in honor of Earth Day. These events enable ISO employees to get together to give back to the community in a tangible way.

Financial Data

Results of Actual Operations

Table 1 summarizes the actual amounts and percentage of total expenses for the years ending December 31, 2021, and 2020.

Table 1
Actual Amounts ($ Millions) and Percentages of Total Expenses

Year Ended December 31,	2021		2020	
Salaries and benefits	$ 122.3	60.6%	$ 116.7	59.7%
Depreciation and amortization expense	26.2	13.0	24.8	12.7
Professional fees and consultants	19.7	9.8	18.5	9.5
Computer services	15.9	7.9	15.4	7.9
NPCC/NERC dues and expenses	6.1	3.0	6.4	3.3
Communication expense	2.8	1.4	2.4	1.2
Insurance expense	2.2	1.1	2.2	1.1
Interest expense	1.7	0 .8	2.0	1.0
Board of directors	1.6	0.8	1.2	0.6
Building services	1.5	0.7	1.7	0.8
Information services and industry memberships	1.4	0.7	1.4	0.7
Utilities	1.4	0.7	1.3	0.7
Rents and leases	0.7	0.4	0.9	0.5
Administrative and other	2.1	1.0	2.7	1.4
Other expense (income)	(3.9)	(1.9)	(2.0)	(1.0)
Total	$ 201.7	100.0%	$ 195.6	100.0%

Total expenses increased by $6.1 million, or 3.1%, in 2021 over 2020. Expenses net of depreciation, amortization, and interest increased $5.0 million, or 3.0%, in 2021 over 2020. The changes primarily were the result of the following factors:

Salaries and benefits increased $5.6 million or 4.8% in 2021. Increases were the result of annual merit and promotional amounts for employees and the impacts of the year-over-year change related to the presentation of amounts to comply with FASB Accounting Standard Update 2017-07, Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Post-Retirement Benefit Cost. Also contributing to the increase in 2021 was lower internal capital development as certain capital projects were delayed, while a higher vacancy rate provided approximately $500k in savings.

Depreciation and amortization expense increased $1.4 million, or 5.6%, in 2021. The increase in expense is a result of a number of large projects going into service in mid-2020 or 2021 including:

- Identity & Access Management Phases I and II
- Energy Management Platform 3.2 Upgrade Parts I and II
- CIMNET Simultaneous Feasibility Test with Data Transfer Enhancements
- Internal Market Monitoring Data Analysis Phase II
- Enterprise Application Integration Replacement Phase I

The increases were partially offset by projects becoming fully depreciated by late 2020 or mid-2021:

- Price-Responsive Demand
- Situational Awareness Phases I and II
- Forward Capacity Market Pay for Performance
- Real-Time Fast-Start Pricing
- Subhourly Settlements

Professional fees and consultants increased $1.2 million or 6.5% in 2021. Increases were for studies to integrate clean energy into New England's wholesale electricity markets and grid operations, for Resource Capacity Accreditation consulting, support to backfill ISO New England staff that were conducting studies on a transmission system plan to meet the needs of New England States' transition to clean energy, and for IT Support to augment staff in the areas of Cyber Security, Energy Management Systems, and Enterprise Application Support. Partially offsetting these increases was a reduction for 2020 work for updates to Cost of New Entry (CONE), Net CONE, and the Offer Review Trigger Price used in the Forward Capacity Auction, and for outside legal counsel on regulatory matters.

Computer services increased $0.5 million, or 3.2%, in 2021. Increases include funding for additional use of virtualization systems and related licensing, inflationary increases on many existing products, and the purchase of additional licensing for customer access to market and settlement systems. These increases were partially offset by the removal of maintenance funds for existing infrastructure software that was replaced as part of the Enterprise Application Integration Replacement Phase I project.

Communication expense increased $0.4 million or 16.7% in 2021. Increases include fees for a recently upgraded enterprise phone system, control room communication lines being carried on a different vendor network than main phone lines, and the addition of fully redundant circuits for a high-speed internet upgrade project that was completed in 2021.

Board of directors expenses increased $0.4 million or 33.3% in 2021. Increases were a result of quarterly retainer fee and meeting rate increases for videoconferences, funding for a new Information Technology and Cyber Security Committee, and for additional full board and board committee meetings.

Administrative expense decreased $0.6 million or 22.2% in 2021. Decreases occurred as a result of non-recurring 2020 losses on disposal of capital asset work in progress that was deemed not usable, and lower travel costs with COVID-19 limitations in effect for all of 2021.

Other expense (income) was $(1.9) million or 95.0% above the 2021 amount. The change reflects the components of net periodic pension cost other than the service cost component in accordance with FASB Accounting Standards Codification Topic 715, *Compensation – Retirement Benefits*.

Capital Spending

The FERC-approved capital expenditure budget for 2021 was $28.0 million. Actual spending was under budget by $494,300. Reduced spending was the result of obtaining updated project requirements, delaying certain projects, accelerating certain projects into 2021. The affected projects included:

- The Energy Security Improvements project, which will evaluate winter operational risks facing the region and seek to identify market mechanisms to address these concerns. As a result of FERC rejecting the proposal made by the company to implement market changes, in late 2020,[9] the project is being replaced with a new project, day-ahead ancillary services. The day-ahead ancillary services project seeks to procure and transparently price the ancillary service capabilities needed for a reliable, next-day operating plan with an evolving generation fleet. Stakeholder discussions on this project are targeted to begin late 2022.
- The 2021 Cyber Security Improvements project (now referred to as Packet Broker Infrastructure Replacement Project) to allow resources to address more critical concerns from increased risks of ransomware and cyber-attacks. It has been deferred until 2022.
- The CIP Electronic Security Perimeter Redesign project to improve CIP compliance of ISO-NE's electronic security perimeter networks. Originally planned to begin in 2021, this project was expedited into the fourth quarter of 2020, resulting in a shift in cost between years
- The following projects were delayed as a result of resource constraints to 2022 or beyond:
    - Data Governance
    - Risk Management and Compliance Phase II
    - Human Resources Workflow & Document Management

Major projects in 2021, some of which are ongoing and multiyear, are as follows:

nGEM Software Development Parts I and II and nGEM Value Added Development[10]

The ISO's Market Management System ("MMS") is based on General Electric ("GE") Grid Solution's suite of market applications. GE is several years into the modernization effort for its market application suite, known as the Next Generation Markets (nGEM) Program. The nGEM Software Development project is a co-funded program among ISO-NE, GE and two other Independent System Operators to implement the core product development for GE Grid Solutions' Next Generation Market Management System (nGEM). The nGEM software development project will enhance data transfer technology, Day-Ahead and Real-Time market clearing engines, bidding micro services, and various software upgrades. This project will extend over several years with deliverables to be completed in stages.

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[9] See FERC letter order issued to ISO New England Inc. in Docket No. ER20-1567-000 (October 30, 2020).

[10] The capital projects that fall within the scope of the nGem software program will be put into production at the completion of all phases of the core product development. These projects include CIMNET Simultaneous Feasibility Test with Data Transfer Enhancements project, nGEM Value Added Development, nGEM Market Clearing Engine Implementation, and nGEM Software Development Parts I and II. Projects will remain in Work-In-Process and will not begin amortizing until the completion of all phases of the core nGEM program.

The nGem Value Added Development project included operational monitoring tools, stand-alone market user interfaces, and additional enhancements to some software applications to provide additional flexibility, and was completed in September 2020 at a cost of $792,000.

Part I delivery, which included enhanced data transfer technology and the elimination of the existing vendor platform, was completed in October 2020 at a cost of $3,216,200.

Part II delivery, which will include Day-Ahead market clearing engine enhancements, bidding micro services, and Real-Time market clearing engine replacements, has a target completion date of December 2022 at a cost of $4,789,600.

nGEM Market Clearing Engine Implementation

As part of the nGEM program to modernize their market application suite, GE is redeveloping the Market Clearing Engine ("MCE"), a central component of the Market Management System. The redeveloped applications will provide a modern, open, and supported architecture for the ISO's market clearing engines. MCE improvements will include improved solution times for Day-Ahead and Security Constrained Reserve Adequacy ("SCRA") case runs; automated and more frequent delivery of software fixes, security patches, and third party software upgrades through the use of containerized software packaging; and automation of testing to streamline manual processes that exist today.

ISO customizations must be added to the GE MCE product to meet the ISO's business requirements in the multi-hour (Day-Ahead) MCE. This work includes custom functionality for Day-Ahead Security Constrained Unit Commitment ("SCUC"), Day-Ahead Security Constrained Economic Dispatch, and SCRA study-modes. Additionally, Day-Ahead SCUC will be enhanced to allow for facility level constraints when there are multiple Binary Storage Facilities ("BSF") at a single location to ensure that a pump is not committed in the same interval as a BSF generator in the same location. The SCRA process will also be enhanced to allow for fast-start commitment to replace the current manual process used by ISO forecasters.

The target completion date of this project is March 2023, and the estimated total cost is $13,900,500.

Identity & Access Management Phase II

The Access Rights and Employee Request applications perform critical identity and access management functions, enabling workforce members to model, request, approve, and implement access to information technology assets (servers, systems, shared drives, badged physical access, etc.). To bring the system into alignment with cyber security best practices and multiple corrective action/preventative action recommendations, the existing system requires new functionality.

Phase I of this project, completed in 2018, included the purchase and implementation of required hardware and software to update the current access rights process. Phase II will continue the integration with ISO systems and the implementation of new authorization roles and functionality designed to protect the system from unauthorized access.

The estimated total cost for Phase II of this project is $4,618,600. The project was complete in April 2021.

nGEM Hardware Phases I & II

As noted above, GE Grid Solutions is working on its next Generation Market Management System ("nGEM") software and ISO-NE is co-funding the core product development. The nGEM Hardware project is a continuation of this effort, specifically to provide the infrastructure required for the nGEM Market Clearing Engine Implementation project's development, integration, and production environments. Significant infrastructure updates, including new technology for an open-source container platform, will be required to support the GE Next Generation Markets (nGEM) implementation program and other GE initiatives.

Phase I of the nGEM Hardware project includes the infrastructure required for the nGEM Market Clearing Engine Implementation project, including the development environment needed to maintain the project's schedule. This project was completed in November 2021 with a cost of $753,000.

Phase II of the nGEM Hardware project will implement the integration and production environments required to support the nGEM Market Clearing Engine Implementation project and has a target completion date of June 2022, at an estimated cost of $4,570,000.

Energy Management Platform 3.2 Upgrade Parts I and II

The ISO's Energy Management System was running on an outdated version of its vendor's Energy Management Platform (EMP) that was discontinued in 2020. To continue vendor support and ensure compatibility with the latest versions of the ISO's operating system and third party software, the ISO had to upgrade to EMP version 3.2. The implementation of the EMP 3.2 upgrade was done in two parts.

The EMP 3.2 Upgrade Part I converted/ported all the necessary system customizations to generation and transmission management, load forecasting, network analysis, and storage management software that were put into production before and concurrent with the Price-Responsive Demand project. Part I also included the initial integration and functional testing of all ported custom software changes as the foundation for Part II.

Part I of the project was complete in July 2019 at a cost of $4,257,400.[11]

EMP 3.2 Upgrade Part II included the converting/porting, integration, and testing of additional software customs put into production after May 2018. Product testing, business acceptance testing, and control room operator training also take place as part of the Part II effort.

Part II of the project was complete in January 2021 at a cost of $2,620,000

Forward Capacity Tracking System Infrastructure Conversion Part III

The Forward Capacity Tracking System ("FCTS") Infrastructure Conversion project is a multi-part project focused on the conversion of the FCTS application (the ISO's online system for managing information related to resources participating in the Forward Capacity Market) to a new framework that will reduce cyber security vulnerabilities, maintain availability of technical services, and improve cost efficiency by reducing the need for regression testing in response to security patches.

Part I, completed in May 2020, successfully converted the Calendar, Coordinated Transaction Scheduling, Capacity Supply Offer Bilateral Contract/Management, and FCTS Core Application Library modules within the FCTS application. Part II, completed in March 2021, converted the Forward Capacity Auction, Substitution Auction, and Commitment Period Management applications to the new framework. Part III of the FCTS Infrastructure Conversion project will complete the FCTS conversion efforts and include the FCTS external facing application, which includes support of customer submission of information necessary for resources to qualify for participation in the Forward Capacity Auction.

[11] Both the EMP 3.2 Upgrade Part I and Part II projects were put into production at the completion of the Part II project. The EMP 3.2 Upgrade Part I project remained in Work-In-Process and did not begin amortizing until the completion of Part II when the cost of both projects began amortizing.

The target completion date of this project is March 2023, and the estimated total cost is $3,150,000.

Security Information and Event Management Log Monitoring Replacement

Security information and event management ("SIEM") is a software solution that aggregates and analyzes activity from many different resources across an entire information technology infrastructure. ISO-NE relies on log capture and monitoring as a critical component of its cybersecurity and compliance efforts. The current log monitoring infrastructure has reached end-of-life and requires both hardware and software replacement.

The SIEM project will implement a software solution to allow security analysts to gain full visibility into real-time data and provide reporting and forensics about security incidents quickly and efficiently across ISO-NE's networks and systems. As part of this project, new network infrastructure, new physical servers, additional network storage, and new flow monitoring appliances will be purchased and installed at the Main Control Center and the Backup Control Center.

The target completion date of this project is September 2022, and the estimated total cost is $2,870,100.

Forecast Enhancements

ISO-NE provides regional weather forecasts for eight cities in the New England region. Currently, the weather concepts for each of these eight cities are weighted, using static weighting factors, to derive a representative regional weather forecast with a single value for each variable that represents the region. The Forecast Enhancements project will expand the number of weather forecasts to 23 cities and add two additional weather concepts to improve the forecast accuracy of the zonal and regional load forecast models. As load forecasting becomes more challenging and modeling tools are advancing, the load forecast process benefits from more readily available information. In addition to improving the forecast accuracy of the zonal and regional models, more granular weather information will improve the visibility of diversified weather patterns that can greatly affect the magnitude and distribution of system demand.

In addition to the expansion of weather stations and weather information, this project will also implement a Behind-the-Meter Photovoltaic ("BTM PV") forecast blending process, similar to the blending done with the final load forecast. This will require additional PV forecast vendors to augment the current process of incorporating the effects of BTM PV generation into operational time-frame load forecasting tools. ISO-NE's experience with load forecasting has shown that blended forecasts are, on average, more accurate than the individual contributions to that forecast.

The target completion date of this project is July 2023, and the estimated total cost is $1,781,000.

Solar Do-Not-Exceed Dispatch Phase I

The quantity of in-front-of-the-meter solar generation in the New England region is increasing and expected to continue to increase. Integration of solar resources will require development of rules, processes, forecasts, and tools necessary to incorporate these resources into the Do-Not-Exceed ("DNE") dispatch processes. Phase I of this project will develop and implement enhancements to ISO-NE's Renewable Plan ("RPlan") software, developed by GE, and to allow market participants to submit their medium-term and long-term data for the availability of future power generation. Enhancements under the Solar DNE Dispatch Phase I project include RPlan software upgrades to support provisions for solar power forecasts and will enable the ability to receive forecasts for both wind and solar from multiple vendors. GE will design, develop, unit test, and integrate custom software enhancements, interfaces, and software tools to integrate solar resources into the DNE dispatch process.

Phase I will create the system platform to support the efficient dispatch of solar generation and its integration with the balance of the resource fleet, which can improve the economic efficiency of the system as well as overall system reliability. Phase II of this project will involve the integration of the updated RPlan software into integration and production systems at ISO-NE, and is anticipated to begin shortly after the completion of Phase I.

The target completion date for the Phase I project is December 2022, with an estimated total cost of $1,595,300.

Internal Market Monitoring Data Analysis Phase III

ISO-NE's Internal Market Monitoring ("IMM") department performs market data analysis to identify issues that may compromise the efficiency and integrity of market outcomes. Successful analysis requires access to a large variety of market data, and the IMM Data Analysis project will allow IMM market analysts to explore data across multiple markets (e.g., energy, capacity, and ancillary services) and multiple market products (e.g., physical and financial). The IMM Data Analysis project is a multi-phase project. Phase I was completed in June 2018 and produced a market data analysis system that allows access to Financial Transmission Rights Market and Forward Reserve Market data. Phase II, completed in October 2020, developed Application Program Interfaces ("API's") in the Day-Ahead and Real-Time market systems, providing IMM additional access to energy and regulation data.

Phase III of this project will address data needs for the Forward Capacity Market ("FCM") and Net Commitment Period Compensation. Included in the scope of this project will be the analysis, design, development, and testing of 22 API's, in addition to addressing a number of outstanding requests for improvements/optimizations related to certain data tables.

The target completion date of this project is December 2022, and the estimated total cost is $1,496,000.

Software Development Costs

In addition to the major projects described above, the ISO incurred $1.0 million in software development costs during 2021. These costs supported a multitude of enhancements to existing software systems.

Non-project Hardware and Software Costs

The ISO incurred $2.6 million of non-project-related hardware and software costs.

The ISO has a large investment in servers, storage, networking, and monitoring systems in our data center environment to support ISO-NE's critical work. ISO-NE is required to ensure that currently deployed infrastructure is kept current with vendor established end-of-support and end-of-life timelines. These continual refresh activities are essential to ensure ISO-NE data center services are supported with security and maintenance contracts and meet IT reliability service levels. In 2021, ISO-NE continued the upgrade of data center infrastructure to support changing hardware requirements and industry best practice.

Purchases of hardware and software in 2021 also included a backup and recovery software solution to support ISO-NE's transition to cloud-based storage; market monitoring and simulation software designed to streamline data exchange, keeping in line with new technology being proposed for the future grid; and an email security appliance for advanced phishing protection.

Risks

ISO New England is exposed to financial risk in four primary areas: interest rates, litigation, cybersecurity, and regulatory changes. The ISO historically has included in its annual budget two contingency funds to address unknown costs—a CEO emerging-work allowance and a board of directors' contingency fund. These contingencies typically represent a combined 1.0% to 1.5% of the total amount to be recovered each year under Section IV.A of the ISO tariff. The CEO emerging-work allowance is used as part of the normal course of business, and allocations are controlled by the CFO and CEO. The board contingency fund, subject to use only through ISO Board of Directors' approval, has never been used. Because the ISO does not have any capital to draw on for unknown expenses, these two contingencies are important for the ISO to operate efficiently.

Interest Rates

Fluctuating interest rates can have an impact on the costs of the ISO in several ways. Specifically, the ISO earns interest on the settlement funds it collects from market participants, pays a floating interest rate on its tax-exempt bonds, and uses assumptions on interest rates to establish liabilities and costs for its pension and post-retirement benefit plans.

Historically, the average float in the settlement account had been consistently higher than the outstanding principal of the tax-exempt debt and, therefore, was an effective hedge against interest-expense rates. A decrease in the settlement float will make the hedge less effective against increasing interest rates. In 2021, the settlement float increased, on average, approximately 75% from 2020 levels. This increase was primarily due to higher clearing prices in the energy markets and higher loads. The average balance of the tax-exempt-issued debt remained lower than the average settlement float in 2021. However, to mitigate the risk of the uncovered hedge (i.e., the higher level of variable-rate debt compared with the settlement float), in late 2012, the ISO purchased an interest-rate cap that benefits the ISO when interest rates exceed a certain level. The interest-rate cap is a 10-year cap, which amortizes as the tax-exempt debt principal is repaid. Both interest income and interest expense rates continued to remain low in 2020. The ISO regularly analyzes the interest-rate environments to ensure that its debt structure is as cost effective as possible, and it reviews all debt and funding needs.

Interest rates also are used in the discount-rate assumptions for establishing the liabilities and costs associated with the pension and post-retirement plans. Lower interest rates result in increased costs for these plans when the rates filed in the tariff for recovery include using the calculated expense amount for the cost of these items. For years before 2016, the rates filed for recovery were inclusive of this approach for the pension and post-retirement plans; for 2016 and forward, only the post-retirement benefit plan will be affected by the change in interest rates. In 2016, the ISO implemented a level funding approach to the pension benefit plans, rather than the historical method of funding the expense amount as calculated, in accordance with the FASB's Accounting Standards Codification (ASC) for the defined benefit pension and other post-retirement plan topic. The level funding approach will reduce the volatility of the pension plan expense included in the ISO tariff, while still providing reasonable assurance for sufficient funding of the pension plan.

Litigation

The ISO also has potential exposure to costs resulting from litigation. The ISO does not budget for unforeseen litigation costs during the normal budgeting process. Therefore, any material unexpected litigation that arises during the course of the year would pose a risk to the ISO's ability to operate within the approved budget.

Cybersecurity

Cybersecurity continues to be one of the most important national security priorities. The volume and sophistication of cybersecurity threats have been increasing. The ISO faces a variety of cybersecurity threats, including targeted attacks such as social engineering, phishing, ransomware, and malware throughout the cyber supply chain. The ISO's systems and networks contain vast amounts of critical and confidential information pertaining to the power system grid and internal networks. Protecting these systems, networks, and data is critical. As such, the ISO continues to heavily invest in the appropriate resources to manage this risk.

Regulatory Changes

The ISO is regulated by the Federal Energy Regulatory Commission (FERC) and, therefore, FERC regulatory actions can directly affect the ISO's workload. In addition, state policy activity may drive changes to the wholesale markets, system planning, and operations. The impact of these federal and state actions could result in additional cost associated with new requirements.

Billing and Credit

The ISO is responsible for the billings associated with the wholesale electricity markets for New England's bulk power generation and transmission system. It also must ensure that proper measures are in place to mitigate participants' exposure to credit risk from transacting in the ISO-administered markets. Since its inception in 1999, the ISO has continually reviewed its Billing and Financial Assurance Policies and, since 2004, has made great strides in reducing the credit risk for market participants.[12]

In 2021, the ISO continued to work on modifications and improvements to the Billing Policy and the Financial Assurance Policy (FAP):

- In January 2021 the ISO filed changes with the Commission to the FAP related to strengthening the "Know Your Customer" provisions required under the FAP for new applicants and existing customers. These changes were approved by the Commission by the end of March 2021. As discussed in detail in the ISO NE 2021 Financial Report (https://www.iso-ne.com/static-assets/documents/2021/03/2020_financial_statements.pdf), these changes strengthen ISO-NE's review processes and will allow ISO-NE to better protect the New England markets from financial risk.
- In late 2020 continuing into 2021, the ISO prepared a modification to accelerate the billing of certain Forward Capacity Market payments and charges. Currently, the payments and charges of the Forward Capacity Market (FCM) are collected and paid on a monthly basis. The resources providing capacity supply receive the payment for the month approximately two weeks after the completion of the month, while the load-serving entities pay for the capacity supply also about twoweeks after the month. This delay in the settlement and cash clearing of the Forward Capacity Market creates significant financial assurance obligations as the accumulation of the financial assurance from the previous month is additive to the financial assurance for the current month, until the charges and payments are actually cleared through the ISO for the previous month, almost two weeks after the calendar month of performance. In short, the amount of financial assurance that a market participant is required to provide for an approximate 15-day time span is two–months of financial assurance. In

[12] *ISO New England Transmission, Markets, and Services Tariff*, Section 1, General Terms and Conditions: Exhibit IA, "ISO New England Financial Assurance Policy," (June 1, 2017) and Exhibit ID, "ISO New England Billing Policy," (July 1, 2017), https://www.iso-ne.com/participate/rules-procedures/tariff/.

addition, market participants with a CSO must currently wait between 45 and 50 days from the beginning of an obligation month to receive payment.

Under the proposed changes to accelerate the billing of certain FCM payments and charges, the majority of FCM charges and payments will be settled on a daily basis. These changes reduce the amount of financial assurance that must be held on the FCM obligations that are subject to twice-weekly billing and actually clear the collection of the charges and payments much closer to the date of their performance. For example, a market participant with a CSO for June will not receive payment until mid-July. Converting the FCM to a daily settlement means market participants with a CSO start receiving their payments during the obligation month. In addition, as a result of these changes, the ISO estimates that FCM Financial Assurance Requirements will be reduced by approximately 75%.

These proposed changes will ultimately lessen overall default risk to the ISO New England market because cash will clear through the ISO more quickly. Changing certain FCM payments and charges to a daily settlement will result in smaller increments of obligations (e.g., today the affected FCM payments and charges accumulate on average up to 45 days; the proposed changes reduce this to an accumulation on average of 7-16 days). Because billing and collection will occur more frequently, participants owed FCM payments will be paid much closer to the date of their performance, and participants owing FCM charges will pay much closer to the date of their obligation. Consequently, any potential defaults will be realized—and can be addressed more quickly—due to the accelerated billing schedule. Converting the majority of large monthly obligations to settle instead on a daily basis will ultimately decrease the ISO's reliance on financial assurance as the ultimate backstop for these obligations.

The combination of all of these changes strengthens ISO-NE's review processes, reduces the risk of default to the overall market, and allows ISO-NE to better protect the New England markets from financial risk. These proposed changes were filed with the Commission on March 2, 2022,[13] with a requested effective date of May 1, 2022.

The ISO will continue to work closely with its participants to reduce default risk, including minimizing the settlement cycle time.

[13] https://www.iso-ne.com/static-assets/documents/2022/03/fcm_accelerated_billing.pdf

Various Market Services and Participation Data

Table 2 compares key settlement market information for the years ending 2021 and 2020 for the markets the ISO oversees.

Table 2

Settlement Market Information ($ in Millions)

Key Settlement Market Data for the Years Ending [a]	2021	2020
	$ in Millions	
Energy markets		
Day-Ahead Energy	$5,956.1	$2,921.5
Real-Time Energy[b]	$175.1	$91.8
Total energy markets	$6,131.2	$3,013.3
Real-time load obligation (MWh)[c]	127,640,077	122,393,447
Net Commitment-Period Compensation (NCPC)	$35.9	$26.0
Total NCPC	$35.9	$26.0
Reserve markets		
Forward Reserve Markets, n	$19.0	$23.0
Real-Time Reserve Markets	$10.9	$9.7
Total reserve markets	$29.9	$32.7
Regulation Market	$26.1	$22.0
Total Regulation Market	$26.1	$22.0
Forward Capacity Market payments	$2,245.4	$2,662.3
Financial Transmission Rights-long-term auction	$9.0	$15.2
Financial Transmission Rights--monthly auction	$8.3	$8.5
Total Auction Revenue Rights	$17.3	$23.7
Open-access transmission charges (OATT)[d]		
Regional network service /through or out	$2,627.7	$2,279.9
Blackstart	$34.8	$29.2
Volt ampere reactive capacity cost	$19.4	$20.3
Total OATT charges	$2,681.9	$2,329.2
Demand-response payments	$0.4	$0.2
Total demand-response payments	$0.4	$.2

(a) Data shown in the table above reflect settled operational days January 1 through December 31 of the respective years.

(b) The Real-Time Energy total includes the value of the Marginal Loss Revenue Fund.

(c) The real-time load obligation shown in the table reflects load at all pricing locations in New England, including exports at the external nodes.

(d) OATT stands for the ISO's *Open-Access Transmission Tariff*, Section II of the *ISO New England Inc. Transmission, Markets, and Services Tariff*; see https://www.iso-ne.com/participate/rules-procedures/tariff/oatt.

The following measures are key indicators of the cash that clears through the ISO:

- The ISO's aggregate customer base has increased by approximately 3.7% year over year (i.e., 522 customers in 2021, 503 customers in 2020). The ISO's customers include generators, suppliers, publicly owned entities, transmission owners, demand-response resources, alternative resources, end users, and a few smaller groups, including data-only and provisional groups.
- The net cash cleared in 2021 was $7.5 billion, compared with $5.4 billion in 2020, which is an increase of approximately 40%.

Energy market transactions in dollars cleared through the ISO in 2021 increased approximately 104% from the 2020 level. Figure 1 shows historical market-clearing activity from 1997 to 2021.

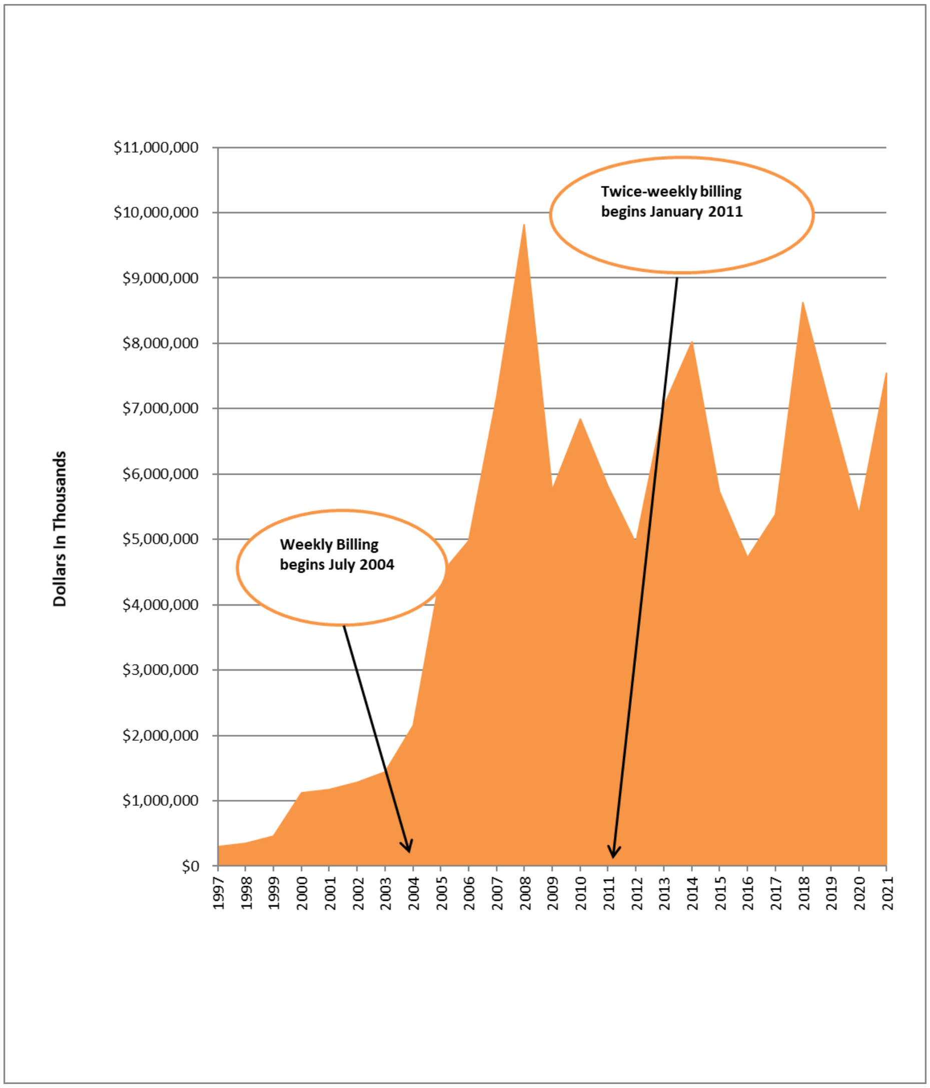

Figure 1: Annual historical market-clearing activity, 1997 to 2021 ($ thousands)

Note: Data for 1997 and 1998 are estimated

Management's Responsibility for Financial Reporting

The management of ISO New England Inc. (ISO) is responsible for the preparation, objectivity, and presentation of the following financial statements, as well as for the integrity of these statements. These financial statements have been prepared to conform to accounting principles generally accepted in the United States and, where required, include amounts that represent management's best judgments and estimates. The ISO's management also is responsible for the preparation of other information in this annual report and for its accuracy and consistency with the financial statements.

To aid in carrying out this responsibility, we, along with all other members of management, maintain a system of internal accounting control modeled after the Committee of Sponsoring Organizations of the Treadway Commission, or the COSO framework. In the opinion of management, the overall system of internal accounting control provides reasonable assurance that the ISO's assets are safeguarded and that transactions are executed in accordance with the management's authorization and are properly recorded for the preparation of financial statements. In addition, management believes the overall system of internal accounting control provides reasonable assurance that, in the normal course of their duties, employees prevent or detect material errors or irregularities on a timely basis.

Any system of internal accounting control, no matter how well designed, has inherent limitations, including the possibility that controls can be circumvented or overridden and misstatements due to error or fraud can occur and not be detected. Also, because of changing conditions, the effectiveness of internal control can vary over time. Accordingly, even an effective system of internal control will provide only reasonable assurance about the preparation and reporting of financial statements.

The system of internal accounting control is supported by written policies and guidelines, the selection and training of qualified employees, an organizational structure that provides an appropriate division of responsibility, and a program of internal auditing. The ISO's written policies include a Code of Conduct that states management's policy on conflict-of-interest and ethical conduct. All personnel annually confirm their compliance with the Code of Conduct.

Gordon van Welie
President and Chief Executive Officer

Robert C. Ludlow
Vice President, Chief Financial and Compliance Officer

ISO New England Inc.

Financial Statements
For the Years Ended December 31, 2021 and 2020
(With Independent Auditors’ Report Thereon)

Table of Contents

KPMG LLP
515 Broadway
Albany, NY 12207-2974

Independent Auditors' Report

The Board of Directors
ISO New England Inc.:

Opinion

We have audited the financial statements of ISO New England Inc. (the Company), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

KPMG LLP

Albany, New York
March 17, 2022

ISO New England Inc.

Statements of Financial Position

As of December 31, 2021 and 2020

		2021		2020
		(In thousands)		
Assets				
Current assets:				
Cash and cash equivalents	$	160,677	$	66,195
Restricted cash on deposit		16,633		13,518
Security deposits		244,960		209,184
Unbilled receivables, net		37,333		33,599
Prepaid expenses and other assets		5,978		6,023
Regulatory assets - current		1,980		211
Noncurrent assets:				
Property and equipment in-service, net		69,353		67,123
Work in process		30,858		31,810
Right-of-use asset		1,236		1,514
Restricted cash on deposit		14,220		6,120
Other assets		2,337		1,676
Deferred charges		819		929
Regulatory assets		74,261		108,515
Total assets	$	660,645	$	546,417
Liabilities and Net Assets				
Current liabilities:				
Accounts payable:				
Settlement, net	$	133,655	$	50,575
Administration		10,004		10,551
Deposit payable		277,488		237,354
Interest payable		335		340
Accrued compensation, current		18,784		17,952
Regulatory liability, current		909		—
Lease liability, current		608		670
Restricted cash on deposit payable, current		16,633		13,518
Long-term debt, current		3,180		3,180
Long-term liabilities:				
Pension and other postretirement benefit liability		74,261		106,535
Accrued compensation, net of current portion		5,656		5,019
Lease liability, net of current portion		628		844
Restricted cash on deposit payable, net of current portion		14,220		6,120
Regulatory liability, net of current portion		14,589		909
Long-term debt		89,695		92,850
Total liabilities		660,645		546,417
Net assets without donor restrictions		—		—
Total liabilities and net assets	$	660,645	$	546,417

The accompanying notes are an integral part of these financial statements

ISO New England Inc.

Statements of Activities

For Years Ended December 31, 2021 and 2020

	2021	2020
	(In thousands)	
Changes in net assets without donor restrictions:		
Revenues:		
ISO tariff revenues	$ 215,934	$ 194,263
(Over)/under collection ISO tariff revenues	(14,589)	1,071
Interest income	164	161
Fees and services	176	148
Total revenues without donor restrictions	201,685	195,643
Expenses:		
Salaries and benefits	122,253	116,694
Depreciation and amortization expense	26,221	24,849
Professional fees and consultants	19,695	18,518
Computer services	15,952	15,433
NPCC/NERC dues and expenses	6,062	6,364
Communication expense	2,802	2,379
Insurance expense	2,153	2,226
Interest expense	1,679	1,981
Board of directors	1,592	1,206
Building services	1,456	1,702
Information services and industry memberships	1,414	1,444
Utilities	1,375	1,288
Rents and leases	741	893
Administrative expense	2,146	2,695
Other expense (income)	(3,856)	(2,029)
Total expenses	201,685	195,643
Change in net assets without donor restrictions	—	—
Net assets without donor restrictions, beginning of year	—	—
Net assets without donor restrictions, end of year	$ —	$ —

The accompanying notes are an integral part of these financial statements

ISO New England Inc.

Statements of Cash Flows

For Years Ended December 31, 2021 and 2020

	2021	2020
	(In thousands)	
Cash flows from operating activities:		
Change in net assets without donor restrictions	$ -	$ -
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by (used in) operating activities:		
Depreciation and amortization expense	26,362	24,991
Amortization of right to use asset	278	182
Loss on disposal	-	425
Change in operating assets and liabilities that provide (use) cash:		
Unbilled receivable, net	(3,734)	(1,095)
Prepaid expenses and other assets	45	652
Regulatory assets	211	5,560
Accounts payable:		
Settlement	83,080	(61,426)
Administration	(530)	968
Accrued compensation	1,469	(378)
Lease liability	(278)	(182)
Interest payable	(5)	(82)
Regulatory liability	14,589	(2,042)
Net cash provided by (used in) operating activities	121,487	(32,427)
Cash flows from investing activities:		
Capital expenditures	(27,522)	(26,333)
Investments	(661)	(1,676)
Net cash used in investing activities	(28,183)	(28,009)
Cash flows from financing activities:		
Security deposits	(35,776)	(17,745)
Restricted cash on deposit payable	11,215	(5,584)
Deposit payable	40,134	21,425
Repayment on long-term debt	(3,180)	(3,180)
Borrowing on revolving credit	(3,500)	-
Repayment on revolving credit	3,500	-
Net cash provided by (used in) financing activities	12,393	(5,084)
Net change in cash, cash equivalents and restricted cash	105,697	(65,520)
Cash, cash equivalents and restricted cash at beginning of year	85,833	151,353
Cash, cash equivalents and restricted cash at end of year	$ 191,530	$ 85,833
Supplemental data:		
Amounts included in Accounts Payable - Administration related to work in process	$ 3,264	$ 3,281
Cash paid during the year for interest, net of interest capitalized	$ 1,682	$ 2,061
Non-cash activity - Change in pension liability is offset by regulatory assets	$ (32,274)	$ 29,745

The accompanying notes are an integral part of these financial statements

1. Summary of Significant Accounting Policies

Description of Business

ISO New England Inc. (the "Company" or "ISO") is the Regional Transmission Organization ("RTO") for New England in compliance with the requirements of the Federal Energy Regulatory Commission ("FERC"). On January 1, 2013, the ISO became the central counterparty to market transactions that flow through the ISO. The change to central counterparty was the result of a FERC rulemaking designed to afford the ISO and market participants more protection in bankruptcy. The ISO's assumption of the central counterparty role did not have a material effect on the ISO's settlement of the markets or on business operations.

The ISO's mission, in collaboration with its stakeholders, is to ensure that New England has reliable, competitively priced wholesale electricity through three interconnected responsibilities: managing the operation of the region's high-voltage power grid; administering the region's billion-dollar competitive markets for buying and selling wholesale electricity; and engaging in planning, studies, and analysis to make sure New England's electricity needs will be met over the next ten years.

The ISO is governed by an independent board of directors and is regulated by FERC. FERC's mandated or approved rules are detailed in the ISO New England Inc. Transmission, Markets, and Services Tariff (the "Tariff" or "ISO Tariff").

On January 13, 2014, the ISO, along with several Reliability Coordinators (as that term is defined by the North American Electric Reliability Corporation ("NERC")), became a member of EIDSN, Inc. ("EIDSN"). EIDSN is a 501(c)(6), nonstock, nonprofit corporation that was established to, among other things, facilitate the secure, consistent, effective, and efficient sharing of important electric transmission and operational data among its members and/or other applicable parties to help improve electric industry operations and promote the reliable and efficient operation of the bulk power system.

Basis of Accounting and Presentation

The accompanying financial statements have been prepared on an accrual basis of accounting in accordance with U.S. generally accepted accounting principles and Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) Topic 980, *Regulated Operations,* and FASB ASC 958, *Not-for-Profit Entities*.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include the useful lives of fixed assets; and assumptions utilized in the accounting for employee benefit obligations such as discount rates, return on assets, fair value of investments and other contingencies.

Regulatory Accounting

The Company's financial statements are prepared in accordance with generally accepted accounting principles for rate-regulated entities. As such, regulators may permit specific incurred costs, typically treated as expenses by unregulated entities, to be deferred and expensed in future periods when it is probable that such costs will be recovered in customer rates. Incurred costs are deferred as regulatory assets when the ISO concludes that it is probable future revenues will be provided to permit recovery of the previously incurred cost. A regulatory liability is recorded when amounts that have been recorded by the ISO are likely to be refunded to customers through the rate-setting process.

Cash and Cash Equivalents

The Company considers cash on hand and short-term marketable securities with original maturities of three months or less to be cash equivalents. The cash equivalents at December 31, 2021 and 2020 were held in overnight repurchase agreements, money market accounts and also in direct and indirect obligations of the United States, with original maturities of three months or less.

Restricted Cash on Deposit

The balance of approximately $30,853,000 and $19,638,000 at December 31, 2021 and 2020, respectively, recorded as restricted cash on deposit, represents the Forward Capacity Market Forfeited Funds, the Congestion Revenue Fund, and Cluster Study Funds. The balance has a corresponding liability on the accompanying Statements of Financial Position. The restricted cash on deposit at December 31, 2021 and 2020 was held in overnight repurchase agreements and in direct and indirect obligations of the United States of America, with original maturities of three months or less.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the Statements of Financial Position that sum to the total of the same such amounts shown in the Statements of Cash Flows.

	December 31,	
	2021	**2020**
Cash and cash equivalents	$ 160,677,000	$ 66,195,000
Restricted cash on deposit	16,633,000	13,518,000
Restricted cash on deposit, net of current portion	14,220,000	6,120,000
Total	$ 191,530,000	$ 85,833,000

The cash and cash equivalents and restricted cash on deposit are recorded at fair market value and are classified as Level 1.

Accounts Receivable and Accounts Payable

In the course of bulk power transactions administered by the Company on behalf of the market participants ("Participants"), amounts for energy purchased and sold among Participants become payable to and receivable from such Participants. The Company summarizes and prices the energy transactions and provides an invoice or remittance advice to each Participant that summarizes the amount either receivable from or payable to each Participant twice per week.

Accounts payable on the accompanying Statements of Financial Position are segregated between (i) the amounts owed for energy transactions and transmission, for which the ISO functions as paying agent, and are included in Accounts payable as "Settlement, net," and (ii) the administrative expenses incurred by the Company in the course of operations. The reference to "Settlement, net" is used due to the nature of billing and payment for the amounts owed for energy transactions and transmission markets, and represents the Participants' net amount due, less any amounts which may have been owed to them.

The net unbilled receivables, the majority of which have been determined as a result of the settlement process, include those amounts that will be billed and included in the invoice or remittance advice to Participants on subsequent invoices issued twice per week. The balance at the end of the year primarily represents ISO Tariff revenues. The net payables and receivables for these energy transactions are settled with the Participants in the same week.

Property and Equipment in Service and Work in Process
Property and equipment in service is stated at cost, net of accumulated depreciation and amortization. The Company capitalizes the interest and fees associated with borrowings that the Company has entered into for the acquisition of assets related to a project that has a material effect on the Company's financial position as required by FASB ASC Topic 980, *Regulated Operations*.

The Company capitalizes the cost of payroll, payroll-related costs and third-party consulting fees incurred in the direct development or enhancement of solutions as internal-use software. Development costs incurred during the preliminary project stage or costs incurred for requirements gathering, data conversion activities, training, maintenance and minor enhancements are expensed as incurred. Development costs incurred for the coding, configuration, interfacing, automation and testing of new functionality after the preliminary project stage is complete are capitalized. Capitalized software costs are amortized on a straight-line basis over three to five years based on the nature and estimated useful life of the applicable solution. Amortization of capitalized software costs is included in depreciation and amortization expense within the Statements of Activities.

Depreciation and Amortization
Depreciation is generally computed using the straight-line method over an estimated useful life ranging from three years to twenty-five years (e.g., computer hardware, software and accessories – three to five years; software development costs – three to five years; vehicles – three to seven years; furniture and fixtures and machinery and equipment – seven years; building and building improvements - one to twenty-five years or remaining life of the building improvement; and building – twenty-five years). Capitalized interest and fees are amortized over the same useful life of the asset to which it pertains, principally software development costs and building. No depreciation is recorded for assets classified as work in process until the assets are placed into service (Note 3).

Leases
The Company determines whether an arrangement is a lease at the inception of the arrangement based on the terms and conditions in the contract. A contract contains a lease if there is an identified asset and the Company has the right to control the asset.

Right-of-use ("ROU") assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. Most of the Company's leases do not provide the lessor's implicit rate; the Company uses its incremental borrowing rate at the commencement date in determining the present value of lease payments. Lease terms include options to extend the lease when it is reasonably certain those options will be exercised. The Company has not entered into any leases that contain a residual value guarantee or a variable lease payment. Leases with an initial term of 12 months or less are not recorded on the Statements of Financial Position, and lease expense is recognized on a straight-line basis over the lease term.

The Company has lease agreements with lease and non-lease components, which are accounted for as a single lease component for all asset classes. Additionally, for equipment leases, the portfolio approach is applied to account for the operating lease ROU assets and lease liabilities. In the

Statements of Activities, lease expense for operating lease payments is recognized on a straight-line basis over the lease term.

Deferred Charges and Regulatory Assets and Liabilities
As a regulated entity, the Company, in appropriate circumstances, establishes regulatory assets or liabilities, and thereby defers the Statements of Activities impact of certain charges or revenues because it is probable to be collected or refunded through future customer billings.

The Company incurred costs with the purchase of land located at Sullivan Road and Helmsford Way. The costs of the land at both locations, which were deferred, are being amortized, and the current year amortization is included in the current year's filing pursuant to Section IV.A, Recovery of ISO Administrative Expenses, of the ISO Tariff. The land located at Sullivan Road is fully amortized. The remaining cost for the land located at Helmsford Way will be collected in future filings.

The Company filed for a change to the general true-up in the ISO Tariff to allow for special purpose funding. The Company may maintain any surplus amounts in a segregated ledger account to be applied in a future year for such specific purpose without application of the true-up mechanism until such time as the special purpose needs are completed, at which time the ISO will include any remaining funds in the Revenue Requirement adjustment. In 2020, the Company created a special purpose funding for FERC Order 1000.

The following table is a detail of the deferred charges, regulatory assets and liabilities balances as presented in the accompanying Statements of Financial Position at December 31:

Deferred charges	**2021**	**2020**
Land located on Helmsford Way	$ 678,000	$ 717,000
Interest Rate Cap	141,000	212,000
	$ 819,000	$ 929,000

Regulatory assets - current	**2021**	**2020**
Actual 2019 under collection	$ -	$ 151,000
Actual 2020 under collection	1,980,000	-
Asset related to pension payment	-	60,000
	$ 1,980,000	$ 211,000

Regulatory assets, net of current portion	**2021**	**2020**
Actual 2020 under collection	$ -	$ 1,980,000
Asset related to pension and postretirement benefit liabilities (Note 5)	74,261,000	106,535,000
	$ 74,261,000	$ 108,515,000

Regulatory liability - current	**2021**	**2020**
Actual 2020 over collection-special purpose funding	$ 909,000	$ -
Mark to Market Interest Rate Cap	-	-
	$ 909,000	$ -

Regulatory liability, net of current portion	**2021**	**2020**
Actual 2020 over collection-special purpose funding	$ -	$ 909,000
Actual 2021 over collection	14,589,000	-
	$ 14,589,000	$ 909,000

Income Taxes
The Company is an entity organized as a non-stock corporation under the General Corporation Law, as amended, of the State of Delaware. The Company has been recognized by the Internal Revenue Service as an organization described in Internal Revenue Code (IRC) 501(c)(3) and is generally exempt from income taxes under IRC Section 501(a). The Company has determined prior to recording any benefit in the financial statements that it is more likely than not that the tax position will be sustained upon examination by the appropriate taxing authorities, as required by the Accounting for Uncertainty within Income Taxes in FASB ASC Topic 740, *Income Taxes*. A tax position is measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon settlement.

Pension and Other Postretirement Plans
The Company has two noncontributory defined benefit pension plans. The benefits are based on age, years of service, and average compensation. The Company also sponsors a defined postretirement benefit health, dental, and life insurance plan.

The Company records annual amounts relating to its pension and other postretirement plans based on calculations that incorporate various actuarial and other assumptions, including discount rates, mortality, assumed rates of return, compensation increases, turnover rates, and healthcare cost trend rates. The Company reviews its assumptions on an annual basis and makes modifications to the assumptions based on current rates and trends when it is appropriate to do so. The Company believes that the assumptions utilized in recording its obligations under its plans are reasonable based on its experience and market conditions.

Security Deposits
The Participants are required to comply with the Financial Assurance Policy under the ISO's Tariff. In certain cases, including non-investment grade rated Participants that meet certain criteria and for all Participants participating in the Financial Transmission Rights market, the Company's Financial Assurance Policy requires these Participants to put in place alternate forms of financial assurance. There are a few options allowed under the Company's Financial Assurance Policy for compliance, one of which is to post cash collateral. The collateral deposits at December 31, 2021 and 2020 were $244,960,000 and $209,184,000, respectively, and are recorded in Deposits payable on the accompanying Statements of Financial Position.

Revenue Recognition
The Company recovers its operating and debt service costs pursuant to Section IV of the ISO's Tariff, which provides for recovery of expenses through three schedules to Section IV.A. Scheduling, System Control and Dispatch Service (Schedule 1), Energy Administration Service (Schedule 2), and Reliability Administration Service (Schedule 3) recover related costs through a pre-approved rate applied to each month's activity. Schedules 1, 2, and 3 are subject to true-up through subsequent years' rates, and any over or under collection are recorded as regulatory assets or regulatory liabilities and will be recovered under future filings to recover the ISO's expenses.

In addition to the recovery of these operating and debt service costs, the Company acts as a billing agent for a number of different pass-through expenditures on behalf of Participants and other regulatory bodies, including system impact study expenses, the FERC's Annual Electric Charges, and amounts related to the annual budget of the New England States' Committee on Electricity, each as required by the Tariff.

Concentrations

The Company's top 10 Participants represented approximately 53% or $115,135,000 and 55% or $104,892,000 in Tariff revenues for the years ended December 31, 2021 and 2020, respectively. The Company's top 10 Participants with unbilled receivable balances represented approximately 51% or $18,313,000 and 57% or $17,838,000 as of December 31, 2021 and 2020, respectively.

Liquidity Information

In order to provide additional information about liquidity, assets have been sequenced according to their nearness to conversion to cash, and liabilities have been sequenced according to the nearness of their resulting use of cash. Financial assets available for general expenditures without donor or other restrictions limiting their use, within one year of the respective Statement of Financial Position date, comprise the following:

	December 31, 2021	December 31, 2020
Cash and cash equivalents	$ 160,677,000	$ 66,195,000
Unbilled receivables, net	37,333,000	33,599,000
Regulatory assets	1,980,000	211,000
Total	$ 199,990,000	$ 100,005,000

The Company's recovery of operating and debt service cost, as described in the Revenue Recognition and Accounts Receivable and Accounts Payable disclosure within this footnote, are collected in arrears, and as a result, the Company's working capital and cash flows may vary throughout the year. To manage unanticipated liquidity needs, the Company has in place a revolving credit agreement, as described within Credit Facilities (note 4), to be used as needed to cover expenses as a result of the timing of cash flows.

Fair Value of Financial Instruments

In determining fair value of financial assets and liabilities, the Company uses various valuation techniques. The availability of inputs observable in the market varies from instrument to instrument and depends on a variety of factors including the type of instrument, whether the instrument is actively traded, and other characteristics particular to the transaction. For many financial instruments, pricing inputs are readily observable in the market, the valuation methodology used is widely accepted by investors, and the valuation does not require significant management discretion. For other financial instruments, pricing inputs are less observable in the market and may require management's judgment.

We assess the inputs used to measure fair value using the following three-tier hierarchy, which indicates the extent to which inputs used are observable in the market.

Level 1 Valuation is based upon unadjusted quoted prices for identical instruments traded in active markets.

Level 2 Valuation is pricing inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets. Inputs are obtained from various sources including investors and dealers.

Level 3 Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions may include management's own judgments about the assumptions investors would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

Reclassifications

The Company has reclassified certain amounts relating to its prior period results to conform to its current period presentation. These reclassifications resulted in an increase to Administrative expense of $2,029,000, with a corresponding change of $2,029,000 to Other expense (income) in the accompanying Statements of Activities for the prior period.

Accounting Pronouncements Recently Adopted

In August 2018, the FASB issued ASU 2018-15, *Intangibles—Goodwill and Other— Internal-Use Software (Subtopic 350-40)): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract***.** The new standard is intended align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The accounting for the service element of a hosting arrangement that is a service contract is not affected by the amendments in this Update. For non-public entities, ASU 2018-15 is effective for fiscal years beginning after December 15, 2020. The Company has adopted ASU 2018-15 in 2021 with no impacts to the accompanying financial statements and related notes.

In August 2018, the FASB issued ASU 2018-14, *Compensation- Retirement Benefits- Defined Benefits Plans (Subtopic 715-20): Disclosure framework-changes to the disclosure requirements for defined benefit plans.* The new standard is intended remove disclosures that no longer are considered cost beneficial, clarify the specific requirements of disclosures, and add disclosure requirements identified as relevant. For non-public entities, ASU 2018-14 is effective for fiscal years beginning after December 15, 2021. The Company has elected early adoption of ASU 2018-14 in 2021, which is reflected in the related notes.

Effects of COVID-19 pandemic

Since the emergence of a novel strain of coronavirus (COVID-19) in December 2019, the pandemic has continued to spread globally and has led governments and other authorities around the world to impose varying degrees of measures intended to reduce its spread and address the resurgences of the COVID-19 variants as they arise. Depending on the jurisdiction, these measures have become more or less restrictive based on the changing conditions, such as the emergence of new variants, the infection and hospitalization trends, as well as the public vaccination status.

The Company continued to provide essential services during the pandemic and communicates regularly with federal and state authorities and industry resources to ensure a coordinated response. COVID-19 did not have a significant impact on the annual financial statements as of December 31, 2021 and 2020. The Company is continually monitoring the evolution of the situation and contributing to the collective effort to fight the spread of COVID-19.

2. Commitments and Contingencies

Capital and Administrative Funding Tariff

FERC accepted the ISO's capital and administrative funding filings to recover administrative expenses for 2021 and 2020. These filings, made pursuant to Section IV of the Tariff, support the ISO's loan arrangements with various banks and note holders to fund the capital and working capital requirements of the Company.

Legal Proceedings

The Company is involved in various claims and legal proceedings of a nature considered normal to its business. The claims are in various stages and some may ultimately be brought to trial. While it is not feasible to predict or determine the outcome of these claims, it is the opinion of management that the final outcome of these claims will not materially impact the operating results of the Company.

3. Property and Equipment In-Service, Net and Work in Process

	December 31, 2021	December 31, 2020
Computer hardware, software and accessories	$ 248,853,000	$ 235,783,000
Software development costs	108,778,000	100,688,000
Furniture and fixtures	4,250,000	4,250,000
Machinery and equipment	152,000	150,000
Building and building improvements	67,354,000	67,077,000
Capitalized interest and fees	9,101,000	8,747,000
Vehicles	19,000	19,000
	438,507,000	416,714,000
Less: accumulated depreciation and amortization	(369,154,000)	(349,591,000)
Property and equipment in-service, net	**$ 69,353,000**	**$ 67,123,000**
Work in process ("WIP")	**$ 30,858,000**	**$ 31,810,000**

Costs within WIP primarily include Next Generation Markets ("nGEM") Market Clearing Engine Implementation, nGEM Development Part I, Security Information and Event Management Log Monitoring Replacement, nGEM Software Development Part II, Forward Capacity Market Qualification Enhancements, and Integrated Market Simulator, which all began between 2017 and 2020 and continued into 2021. Additionally, a number of new projects began in 2021, such as Enterprise Application Integration Phase II, Forward Capacity Market Cost Allocation & Accelerated Billing, Oracle 19C Upgrade, nGEM Hardware Phase II, and various other market enhancement projects that have not been placed in service as of December 31, 2021.

Depreciation and amortization expense was $26,221,000 and $24,849,000 for the years ended December 31, 2021 and 2020, respectively.

4. Credit Facilities

Revolving Credit Arrangement

In July 2018, the Company entered into a $20,000,000 revolving credit arrangement that expired on July 1, 2021. The arrangement was renewed for an additional three-year term, which will expire on July 1, 2024. Any outstanding balance must be paid by the expiration date. In March 2021, the Company filed under Section 204 with FERC to issue this new debt; the filing was approved in May 2021. Interest accrues on the revolving credit at either Base Rate or LIBOR of which the Company has the option of selecting the Overnight, Weekly, 30, 60, 90, or 180-day rate. Interest is paid at the earlier of the selected LIBOR term or 30 days. The Company is charged an annual fee of 0.075% on the unused amount on the line of credit.

The outstanding balance and weighted average interest for each of the years ended December 31, 2021 and 2020 was $0 and .76% and 0%, respectively.

In July 2018, the Company entered into a $4,000,000 revolving credit arrangement that expired on July 1, 2021. The arrangement was renewed for an additional three-year term, which will expire on July 1, 2024. Any outstanding balance must be paid by the expiration date. In March 2021, the Company filed under Section 204 with FERC to issue this new debt; the filing was approved in May 2021. Interest accrues on the revolving credit at either Base Rate or LIBOR of which the Company has the option of selecting the Overnight, Weekly, 30, 60, 90, or 180-day rate. Interest is paid at the earlier of the selected LIBOR term or 30 days. The Company is charged an annual fee of 0.075% on the unused amount on the line of credit.

The outstanding balance and weighted average interest for each of the years ended December 31, 2021 and 2020 was $0 and 0%, respectively.

Long Term Debt

At December 31, 2021, the following amounts were outstanding on long-term debt:

	Private Placement (i)	Private Placement (ii)	Tax-exempt Bonds (iii)	Tax-exempt CT Bonds (iv)	Total
Total outstanding:					
Maturities	$ 11,000,000	39,000,000	18,655,000	24,450,000	93,105,000
Less unamortized debt issuance costs	(5,000)	(11,000)	(48,000)	(166,000)	(230,000)
Total debt, net	$ 10,995,000	38,989,000	18,607,000	24,284,000	92,875,000
Current portion:					
Maturities	$ -	-	1,820,000	1,360,000	3,180,000
Less unamortized debt issuance costs	-	-	-	-	-
Total current portion	$ -	-	1,820,000	1,360,000	3,180,000
Long term portion:					
Maturities	$ 11,000,000	39,000,000	16,835,000	23,090,000	89,925,000
Less unamortized debt issuance costs	(5,000)	(11,000)	(48,000)	(166,000)	(230,000)
Total long term portion	$ 10,995,000	38,989,000	16,787,000	22,924,000	89,695,000
Fair market value at year-end	$ 11,419,000	$ 41,935,000	$ 18,655,000	$ 24,450,000	
Incremental borrowing rate (for FMV)	1.77%	1.77%			
Weighted average SIFMA interest			0.04%	0.04%	
Weighted average floating interest rate			0.04%	0.04%	

At December 31, 2020, the following amounts were outstanding on long-term debt:

	Private Placement (i)	Private Placement (ii)	Tax-exempt Bonds (iii)	Tax-exempt CT Bonds (iv)	Total
Total outstanding:					
Maturities	$ 11,000,000	$ 39,000,000	$ 20,475,000	$ 25,810,000	$ 96,285,000
Less unamortized debt issuance costs	(10,000)	(15,000)	(53,000)	(177,000)	(255,000)
Total debt, net	$ 10,990,000	38,985,000	20,422,000	25,633,000	96,030,000
Current portion:					
Maturities	$ -	-	1,820,000	1,360,000	3,180,000
Less unamortized debt issuance costs	-	-	-	-	-
Total current portion	$ -	-	1,820,000	1,360,000	3,180,000
Long term portion:					
Maturities	$ 11,000,000	39,000,000	18,655,000	24,450,000	93,105,000
Less unamortized debt issuance costs	(10,000)	(15,000)	(53,000)	(177,000)	(255,000)
Total long term portion	$ 10,990,000	38,985,000	18,602,000	24,273,000	92,850,000
Fair market value at year-end	$ 11,958,000	$ 44,374,000	$ 20,475,000	$ 25,810,000	
Incremental borrowing rate (for FMV)	0.85%	0.85%			
Weighted average SIFMA interest			0.51%	0.52%	
Weighted average floating interest rate			0.55%	0.56%	

(i & ii) Private Placement Debt
In November 2012, the Company entered into an $11,000,000 private placement loan, which is made up of a twelve year 3.15% senior note. Payment is due in full on November 8, 2024 with mandatory prepayments upon certain contingent events occurring, and interest is accrued and paid semi-annually.

In September 2013, the Company entered into an agreement for funding of a $39,000,000 private placement loan, which is made up of a ten year 4.49% senior note. Payment is due in full on November 8, 2024 with mandatory prepayments upon certain contingent events occurring, and interest is accrued and paid semi-annually.

The loans are included in long-term debt on the accompanying Statements of Financial Position. The fair value is estimated using discount cash flow analysis based on the Company's incremental borrowing rates for similar types of borrowing arrangements and the debt is classified as Level 2.

(iii) Tax-Exempt Bonds
In February 2005, the Company entered into tax-exempt financing of $45,500,000 in the form of Multi-Mode Variable Rate Civic Facility Revenue Bonds ("Bonds"), which were issued by the Massachusetts Development Finance Agency. The proceeds of the Bonds were loaned to the Company to assist in financing and refinancing a construction project located at the Main Control Center. Principal payments of $455,000, paid quarterly, began in May 2007 with the final repayment due on February 1, 2032. The tax-exempt financing is backed by a letter of credit that the Company originally entered into in February 2005. The letter of credit will expire in August 2024 and contains an evergreen clause that will automatically renew annually with the beneficiaries. The par value of the Bonds approximates the fair value and the Bonds are classified as Level 2.

Interest accrues quarterly on the Bonds at a weekly variable rate based upon the Securities Industry and Financial Markets Association "SIFMA" Swap Index. The Company is charged an annual fee of 0.38% paid quarterly based on the maximum amount available to be drawn under the letter of credit including principal and interest commitments.

(iv) Tax-Exempt CT Bonds
In December 2012, the Company entered into tax-exempt financing of $36,000,000 in the form of Multi-Mode Variable Rate Civic Facility Revenue Bonds ("CT Bonds"), which were issued by Connecticut Innovations Incorporated. The proceeds of the CT Bonds were loaned to the Company to assist in financing a project located in Windsor, Connecticut to acquire real property and construct an office building with data center and control center, including miscellaneous property and equipment to serve as a Back-up Control Center. Principal payments of $340,000 are paid quarterly, with the first payment being made in November 2014 for $680,000 and the final repayment due in November 2039. The tax-exempt financing is backed by a letter of credit that the Company originally entered into in December 2012. The letter of credit will expire in December 2024 and contains an evergreen clause that will automatically renew annually with the beneficiaries. The par value of the Bonds approximates the fair value and the Bonds are classified as Level 2.

Interest accrues quarterly on the $36,000,000 tax-exempt bonds, at a weekly variable rate based upon the SIFMA. The Company is charged an annual fee of 0.38% paid quarterly based on the maximum amount available to be drawn under the letter of credit including principal and interest commitments.

Principal payments on the private placement debt and tax-exempt bonds, excluding debt issuance costs, are due annually as follows:

2022	$ 3,180,000
2023	3,180,000
2024	53,180,000
2025	3,180,000
2026	3,180,000
Thereafter	27,205,000
	$ 93,105,000

Interest incurred on the revolving credit arrangement, private placement debt, and tax-exempt bonds for the years ended December 31, 2021 and 2020 was approximately $2,128,000 and $2,362,000, respectively.

Interest Rate Cap
The Company has entered into an interest rate cap to mitigate the interest rate risks associated with the tax-exempt debt. On October 31, 2013, the Company purchased an interest rate cap for $706,000 for predetermined notional amount to lock into a derivative arrangement whereby the Company will receive a payment whenever 74% of the one-month LIBOR exceeds 2.48%. The interest rate cap is recorded as an other deferred asset on the accompanying Statements of Financial Position. The derivative arrangement is effective November 1, 2013 to February 1, 2024 with the notional amount of $32,215,000, which is amortized to zero as the floating rate debt is repaid. The fair market value of the interest rate cap as of December 31, 2021 and 2020 was $700 and $300, respectively. The fair market values were recorded as an other asset and regulatory liability in 2021 and 2020 on the accompanying Statements of Financial Position. The fair market values are derived from third-party financial institutions and the interest rate cap is classified as Level 2.

5. Pension and Other Postretirement Benefits

The Company sponsors two defined benefit pension plans (one for union and the other for non-union employees), also referred to herein as the non-contract and contract plans, each of which is funded solely by Company contributions. Benefits are determined based on years of service and average compensation. Effective January 1, 2014, the defined benefit pension plans were closed to all employees hired or rehired on or after January 1, 2014.

The Company sponsors a postretirement benefit plan that provides medical, dental, and life insurance benefits for eligible employees and their beneficiaries. The medical benefits are contributory with participants' contributions adjusted annually, and participants are responsible for deductible and coinsurance amounts. Dental benefits are non-contributory but participants are responsible for deductible and coinsurance amounts. The life insurance benefits are non-contributory. Effective January 1, 2016, the postretirement benefit plan was closed to employees hired or rehired on or after January 1, 2016.

The Company accounts for the plans as required in FASB ASC Topic 715, *Compensation – Retirement Benefits*. The measurement date used to determine pension and other postretirement benefit obligations is December 31. Additionally, the Company discloses net periodic benefit cost for the defined benefit pension and other postretirement benefit plan for each annual period for which a Statements of Activities is presented as required by the employers' disclosures. As required in Topic 980, *Regulated Operations*, the Company has disclosed the difference in the timing of recognition of net periodic benefit cost as an expense and as such records the difference as an asset or a liability created by the actions of the regulator under rate making regulations and rules.

Under the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act (collectively, the "Health Care Acts") there are several provisions that may affect a company's postretirement benefit plans, including eliminating lifetime and annual coverage limits, reducing subsidies to Medicare Advantage plans, and extending coverage for adult children until age 26. The Company has evaluated the effects of the provisions of the Health Care Acts and concluded that as of December 31, 2021, none of the provisions have a material impact on its postretirement benefit plan. The Company does not provide benefits that are actuarially equivalent to the Medicare prescription drug benefit in its postretirement benefit plan.

The following table sets forth the plans' benefit obligations, fair value of the plans' assets, and the plans' funded status:

	Pension Benefits Years Ended December 31,		Other Postretirement Benefits Years Ended December 31,	
	2021	2020	2021	2020
Change in benefit obligation:				
Benefit obligation at beginning of year	$ 332,588,000	$ 270,816,000	$ 30,327,000	$ 25,235,000
Service cost	12,138,000	10,386,000	1,671,000	1,345,000
Interest cost	8,008,000	8,738,000	667,000	775,000
Benefits paid	(24,488,000)	(6,821,000)	(1,267,000)	(1,003,000)
Plan participants' contributions	-	-	389,000	286,000
Actuarial (gain)/loss	(12,279,000)	49,469,000	(1,460,000)	3,689,000
Benefit obligation at end of year	315,967,000	332,588,000	30,327,000	30,327,000
Change in plan assets:				
Fair value of plan assets at beginning of year	230,504,000	196,294,000	25,876,000	22,967,000
Actual return on plan assets	27,232,000	38,571,000	3,057,000	3,105,000
Employer contributions	10,402,000	2,460,000	328,000	521,000
Plan participants' contributions	-	-	389,000	286,000
Benefits paid	(24,488,000)	(6,821,000)	(1,267,000)	(1,003,000)
Fair value of plan assets at end of year	243,650,000	230,504,000	28,383,000	25,876,000
Funded status at end of the year	(72,317,000)	(102,084,000)	(1,944,000)	(4,451,000)
Net amount recognized as non-current liabilities	$ (72,317,000)	$ (102,084,000)	$ (1,944,000)	$ (4,451,000)

The Company has determined that the pension liability is probable of recovery through Section IV.A. of the Tariff and has recorded a regulatory asset as of December 31, 2021 and 2020 in the accompanying Statements of Financial Position.

	Pension Benefits Years ended December 31,		Other Postretirement Benefits Years ended December 31,	
	2021	2020	2021	2020
Components of net periodic benefit cost:				
Service cost	$ 12,138,000	$ 10,386,000	$ 1,671,000	$ 1,345,000
Interest cost (1)	8,008,000	8,738,000	667,000	775,000
Expected return on plan assets (1)	(14,705,000)	(12,889,000)	(1,651,000)	(1,530,000)
Amortization of net actuarial loss (1)	6,736,000	6,080,000	114,000	9,000
Amortization of unrecognized prior service credit (1)	-	-	(104,000)	(104,000)
Net periodic benefit cost	12,177,000	12,315,000	697,000	495,000
Amount deferred due to actions of the regulator	(2,498,000)	(3,071,000)	(423,000)	(37,000)
Net periodic benefit cost recognized	$ 9,679,000	$ 9,244,000	$ 274,000	$ 458,000

(1) The components of net periodic pension cost other than service cost component are included in the line item "Other expense (income)" in the Statement of Activities.

The Company's accumulated benefit obligation for the pension benefit plans (non-contract and contract) was $251,295,000 and $266,481,000 at December 31, 2021 and 2020, respectively. The accumulated benefit obligation exceeds the fair value of plan assets for each plan.

The following is a gain/loss transaction reflected in the measurement of the benefit obligation for the pension benefit plans (non-contract and contract) as of December 31, 2021:

> The discount rate changed from 2.45% to 2.79% on the non-contract plan. This change had the impact of decreasing the projected benefit obligation by approximately $20,035,000. The discount rate changed from 2.60% to 2.87% on the contract plan. This change had the impact of decreasing the projected benefit obligation by approximately $463,000.

The following are gains/loss transactions reflected in the measurement of the benefit obligation for the other postretirement plan, as of December 31, 2021:

> The discount rate changed from 2.23% to 2.62%. This change had the impact of decreasing benefit obligations by approximately $1,633,000.

The following table sets forth the amount expected to be amortized into net periodic benefit cost over the next fiscal year ending December 31, 2022:

	Pension Benefits	Other Postretirement Benefits
Expected amortization of net actuarial loss	$ 3,564,000	$ -
Expected amortization of prior service cost (credit)	-	(77,000)

The primary economic assumptions, based on prevailing economic conditions, used to value these liabilities are summarized in the following table.

Weighted-average assumptions used to determine net periodic benefit cost for the following years ended:

	Pension Benefits December 31,		Other Postretirement Benefits December 31,	
	2021	2020	2021	2020
Discount rate	See Below	See Below	2.23%	3.03%
Expected long-term rate of return on plan assets	6.50%	6.75%	6.50%	6.75%
Rate of compensation increase prior to age 40	6.00%	6.00%	6.00%	6.00%
Rate of compensation increase for ages 40-59	4.00%	4.00%	4.00%	4.00%
Rate of compensation increase for ages 60 and after	3.00%	3.00%	3.00%	3.00%
Health Care cost trend rates - initial	-	-	7.00%	7.25%
Dental Care cost trend rates - initial	-	-	3.50%	4.50%
Health Care cost trend rates - ultimate	-	-	4.50%	4.50%
Ultimate year	-	-	2033	2033

Separate discount rates are used in the pension calculations for the non-contract and the contract plans. The December 31, 2021 discount rate for the non-contract and the contract plan was 2.45% and 2.60%, respectively. The December 31, 2020 discount rate for the non-contract and the contract plan was 3.19% and 3.30%, respectively.

Weighted-average assumptions used to determine benefit obligation for the following years ended:

	Pension Benefits December 31,		Other Postretirement Benefits December 31,	
	2021	2020	2021	2020
Discount rate	See Below	See Below	2.62%	2.23%
Rate of compensation increase prior to age 40	6.25%	6.00%	6.25%	6.00%
Rate of compensation increase for ages 40-59	4.25%	4.00%	4.25%	4.00%
Rate of compensation increase for ages 60 and after	3.25%	3.00%	3.25%	3.00%

Separate discount rates are used in the pension calculations for the non-contract and the contract plans. The December 31, 2021 discount rate for the non-contract and the contract plan were 2.79% and 2.87%, respectively. The December 31, 2020 discount rate for the non-contract and the contract plan were 2.45% and 2.60%, respectively.

The ISO's pension plan and postretirement benefit plan weighted-average asset allocations and expected returns by asset category are as follows:

Pension and Postretirement Plan Assets

	Target Allocation 2022	Percentage of Plan Assets at December 31 2021	2020	Weighted Average Expected Long-Term Rate of Return - 2022
Equity Securities	46%	54%	54%	4.19%
Debt Securities	42%	41%	36%	1.30%
Real Estate	4%	5%	5%	0.20%
Other	8%	0%	5%	0.31%
Total	100%	100%	100%	6.00%

The forward-looking estimates of total return were developed based on assumptions for each underlying component, reflecting observable inflation and interest rate information available in the fixed income markets as well as consensus economics forecasts. Long-term assumptions for other asset classes (i.e., equities) are based on historical results, current market characteristics, and professional judgment. In setting this assumption, the ISO relied upon capital market assumptions developed by a market-leading provider of investment services to corporate pension plans.

The respective plan's investment portfolio is to be invested to provide benefits for qualified employees of the ISO. Investments are to be compatible with the liquidity requirements determined by the plan's actuary. An optimal target allocation of 60/40 between equities and fixed income investments is to be kept with an allowance of fifteen percent (15%) over/under deviation from the optimal allocation target.

The fair values of the pension plan assets at December 31, 2021 and 2020 by asset category are as follows:

	Market Value at 12/31/21	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Long-term investment strategies:				
Fixed income:				
Long Duration Corporate Bonds	$ 17,863,000	$ -	$ 17,863,000	$ -
Long Duration Government Bonds	69,601,000	-	69,601,000	-
Resinsurance Bond	149,000	-	149,000	-
Total	87,613,000	-	87,613,000	-
Collective Investment Trust:				
DB Growth Portfolio	151,898,000	-	151,898,000	-
Total	151,898,000	-	151,898,000	-
Cash and cash equivalents	4,139,000	4,139,000	-	-
Total long-term investments	$ 243,650,000	$ 4,139,000	$ 239,511,000	$ -

	Market Value at 12/31/20	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Long-term investment strategies:				
Fixed income:				
Long Duration Corporate Bonds	$ 56,173,000	$ -	$ 56,173,000	$ -
Resinsurance Bond	1,241,000	1,241,000	-	-
U.S. High Yield Bond Funds	6,138,000	6,138,000	-	-
Total	63,552,000	7,379,000	56,173,000	-
Global (ex-U.S.) equities:				
Developed markets	37,459,000	37,459,000	-	-
Emerging markets value (actively managed)	8,318,000	8,318,000	-	-
Total	45,777,000	45,777,000	-	-
Real assets:				
U.S. real estate investment trust funds	10,847,000	10,847,000	-	-
Private real estate mutual funds	4,890,000	4,890,000	-	-
Total	15,737,000	15,737,000	-	-
Cash and cash equivalents	762,000	762,000	-	-
Total long-term investments	$ 125,828,000	$ 69,655,000	$ 56,173,000	$ -
Investments redeemable at net asset value:				
Traditional equity index funds			104,676,000	
Total			104,676,000	
Total Portfolio			$ 230,504,000	

Certain investments are measured at fair value using net asset value ("NAV") as a practical expedient and have not been classified in the fair value hierarchy.

The fair values of the other postretirement benefit plan assets at December are as follows:

	Market Value at 12/31/21	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Long-term investment strategies:				
Fixed income:				
U.S. and global core fixed income funds	$ 11,038,000	$ 11,038,000	$ -	$ -
Resinsurance Bond	36,000	36,000	-	-
Total	11,074,000	11,074,000	-	-
US Large Cap	8,982,000	8,982,000	-	-
US Small Cap	2,039,000	2,039,000	-	-
Total	11,021,000	11,021,000	-	-
Global (ex-U.S.) equities:				
Developed markets	3,565,000	3,565,000	-	-
Emerging markets	835,000	835,000	-	-
Total	4,400,000	4,400,000	-	-
Hedged equity funds of funds:				
Absolute return/multiple strategies	218,000	218,000	-	-
Multiple strategies	717,000	717,000	-	-
Total	935,000	935,000	-	-
Real assets:				
Private real estate	531,000	531,000	-	-
Total	531,000	531,000	-	-
Cash and cash equivalents	422,000	422,000	-	-
Total long-term investments	$ 28,383,000	$ 28,383,000	$ -	$ -

	Market Value at 12/31/20	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Long-term investment strategies:				
Fixed income:				
U.S. Treasury inflation-protected	$ 1,218,000	$ 1,218,000	$ -	$ -
U.S. and global core fixed income funds	6,929,000	6,929,000	-	-
U.S. High Yield Bond Funds	719,000	719,000	-	-
Resinsurance Bond	303,000	303,000	-	-
Total	9,169,000	9,169,000	-	-
Domestic equities:				
Traditional equity index funds	10,389,000	10,389,000	-	-
Total	10,389,000	10,389,000	-	-
Global (ex-U.S.) equities:				
Developed markets	3,651,000	3,651,000	-	-
Emerging markets value (actively managed)	714,000	714,000	-	-
Total	4,365,000	4,365,000	-	-
Real assets:				
U.S. real estate investment trust funds	1,176,000	1,176,000	-	-
Private real estate mutual funds	553,000	553,000	-	-
Total	1,729,000	1,729,000	-	-
Cash and cash equivalents	224,000	224,000	-	-
Total long-term investments	$ 25,876,000	$ 25,876,000	$ -	$ -

The Company expects to contribute approximately $10,000,000 to its pension plans and $455,000 to its postretirement benefit plan in 2022.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

	Pension Benefits	Other Postretirement Benefits
2022	$ 9,460,000	$ 1,351,000
2023	9,284,000	1,510,000
2024	10,284,000	1,521,000
2025	10,994,000	1,577,000
2026	11,619,000	1,592,000
Years 2027-2031	71,514,000	8,687,000
Total	$ 123,155,000	$ 16,238,000

6. Other Benefit Plans

The Company has a 401(k) Retirement and Savings Plan (the "401(k) Plan") open to substantially all employees. This savings plan provides for employee contributions up to specified limits. The Company matches employee contributions up to 3% of eligible compensation and provides a 50% match on the next 2% of eligible compensation. The matching contributions for the Company were $3,290,000 and $3,179,000 for the years ended December 31, 2021 and 2020, respectively.

In 2014, the Company amended the 401(k) Plan to provide for a special contribution for new employees hired after January 1, 2014. The Company funds the contribution into the 401(k) Plan based on a formula of employee's age, service, and compensation. The contributions paid by the Company were $1,406,000 and $1,194,000 for the years ended December 31, 2021 and 2020, respectively.

The Company maintains a 457(b) Plan that provides for certain members of senior management to defer a portion of their current compensation and have it credited under a supplemental unfunded savings program. The 457(b) Plan is intended to satisfy the requirements of an eligible deferred compensation plan maintained by the ISO as a nongovernment tax-exempt entity under Code section 457(e)(1)(B). The plan participants may direct that these funds be invested in the same investments offered by the ISO 401(k) plan at their discretion. The investment balance was $2,338,000 and $1,676,000 as of December 31, 2021 and 2020, respectively and recorded within Other assets and the corresponding deferred compensation liability is recorded in long-term portion of Accrued compensation in the accompanying Statements of Financial Position. The investments are recorded at fair value and are classified as Level 1.

7. Leases

The Company has operating leases for office equipment, computer hardware, and motor vehicles. The Company's leases have remaining lease terms of 1 year to 5 years. For purposes of calculating operating lease liabilities, lease terms may be deemed to include options to extend the lease when it is reasonably certain that the Company will exercise those options. The Company's lease arrangements do not contain any material restrictive covenants. The Company's incremental borrowing rate is 2.20%, which is reviewed each time the Company enters into a new lease.

The components of lease cost for operating leases for the years ended December 31, 2021 and 2020 were as follows:

	Years ended December 31,	
	2021	**2020**
Operating lease cost	$ 762,000	$ 908,000
Short-term lease cost	-	1,000
Total Lease Cost	$ 762,000	$ 909,000

The operating lease cost is equal to the cash paid from operating cash flows.

Maturity of Lease Liabilities at December 31, 2021

	Operating Leases
2022	$ 628,000
2023	421,000
2024	176,000
2025	41,000
2026	-
Total future undiscounted lease payments	1,266,000
Less: Interest	(30,000)
Present value of lease liabilites	$ 1,236,000

The Company calculates the weighted-average remaining lease term based on the remaining lease term and the lease liability balance for each lease at the reporting date. For the years ended December 31, 2021 and 2020, the Company discloses a weighted-average remaining lease term of 2.32 and 2.54 years respectively, for its operating leases.

The Company calculates the weighted-average discount rate based on the remaining lease payments and discount rate for each lease at the reporting date. For the years ended December 31, 2021 and 2020, the Company discloses a weighted-average discount rate 2.20% and 2.24%, respectively for its operating leases.

8. Functional Classification of Expenses

Operating expenses presented by natural and function classification are as follows:

	December 31, 2021		
	Program Service Expenses	Management & General Expenses	Total
Salaries and benefits	$ 105,541,000	$ 16,712,000	$ 122,253,000
Depreciation and amortization expense	26,021,000	200,000	26,221,000
Professional fees and consultants	17,816,000	1,879,000	19,695,000
Computer Services	14,808,000	1,144,000	15,952,000
All other expenses	15,813,000	1,751,000	17,564,000
Total expenses	$ 179,999,000	$ 21,686,000	$ 201,685,000

	December 31, 2020		
	Program Service Expenses	Management & General Expenses	Total
Salaries and benefits	$ 100,727,000	$ 15,967,000	$ 116,694,000
Depreciation and amortization expense	24,631,000	218,000	24,849,000
Professional fees and consultants	16,665,000	1,853,000	18,518,000
Computer Services	14,338,000	1,095,000	15,433,000
All other expenses	18,350,000	1,799,000	20,149,000
Total expenses	$ 174,711,000	$ 20,932,000	$ 195,643,000

One of the Company’s primary responsibilities is to ensure the reliability of the power system for the New England area and as such, our departments are specifically designed to support that function. Those departmental costs are deemed directly identifiable to program services as summarized in the above tables. Other departments that are solely for supporting the Company, such as human resources, are categorized as management and general expenses as summarized in the above tables. For any department that is providing both program and management and general services, an analysis was performed to allocate the costs based on the time spent supporting program services or management and general, and categorized accordingly.

All expenses summarized above, except for depreciation and amortization expense are allocated in the method described above. Depreciation is allocated based on estimated useful life of an asset. Assets with 3-5 year life are primarily computer hardware and software designed for power system and are classified as program service expenses. Any asset with a life of 7 years or greater is related to equipment and building and therefore is allocated under the method described above.

9. Subsequent Events

The Company has evaluated subsequent events from the Statements of Financial Position date through March 17, 2022, the date at which the financial statements were available to be issued, and determined that there are no items to disclose that occurred in the subsequent period.