

SCHEDULE 11

GENERATOR INTERCONNECTION RELATED UPGRADE AND ELECTIVE TRANSMISSION INTERCONNECTION RELATED UPGRADE COSTS

(1) ~~Classification of Generating Projects.~~ The treatment for purposes of this OATT of the Generator Interconnection Related Upgrade costs with respect to the facilities needed for the interconnection of a particular new or modified generating unit project in accordance with Section II.47 of this OATT depends on whether the project is a Category A Project, a Category B Project or a Category C Project, as follows:

- (a) A Category A Project is one whose Generator Owner committed to pay for upgrade costs on or after October 1, 1998 and prior to October 29, 1998 and has filed a petition with the Commission requesting that the costs associated with the interconnection of its generation project be determined in accordance with Schedule 11 of this OATT, as evidenced either by the filing of an executed Transmission Service Agreement or by the filing of an unexecuted Transmission Service Agreement.
- (b) A Category B Project is any one whose Generator Owner committed to pay for upgrade costs on or after October 29, 1998 and prior to June 22, 1999, as evidenced either by the filing of an executed Transmission Service Agreement or by the filing of an unexecuted Transmission Service Agreement. To the extent not otherwise covered by the preceding sentence, a Category B Project includes any one (other than a Category A Project) on which the Generator Owner had expended at least \$5,000,000, including amounts due under irrevocable commitments, as of June 22, 1999. Category B Projects are those projects listed as Category A Projects in Section 1(a) of this Schedule 11, but no longer qualify as Category A Projects, that had expended at least \$5,000,000 (including amounts due under irrevocable commitments) as of June 22, 1999, as reasonably determined by the ISO, as well as the following projects:

Sithe, Mystic Station Expansion

Sithe Edgar Station Expansion, Fore River

Sithe, West Medway

PG&E, Generating Lake Road Generating

PDC, Milford Power
PDC, Meriden Power
Reliant Energy, Hope Rhode Island
IDC FPL, Bellingham
Constellation, Merrimack (Nickel Hill) Energy Project
SEI, Canal Re-powering
ANP, Bellingham
ANP, Blackstone
Cabot, Island End
Calpine, Westbrook Power
HQ, Bucksport
AES, Londonderry
ConEd, Newington
Mirant, Kendall Repowering Project

- (c) A Category C Project is any project which is not a Category A Project or a Category B Project.
- (2) Direct Interconnection Transmission Costs. Direct Interconnection Transmission Costs shall mean the cost of facilities constructed for sole use of the Generator Owner that are not PTF. One hundred percent of Direct Interconnection Transmission Costs shall be the responsibility of the Generator Owner whether the Generator Owner's project is a Category A Project, a Category B Project or a Category C Project.
- (3) Treatment of Category A Project Transmission Costs. The allocation of costs of Generator Interconnection Related Upgrades for Category A Projects will be determined as follows:
- (d) One-half of the Shared Amount (as defined below) of the capital cost of the PTF upgrade shall constitute Pool Supported PTF and be included in Annual Transmission Revenue Requirements under Attachment F to this OATT. The Generator Owner shall be obligated to pay, in addition to the Direct Interconnection Transmission Costs, the other half of the Shared Amount of the capital cost of the PTF upgrade and all of the capital costs in excess of the Shared Amount, and any applicable tax gross-up amounts, and such amounts to be paid by the Generator Owner shall not be included in Annual Transmission

Revenue Requirements under Attachment F to this OATT. Following completion of the construction or modification of the Generator Interconnection Related Upgrade, the Generator Owner shall be obligated to pay its pro rata share of all of the annual costs (including cost of capital, federal and state income taxes, O&M and A&G expenses, annual property taxes and other related costs) which are allocable to such upgrade, pursuant to the interconnection agreement with the individual PTO or its designee which is responsible for the construction or modification, and such agreement may be filed with the Commission by the PTO, either signed or unsigned, on its own or at the request of the Generator Owner.

- (e) In determining the cost responsibilities related to a Generator Interconnection Related Upgrade to PTF, the ISO may determine that all or a portion of the proposed facilities exceed regional system, regulatory or other public requirements. In such a case, the ISO shall determine the amount of the excess costs of the Generator Interconnection Related Upgrade which shall be borne by the entity which is responsible for requiring such excess costs, and the excess costs shall not be included in the calculation of the Shared Amount.
- (f) The Shared Amount of the capital cost of the Generator Interconnection Related Upgrade of PTF shall be initially determined as of the time that the System Impact Study agreement is executed by all parties and the Generator Owner has paid the cost of the study (such initial determination to be based on the estimated cost of the Generator Interconnection Related Upgrade, subject to later adjustment as set forth below) subject to triuing up the KW element of the following formula upon completion of the Generator Interconnection Upgrade, and shall be the lesser of (1) the full actual capital cost of the Generator Interconnection Related Upgrade of PTF (excluding any costs which are determined to be excess costs in accordance with paragraph (b) above) or (2) the amount determined in accordance with the following formula:

$$P = (KW \times R \times 0.50) / C$$

in which:

P is the maximum amount to be shared;

KW in the case of a generating unit, is the actual demonstrated net capability of the new generating unit or increase in the capacity of an existing generating unit corrected to 50°F in kilowatts. If winter operating conditions are shown in the System Impact Study and/or application under Section 3.9 of Section I of the Transmission, Markets and Services Tariff to require additional transmission reinforcements beyond those reinforcements required for summer operating conditions, the net capability of the unit will be corrected to an ambient air temperature of 0°F;

R is the Pool PTF Rate in effect on the Compliance Effective Date, which is \$15.57 per kilowatt year, adjusted to reflect compliance with the April 5, 1999 Settlement Agreement, approved by the Commission by order dated July 30, 1999 in Docket Nos. OA97-237-000, et al.; and

C is the weighted average carrying charge factor of all of the PTOs which own PTF, determined, as of the Compliance Effective Date, in accordance with Attachment F to the OATT, which is 15.87 percent, adjusted to reflect compliance with the April 5, 1999 Settlement Agreement, approved by the Commission by order dated July 30, 1999 in Docket Nos. OA97-237-000, et al.

(g) All payments required hereunder shall be determined initially on an estimated basis, and then adjusted after the appropriate portion of the construction or modification costs has been reflected in OATT rates in the first adjustment of OATT rates after the upgrade has been placed in commercial operation.

(h) The provisions in this Section (3) with respect to allocation of costs for Generator Interconnection Related Upgrades of PTF for Category A projects are subject to further clarifications and/or modifications to reflect the outcome of proceedings in Commission Docket Nos. ER98-3853 (including any court appeals) and EL00-62-000, et al., and further Commission orders with respect thereto.

(4) Treatment of Category B Project Transmission Costs. The costs of Generator Interconnection Related Upgrades in connection with a Category B Project shall be allocated in the same way as Generator Interconnection Related Upgrades for Category A projects.

- (5) Treatment of Category C Project Transmission Costs. If a Generator Interconnection Related Upgrade or an Elective Transmission Upgrade Interconnection Related Upgrade (collectively, “Upgrade”) is required in order to satisfy the Capacity Capability Interconnection Standard or the Network Capability Interconnection Standard (or its predecessor standard) (collectively, “Interconnection Standards”) in connection with a Category C Project, the Generator Owner or Elective Transmission Upgrade Interconnection Customer (“ETU IC”), as applicable, shall be obligated to pay its share ~~all~~ of the cost of such Upgrade, including all Direct Interconnection Transmission Costs and any applicable tax gross-up amounts, to the extent such costs would not have been incurred but for the interconnection; provided that, if the ISO determines that a particular Upgrade provides benefits to the system as a whole as well as to particular parties, then the cost of such Upgrade shall be allocated in the same way as Reliability Transmission Upgrades, as detailed in the ISO New England Planning Procedures.

The cost responsibility for upgrades identified as being needed to support requests for Regional Transmission Service under Sections II.19 and II.34 of this OATT shall be determined and allocated to the requesting Transmission Customer in accordance with the rules below.

(i) Upgrades that are Cluster Enabling Transmission Upgrades (“CETU”)

If the Upgrade consists of ~~Interconnecting Transmission Owner’s Interconnection Facilities, Network Upgrades, or Distribution Upgrades, including~~ a Cluster Enabling Transmission Upgrade, that ~~were was~~ identified under ~~a CRPS Clustering~~ and ~~are is~~ not included in Direct Interconnection Transmission Costs, then the costs to be paid by each Generator Owner or ETU IC (that is not the ETU IC for an ETU that is taking the place of a CETU, or portion thereof, pursuant to Section ~~4.2.3.4~~ 7.3 of Schedule 22, Section ~~1.5.3.3.3.47.3~~ of Schedule 23, or Section ~~4.2.3.47.3~~ of Schedule 25, Section II of the Tariff) with an Interconnection Request included in the ~~eCluster~~ that requires the CETU to meet the applicable Interconnection Standard shall be the total costs of such Upgrade multiplied by the ratio of the Generator Owner or ETU IC’s respective distribution impact divided by the total distribution impact of all the Interconnection Requests in the entire eCluster that require the CETU based on the following distribution factor cost allocation methodology.

Distribution Factor Cost Allocation Methodology: The distribution factor is the measure of responsiveness or change in electrical loading on system facilities due to a change in electric power transfer from one part of the electric system to another, expressed in percent of the change in power transfer. The calculation of the distribution factor ~~for each~~ of the ~~eligible~~-Upgrades ~~identified as a CETU~~ shall: (i) use the final Transitional Cluster Study case or final Cluster Study case, as applicable, CSIS Study Case for summer peak load conditions; (ii) use the pre-contingency condition (i.e., no contingencies will be modeled); and, (iii) be conducted using a transfer from the injection point associated with the respective Generator Owner or ETU IC's facility to New England Control Area load. The distribution impact of each Generator Owner or ETU IC with an Interconnection Request included in the ~~e~~Cluster that requires the CETUs shall be determined by multiplying the Generator Owner or ETU IC's respective distribution factor, as calculated above, by the Summer Network Resource Capability in the case of a Generating Facility or the absolute value of the higher of the requested bidirectional capability that results in a positive distribution factor in the case of an Elective Transmission Upgrade. The total distribution impact of all the Interconnection Requests in the Cluster that require the CETU ~~the entire cluster~~ shall be the sum of all of the individual distribution impacts for the Generator Owners and ETU ICs with Interconnection Requests included in the ~~e~~Cluster that require the CETU.

_____Where cost allocation for an Upgrade identified as necessary for Interconnection Requests that require a CETU ~~identified under Clustering~~ cannot be determined using the distribution factor cost allocation methodology (e.g., a dynamic reactive device, or a switching station), each Generator Owner or ETU IC with an Interconnection Request included in the ~~e~~Cluster that requires the CETU to meet the applicable Interconnection Standard shall be obligated to pay the costs of such Upgrade based upon its pro rata megawatt share of the Interconnection Requests included in the ~~e~~Cluster ~~study~~ to be determined using the Summer Network Resource Capability in the case of a Generating Facility and the absolute value of the higher of the requested bidirectional capability in the case of an Elective Transmission Upgrade. _

(i)(ii) Non-CETU Upgrades

(1) For Network Upgrades identified in the Transitional Cluster Study, a Cluster Study or Cluster Restudy, the share of costs to be paid by each Generator Owner or ETU IC with an Interconnection Request included in the Cluster shall be as follows:

(a) Substation Network Upgrades, including switching stations, shall be allocated first per capita for each Interconnection Facility interconnecting to the substation at the same voltage level, and then per capita to each Generating Facility or ETU sharing the Interconnection Facility that has a Point of Interconnection located at the same substation.

(b) System Network Upgrades shall be allocated based on the proportional impact of each individual Generating Facility or ETU in the Cluster on the need for a specific Network Upgrade, as determined by a proportional impact analysis conducted by the ISO in accordance with the method set forth in this Schedule 11 and the ISO New England Planning Procedures.

(i) System Network Upgrades comprising new or upgrades to transmission lines shall be allocated to each Generator Owner or ETU IC that has a greater than three percent distribution impact (in the pre-upgrade case) for the most limiting contingency for each identified overload using a proportional impact based on: (a) the requested summer Network Resource Capability or Capacity Network Resource Capability in the case of a Generating Facility or the equivalent capability of an ETU and (b) the higher of the Network Resource case impact or the Capacity Network Resource impact. The distribution factor for the Network Resource case shall be calculated by transferring from the Generating Facility or ETU to New England load under the most limiting contingency condition, and for the Capacity Network Resource case, by transferring from the Generating Facility or ETU to the Load Zone under the most limiting contingency condition.

(ii) System Network Upgrades comprising reactive devices or any substation additions beyond the Point of Interconnection shall be allocated based on a proportional impact method and threshold, as detailed in the ISO New England Planning Procedures.

(iii) Interconnection Facilities

- (1) The costs of any needed Interconnection Facilities that are not part of a CETU in the Transitional Cluster Study, a Cluster Study or Cluster Restudy will be directly assigned to each Generator Owner and ETU IC using such facilities. Where Generator Owners and ETU ICs in the Cluster agree to share Interconnection Facilities, the cost of such Interconnection Facilities shall be allocated based on the number of Generating Facilities and ETUs sharing use of such Interconnection Facilities on a per capita basis (i.e., on a per Generating Facility and ETU basis), unless the Generator Owners and ETU ICs mutually agree to a different cost sharing arrangement and communicate that arrangement in writing to ISO and applicable PTO(s).

Following completion of the construction or modification, the Generator Owner or ETU IC shall be obligated to pay ~~all (or, in the case of an Upgrade identified under Clustering, its share)~~ of the annual costs (including federal and state income taxes, O&M and A&G expenses, annual property taxes and other related costs) which are allocable to the Upgrade, pursuant to the interconnection agreement (or support agreement) with the individual PTO or its designee which is responsible for the construction or modification, and such agreement may be filed with the Commission by the PTO, either signed or unsigned, on its own or at the request of the Generator Owner or ETU IC.

~~A Generator Owner with a Generating Facility or ETU IC with an Elective Transmission Upgrade that achieves Commercial Operation within ten years of the In-Service Date of a Cluster Enabling Transmission Upgrade (to be referred to as a “Late Comer Project”) shall reimburse the entities (i.e., Generator Owner or ETU IC) that have contributed to the costs of the Cluster Enabling Transmission Upgrade by the amount of said entities’ corresponding reduction in Cluster Enabling Transmission Upgrade costs based on the comparison of the Cluster Enabling Transmission Upgrade cost allocation with and without the added Late Comer Project, if the Late Comer Project: (i) interconnects directly to the Cluster Enabling Transmission Upgrade, (ii) connects to a substation where the Cluster Enabling Transmission Upgrade terminates, or (iii) (a) is greater than five megawatt and is greater than one percent of the Cluster Enabling Transmission Upgrade normal rating, and (b) (1) has an impact on the Cluster Enabling Transmission Upgrade that is greater than five percent of the Cluster Enabling Transmission~~

~~Upgrade normal rating or (2) has a distribution factor on the Cluster Enabling Transmission Upgrade that is greater than or equal to 20 percent using the distribution factor methodology described above. A Generator Owner or ETU IC that has contributed to the costs of the Cluster Enabling Transmission Upgrade shall have the payments associated with the Cluster Enabling Transmission Upgrade adjusted based on the depreciation schedule that is being used for the Cluster Enabling Transmission Upgrade.~~

- (6) Treatment of Elective Transmission Upgrades for Generating Units. If a Generator Owner has requested an Elective Transmission Upgrade pursuant to Section II.47 of this OATT in connection with a new or materially changed generation unit, the Generator Owner shall be subject to the cost, credit assurance and contract obligations set forth in Section II.47 of this OATT and Schedule 12 to this OATT for Elective Transmission Upgrades.
- (7) Contract and Credit Requirements. If a Generator Interconnection Related Upgrade or an Elective Transmission Upgrade Interconnection Related Upgrade (collectively, “Upgrade”) is required, the Generator Owner or Elective Transmission Upgrade Interconnection Customer (“ETU IC”) requesting such upgrade, at the request of the PTO or its designee responsible for effecting the construction or modification, shall be obligated to pay to the PTO or its designee responsible for effecting the Upgrade an amount equal to its share of the estimated cost of the construction at one time or in monthly or other periodic installments, including, without limitation, all costs associated with acquiring land, rights of way easements, purchasing equipment and materials, installing, constructing, interconnecting, and testing the facilities; O&M and engineering costs; all related overheads; and any and all associated taxes and government fees. In addition to, or in lieu of said payment, the affected PTO or its designee may require the Generator Owner or ETU IC to provide, as security for its obligation to pay any unfunded balance of the construction costs, a letter of credit or other reasonable form of security acceptable to the PTO or its designee that will be responsible for the construction equivalent to the cost of the upgrade including taxes and consistent with relevant commercial practices, as established by the Uniform Commercial Code. As soon as reasonably practical, but in any event within 180 days after completion of the construction or modifications, or as otherwise mutually agreed, the PTO or its designee responsible for the construction or modification will determine the difference, if any, between the estimated cost already paid by the Generator Owner or ETU IC to the PTO or its designee responsible for the construction or modification and its share of the actual cost of the construction or modification, and will either receive from the Generator Owner or ETU IC, with Interest (if the

sum paid is insufficient) or pay to the Generator Owner or ETU IC, with Interest (if the sum paid is surplus) the difference; provided that if, at the time such determination is made, items of construction that remain to be completed and/or some construction costs have not been invoiced and paid, the PTO or its designee responsible for the construction or modification shall continue to be entitled to recover from the Generator Owner or ETU IC the Generator Owner or ETU IC's share of the costs of such remaining items and may retain a reserve to cover such items. Furthermore, the PTO shall release any letter of credit or other security instrument received by the PTO, up to the amount allowed to be recovered through the PTO's Annual Transmission Revenue Requirement for Category A and B Projects, no later than sixty (60) days after the later of the reflection of such costs in the regional rates and the commercial operation of the Generating Facility or Elective Transmission Upgrade addition or modification. To the extent Upgrades, or any portion thereof, are completed in a calendar year, PTO will use their best efforts to reflect such facilities in their Annual Transmission Revenue Requirements calculated on the basis of that year. That portion of the construction or modification costs or deposit paid by the Generator Owner or ETU IC may, by mutual agreement of the PTO and the Generator Owner or ETU IC, either be retained by the PTO, or be refunded to the Generator Owner or ETU IC upon the Generator Owner or ETU IC executing a contract with the PTO obligating the Generator Owner or ETU IC to pay the PTO the ongoing transmission revenue requirement associated with its share of the Upgrade, including but not limited to cost of capital, federal and state income taxes, O&M and A&G costs, annual property taxes and all other related costs, and providing the PTO with an irrevocable letter of credit or other form of security acceptable to the PTO. In the event the Generator Owner or ETU IC's portion of the construction or modification costs is retained by the PTO or its designee in accordance with the preceding sentence, the Generator Owner or ETU IC will be obligated (i) to pay the federal and state income taxes required to be paid by the PTO with respect to the retained amount, and (ii) to pay annually its percentage of the O&M and A&G costs, annual property taxes and all other related costs, except for those costs required to be paid under (i) or any costs that are retained by the PTO in accordance with the interconnection agreement. If the Generator Owner or ETU IC for whatever reason goes out of business, or otherwise abandons its Generating Facility or Elective Transmission Upgrade project and the Upgrade has already been partially or completely constructed, the Generator Owner or ETU IC shall be responsible for all of the unrecovered ongoing costs of the upgrade that would not have been incurred but for the proposed generation or ETU project. Nothing contained herein shall prevent the PTO or its designee responsible for the construction or modification and the Generator Owner or ETU IC from negotiating other methods for providing financial security

associated with the cost of an upgrade deemed acceptable to the PTO or other entity. Subject to the foregoing, the interconnection and support agreements for an Upgrade may specify the basis for continued support of such upgrade in the event of the cancellation of the project due to a failure to obtain regulatory approvals or permits or required rights of way or other property, or action to terminate the project before its completion for whatever reason and any other matters.

Interest payable hereunder shall be calculated in accordance with Section II.8.3 of the OATT.