

NEW ENGLAND POWER POOL





Message From the Chairman

This has been another year marked by intense activity, strong and positive relations between NEPOOL and ISO New England, healthy and respectful relationships among the Participants, and continued efforts to involve state representatives in a consultative process. I have been proud to be a part of it in my role as the Chair of the NEPOOL Participants Committee.

One need only review this 2006 Annual Report to appreciate the extraordinary level of NEPOOL activity and the tremendous amount of work that has been accomplished this past year. It seems that each year the pace of NEPOOL activity increases. From RTO negotiations, to Ancillary Service Markets Phase I and Phase II, to locational ICAP litigation and the subsequent Forward Capacity Market discussions and settlement, the degree of engagement we ask of our members has been intense. With work on FCM implementation rules and Market Rule changes to implement long-term transmission rights now in full swing, that pace promises to continue for some time. However, once the full suite of energy, capacity and reserve markets are in place, we should all look forward to an opportunity to take a breath and focus on refinements and evolution rather than major market overhauls.

With respect to the relationship between NEPOOL and ISO New England, I am particularly appreciative of the ISO's commitment at the highest levels of the organization to ensure full and meaningful stakeholder consultation. Such a willingness helps to ensure full understanding of ISO proposals, full consideration of alternative proposals, and an opportunity to identify potential areas of disagreement and work through them. While there will always be tension between full and meaningful stakeholder consultation and the desire to move expeditiously and efficiently, the region has shown repeatedly that a short-circuit of the consultative process substantially increases the likelihood of unresolved conflict and regulatory delays. I also note with appreciation the interactions between NEPOOL and ISO New England in the selection of two new ISO Board members. The selection process was a truly collaborative effort by the Nominating Committee that ensured full consideration of all views and identified exceptionally qualified new members for the ISO Board.

Relationships among the Participants evolved in 2006, with the Alternative Resources Sector now substantially populated and actively engaged in the NEPOOL process. That change has significantly increased the voice of demand response providers and alternative resources such as intermittent and renewable resources in stakeholder deliberations. It has also resulted in voting allocations that make it more critical than ever that Participants listen carefully to each other and work to address each other's concerns. A failure to do so will result in NEPOOL's inability to take positions on important matters, which is highly undesirable. The Participants Committee Officers are dedicated to maximizing the success of the NEPOOL process in reaching affirmative recommendations by the Participants Committee to ISO New England and the FERC. NEPOOL has proven to be very effective at finding workable compromises among legitimate competing interests, and we must continue to strive for the constructive engagement and dialogue that lead to consensus outcomes.

NEPOOL and ISO have been working closely with state representatives in order to enhance the ability of those representatives to participate in stakeholder discussions in the region. State regulators are invited to and welcome at any and all NEPOOL meetings and their suggestions have been carefully considered in the stakeholder process. The appropriate way to ensure informed and effective participation by state officials continues to evolve. In 2006, we successfully employed in the ICR Working Group a model in which the three co-chairs were appointed by, respectively, NEPOOL, the state representatives and ISO New England. That working group produced recommendations to NECPUC, NEPOOL and ISO New England and a design basis document that was supported by all of the state public utility commissions and 93 percent of NEPOOL. We are seeking to replicate this success in the Cost Allocation Working Group that was recently initiated.

A further contemplated evolution in the relationships between NEPOOL and state representatives is the potential implementation of the New England States Committee on Electricity (NESCOE). Following a highly collaborative process among the ISO, state officials and NEPOOL representatives, a term sheet was finalized that has the unanimous support of the public utility commissions in the six New England states, of ISO New England, and of an 82 percent vote of NEPOOL. That term sheet outlines a process for more timely, informed, and efficient participation by state officials in the NEPOOL process. Pending implementation of that term sheet, NEPOOL will continue to involve state officials through NECPUC or otherwise in order to ensure that all views concerning developments in the New England markets can be fully explored and discussed within the NEPOOL stakeholder process before finding their way in to a filing at FERC.

This work we do, of creating a market structure which will, in the end, produce a sustainable supply of affordable and reliable electricity for the region, is always challenging and intriguing, sometimes exasperating, but always rewarding. There are not many industries in which the participants have the privilege and responsibility of identifying an economic structure for valuing and procuring a resource so integral and essential to modern life as electricity. It is the dedication of so many smart and decent individuals to this effort that convinces me that we will succeed, and we will all have good reason to be proud of our service to the people of the New England region.

It has been my pleasure to serve you this past year and I look forward to continuing to serve this organization and the people of New England.

Petro W. Valler

Sincerely,

Peter D. Fuller

A Year of Successful Collaboration

In 2006 NEPOOL demonstrated once again that collaboration is more effective than litigation for solving the complex issues facing the electric industry. The settlement process leading to the Forward Capacity Market (FCM) Settlement and the many collaborative meetings following that settlement created a positive solution to one of the most contentious issues facing New England for some time.

Litigation involving 24 days of hearings, 45 witnesses, numerous depositions, hundreds of interrogatories, tens of thousands of pages reviewed in discovery, and a 280-page initial decision failed to resolve the issues to the satisfaction of many parties. Appeals and other expensive, time-consuming litigation processes were set to occur. Instead, however, the parties expended the effort required to settle and outline an FCM to which nearly all parties could agree. NEPOOL was able to provide the support needed to accomplish that settlement.

Since the settlement, NEPOOL continues to serve as a vehicle for working out the many details to implement the FCM. After review and discussion, NEPOOL members voted on the rules for the FCM Transition Period, which commenced December 1, 2006. As part of the FCM settlement, new issues and players needed to become quickly involved in the Demand Resources and Intermittent Resources Groups to ensure their needs were incorporated into final details of the market design.

Similarly, NEPOOL played a critical role in helping stakeholders define key attributes of the process for setting Installed Capacity Requirements in the future to support the FCM. Those efforts produced a design basis document approved by a NEPOOL Vote of more than 93 percent.

Throughout 2006 NEPOOL members worked tirelessly in the Technical Committees, subcommittees, working groups and task forces to understand and clarify proposals and positions and solve problems. This collaborative effort routinely produced consensus or near consensus recommendations to the Participants Committee, and, on a number of occasions, allowed the Participants Committee to work through differences efficiently and effectively and act affirmatively on matters that were not resolved below. Indeed the successful implementation of Phase II of the modified NEPOOL Ancillary Services Market, which was accomplished under budget, would simply not have been possible if the many issues addressed during the stakeholder process were left for resolution in litigation.

NEPOOL Participants also met twice with the ISO Board of Directors to discuss the development of the region's wholesale markets and infrastructure. In March, each Sector presented suggestions on how the ISO might approach and sharpen its mission, and recommended refinements and initiatives for ISO consideration going into the future. At the Summer Meeting in June, the ISO Board presented its views on the challenges and changes facing New England as it collaboratively charts its future course.

Collaboration works, and NEPOOL played a critical role in 2006 in fostering that collaboration.

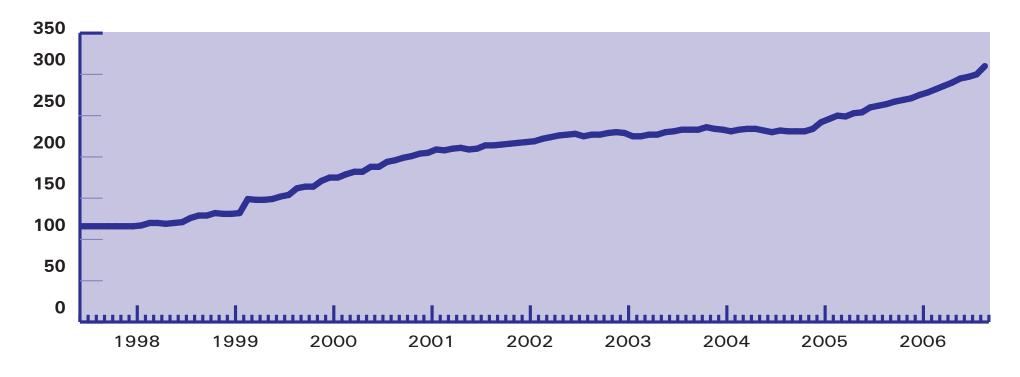
Effective Outreach with Regulators

The successes of 2006 would not have been possible without the continued effective outreach to and involvement of state and federal regulators. NEPOOL has worked hard to include regulators and their staff in the NEPOOL process. State regulatory staff members have regularly attended Technical Committee, working group and task force meetings. FERC staff routinely participate in person or by telephone in Participants Committee meetings.

The Chairman's message in this Annual Report identifies the collaborative working group efforts with state officials and the successful identification of a term sheet

relating to the formation of a New England State Committee on Electricity. Chairman Tom Getz from New Hampshire attended the NEPOOL Winter Meeting. The Summer Meeting included a panel discussion that included Chairman Don Downes from Connecticut, Chairman Getz of New Hampshire, Chairman Elia Germani of Rhode Island, Steve Diamond, then Commissioner from Maine, and Paul Afonso (past Chairman and Commissioner from Massachusetts). Also, Jamie Simler, then FERC's Deputy Director of Electric Markets and Rates, addressed the members.

NEPOOL's Broad and Growing Membership



NEPOOL's membership grew in 2006 to exceed 300 members. While NEPOOL once was primarily comprised of vertically-integrated investor and publicly owned utility companies, NEPOOL's membership now spans all sectors of the restructured electric industry, including generation companies, transmission and distribution companies, municipal utilities, marketers, aggregators, demand response providers, and end users.

Membership growth continues to be driven by an increasing number of marketers wishing to participate in the improved and evolving Real-Time and Day-Ahead Energy Markets. As industry restructuring has diversified and altered the composition of the generation sector, new generation owners and operators have replaced long-standing members. An increasing number of energy efficiency and demand response resource providers became members and actively participated

in the ISO Load Response Program and moved the Alternative Resources Sub-Sectors closer to their Fully Activated Sector Voting Shares. A steady stream of end users and other Participants seeking to participate directly in the New England Markets and the underlying Participant Processes rounded out the group of new members.

With the growth in both the number and diversity of members, collaboration, compromise, and sensitivity to sector concerns are even more crucial to NEPOOL's continued success. Participants must remain actively engaged in the Participant Processes, welcome and encourage new members to become integral participants in those processes, and respect and accommodate the perspectives of all members as issues are considered and resolved.

NEPOOL Goals

To guide Participants through the difficult issues they confront, NEPOOL has established goals to:

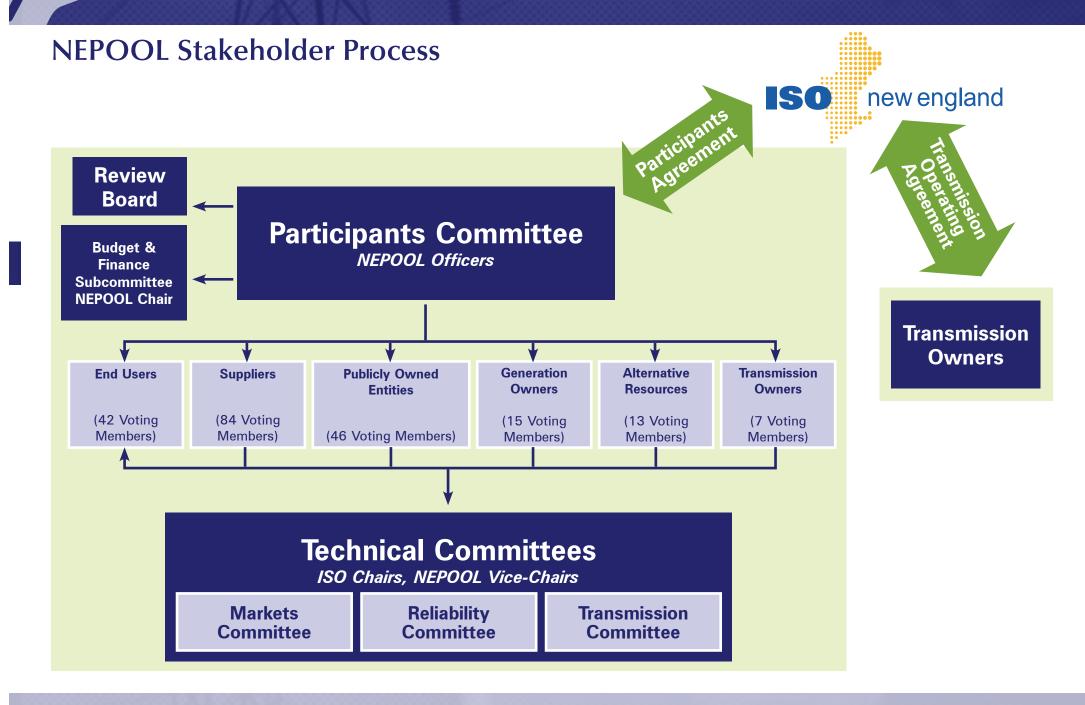
- Ensure opportunities for meaningful input into regional developments and decision making
- Provide forums to maximize consensus among stakeholders
- Communicate and advocate for NEPOOL-supported positions
- Clearly articulate, define and limit unresolved issues
- Monitor and enforce Participants' rights under the RTO arrangements
- Closely coordinate with ISO-NE, regulators and other interested stakeholders



NEPOOL Objectives

In addition to its overarching goals, NEPOOL has several key objectives that serve as its guiding principles. The organization works to provide a cooperative stakeholder process and separate stakeholder-run organization with the following objectives:

- Create and sustain an open, non-discriminatory and competitive wholesale electricity marketplace and transmission infrastructure
- Provide market rules which allow voluntary participation at fair compensation, subject to regulation
- Provide access to competitive markets within New England and in neighboring regions
- Provide for an equitable allocation of costs, benefits and responsibilities among market participants
- Allow informed participation and encourage ongoing market improvements
- Assure that the bulk power supply system conforms to proper reliability standards



NEPOOL's Active Membership

NEPOOL's Principal Committees were extremely active in 2006

Committee	Meeting Days*	Votes**
Participants Committee	14	90
Markets Committee	41	65
Transmission Committee	17	10
Reliability Committee	25	78

^{*}projected end of year

Markets Committee

As the NEPOOL Principal Committee charged with advising the ISO on market developments, the Markets Committee was extremely active in 2006. Members of this committee considered and voted to support rules for the FCM Transition Period and also considered draft rules for the FCM to be filed in 2007.



In other areas, the committee considered and voted on a plan for Long-Term Transmission Rights (LTTR) and considered and voted to support additional rules for the Forward Reserve Market. For a second consecutive year, the Committee addressed specific procedures for operations during cold weather conditions, again supporting rules reflected in Appendix H to Market Rule 1. The Committee considered and voted to support market rules to allow for Combined Cycle Modeling, addressed seams issues, supported incremental improvements to the Regulation Market, Forward Spinning Reserves and Price Finality market rules, and supported rule changes recommended by the Meter Reader and Information Policy Working Groups. The Committee also supported numerous Manual and Operating procedure changes relating to these matters.

Reliability Committee

As NEPOOL's committee tasked to advise the ISO on matters relating to reliability, this committee conducted and voted on 41 applications to modify the bulk power system in New England, and it conducted and voted 14 transmission cost allocation reviews. In addition, the Reliability Committee conducted and voted ten changes to Planning Procedures and Operating Procedures, and the group reviewed and voted on an Installed Capacity Requirements Design Basis Document and related draft rules.

Transmission Committee

This third key NEPOOL Technical Committee also operated at a very fast pace in 2006. The Transmission Committee considered and voted to support a comprehensive set of amendments to Schedule 2 of the ISO Tariff, as well as a Black Start compliance filing (Schedule 16 of the ISO Tariff). In addition it considered and voted on Transmission Business Practices compliance changes, several generator interconnection compliance filings amending the ISO Tariff and extensive comments on the OATT Reform NOPR.

^{**}as of 11/20/2006



NEPOOL's Active Membership continued...

In addition to the Principal Committees established pursuant to the Participants Agreement, a growing number of subcommittees, working groups, task forces, and other subgroups were active in 2006. They include:

- Black Start Working Group
- Budget & Finance Subcommittee
- Demand Resources Working Group
- Demand Response Working Group
- Forward Spinning Reserve Working Group
- Generator Interconnection Working Group
- GIS Operating Rules Working Group
- Information Policy Working Group
- Installed Capacity Requirements Working Group
- Inter-Area Planning Stakeholder Advisory Committee

- Intermittent Resources Working Group
- Long-Term Transmission Rights Working Group
- Meter Reader Working Group
- Membership Subcommittee
- Planning Advisory Committee
- Review Board Liaison Committee
- Second Contingency Commitment Cost Allocation Working Group
- Transmission Settlement Subcommittee
- Transmission Task Force
- VAR Working Group

Highlights of these subgroups' 2006 activities include:

Budget & Finance Subcommittee

The Budget & Finance Subcommittee worked with the ISO to implement extensive revisions to the Financial Assurance Policies and the Billing Policy. The subcommittee also monitored the ongoing evolution of the ISO capital spending plan and investigated potential reductions in the NEPOOL budget. In addition, the subcommittee worked with the ISO to provide Participants with additional investment options for cash collateral, as well as the ability to directly manage such cash collateral through Black Rock Credit Group. The subcommittee continues to work with the ISO to revise the Financial Assurance Policies and the Billing Policy in connection with the upcoming implementation of the Forward Capacity Market.



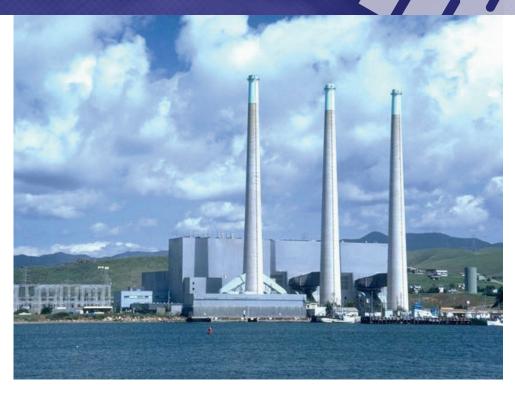
NEPOOL's Active Membership continued...

Demand Response and Demand Resources

In 2006, two working groups met often to discuss new issues related to demand resources. The Demand Response Working Group of the Markets Committee met nearly every month to address ongoing issues with existing demand response programs. It also addressed issues with the pilot program which began in October 2006 to assess whether demand response could operate in the forward reserve market. Following the settlement in the Forward Capacity Market, the working group also addressed issues related to the transitional and future roles of demand response in the FCM.

In addition, there was an intense undertaking of the Demand Resource Group, a separate group established to address demand resources in both the transitional and future FCM. Issues this group addressed included recommending what types of resources could participate, what type of organizations could participate, how monitoring and evaluation would be done, financial issues, etc. The group drafted Market Rule 1 language which it recommended to the Markets Committee. The group's members were often different than those who had traditionally been involved in DR issues within NEPOOL, and NEPOOL affirmatively reached out to solicit input from new players about these resources.





Generator Interconnection Working Group

The GIWG provided input, addressed issues, and developed consensus responses to the FERC's orders on generator interconnection rules.

GIS Operating Rules Working Group

The NEPOOL Generation Information System (GIS) creates and manages electronic Certificates representing the fuel source, emissions and other attributes of all of the power settled in the ISO's market settlement system, as well as attributes for certain behind-the-meter generators that are not settled in the ISO system. These Certificates form the basis for retail bill disclosures, renewable portfolio standard compliance, environmental trading and investment incentives in the New England states. The GIS is owned by NEPOOL and is operated and administered by APX, Inc.

NEPOOL's Active Membership continued...

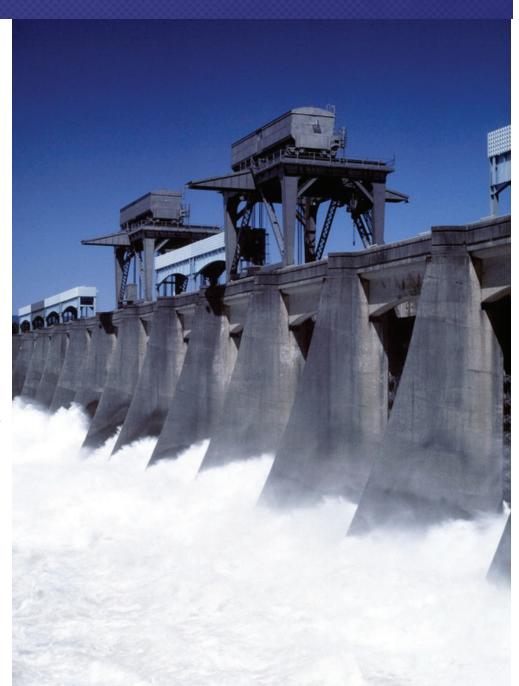
The GIS Operating Rules Working Group addresses changes to the GIS and was quite busy in 2006. In July 2006, APX and NEPOOL signed a five-year extension of their GIS Agreement that had been discussed among working group members. The extended agreement provides for a 5% reduction in the per MWh charge by APX, as well as the replacement of the GIS hardware platform and the introduction of redundant hosting.

The key to the success of the GIS has been the cooperation between NEPOOL and the New England state utility and environmental regulators. As a recent example of that cooperation, the working group recommended and the NEPOOL Participants Committee approved changes to the GIS Operating Rules to accommodate Connecticut's new Class III (distributed resources) portfolio standard and the new Renewable Energy Standard in Rhode Island, as well as Rhode Island's request for verification of behind-the-meter data.

The GIS now has 248 active accounts, with 42 of those accounts added in 2006. In addition, 631 generators have registered in the GIS, with 24 new generators joining in 2006. The GIS has created and managed over 140 million Certificates from the third quarter of 2005 through the second quarter of 2006, and over 7.3 million Renewable Certificates were created during the first and second quarters of 2006.

Information Policy Working Group

In 2006, this group addressed concerns relating to the ISO's proposal to release confidential market participant information to academic institutions in certain situations. Over the course of several meetings, the IPWG worked with the ISO to formulate an acceptable solution, which was ultimately filed with FERC. The IPWG also continued to assess the issue of time lag for release of bid data.



NEPOOL's Active Membership continued...

Installed Capacity Requirements Working Group

This group was organized in 2006 to undertake a comprehensive review of issues concerning the establishment of Installed Capacity Requirements (ICR). That effort required the group to address issues regarding tie reliability benefits, HQICCs and capacity credit treatment of similarly situated inter-Control Area ties.

The ICR working group served as a forum, bringing together Participants, the ISO, New England state regulators and New England consumer advocate representatives to attempt to reach a consensus approach for resolving complex and contentious issues of great concern to the region. The effort engaged Participants from all sectors, involved technical presentations by ISO staff and outside experts at more than 15 meetings, creation of several subgroups and task forces to address specific issues in detail, and coordination of review by the Markets Committee and the Reliability Committee. The result of this group's effort is the foundation for ongoing work to develop Market Rule revisions and other documentation for filing with the Commission to implement this aspect of the FCM settlement.

LTTR Working Group

This working group has been active with the ISO in the development of a comprehensive design of a long-term firm transmission rights system in response to the FERC's LTTR Final Rule.

Meter Reader Working Group

This group was busy in 2006 to define how to address the impact on financial settlements of corrections in meter data. The working group recommended a process for addressing such corrections.

Membership Subcommittee

The Membership Subcommittee remained extremely active during 2006, meeting monthly to review, consider and approve, pursuant to authority delegated to it by the Participants Committee, applications

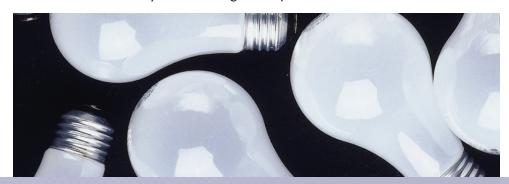
for NEPOOL membership, and termination of Participant status. Through early November, the subcommittee had approved 54 membership applications and 15 requests for termination of NEPOOL membership, and had considered several notices regarding change in organizational name or activity. In addition, the Membership Subcommittee proposed revisions to the Standard Membership Conditions, Waivers, and Reminders, and a 115th Amendment to the NEPOOL Agreement that addressed the annual fee requirement of certain End User Participants.

Review Board Liaison Committee

The Review Board Liaison Committee meets periodically with the Review Board to identify developments in the region and at FERC. In addition, this year the Liaison Committee explored with the Review Board ways to reduce future budgeted Review Board costs and to increase the potential value added by the Review Board. As a result, the Review Board's proposed 2007 budget is 20 percent lower than its 2006 budget.

VAR Working Group

The VAR Working Group developed a comprehensive set of amendments to Schedule 2 for reactive power payments and eligibility of non-generator resources. These changes were recommended and passed overwhelmingly by the Participants Committee, with effort now underway on defining an implementation schedule.



Legal Proceedings

There were more than 80 active legal proceedings involving regional New England matters in 2006, with a continuing focus on market issues and improvements. A review of those proceedings highlights accomplishments shaped by regional consensus and resolution. Collaboration in the Participant Processes led to a reduced level of contested regulatory involvement, with most proposals for Market Rule and other Tariff changes enjoying the joint support of NEPOOL and the ISO following consensus resolution of disputed issues. Where issues remained unresolved and were subsequently contested, many were limited and better defined as a result of consideration in the Participant Processes. In contrast, a number of contested proceedings involving New England matters proceeded towards resolution through hearing or settlement judge procedures, including 13 Reliability-Must-Run (RMR) Agreement Proceedings, where the Participant Processes were unavailable.

- Of the over 80 active legal proceedings in 2006
 - 41 were resolved entirely within the Participant Processes
 - 18 were contested but resolved through paper hearings
 - 6 were resolved through or are in ongoing hearings or settlement proceedings
 - 13 were RMR Agreement Proceedings
 - 4 were rulemaking proceedings
- The increasing number of proceedings resolved entirely within the Participant Processes included the following:
 - Revised Appendix H (Cold Weather Operations)
 - Revisions to Supply Offer Parameter Adjustments, Posturing, EET and Posturing Cost Allocation
 - Price Finality Market Rules
 - Black Start and Order No. 676 Compliance Filings
 - Pro Forma Market Participant Service Agreement for FTR-Only, DRP-Only, and ODR-Only Customers
 - Information Policy Changes
 - Financial Assurance and Billing Policy Amendments
 - Revisions to Reliability Service Rate Design
 - Large and Small Interconnection Compliance Filings
 - Order No. 661 Compliance Filing

- Proceedings resolved or in the midst of hearing or settlement in 2006 include:
 - LICAP/FCM Settlement
 - SEMA Uplift
 - RTO ROE Proceeding
 - 2006 ISO Administrative Costs Budget
 - Various RMR Agreements
- Proceedings contested but resolved through or during paper hearings include:
 - ASM Phase II
 - FCM Transition Period Market Rules
 - 2006 Investigation into ISO External Affairs and Communications Expenses
 - 2005/2006 ICR Values
- RMR Agreements
 - 13 FERC dockets were active during 2006 covering
 5,653 MW (Summer net capability 2006 CELT Report)
 - > 9 were resolved (in whole or in part) through settlement
 - 2 were rejected (Braintree and Fore River)
 - 2 were not able to be settled in whole or part and are going to trial
 - 1 remains subject to ongoing settlement judge proceedings

Participant Expenses

The lesson reinforced by LICAP is that full investment in a balanced, robust and meaningful stakeholder process by all interested parties (time, talent and money) pays off through better and more palatable results and reduced transaction costs. This collaboration is not without cost, however.

NEPOOL's budget is dominated by the costs to support the stakeholder process. The largest component of that budget is NEPOOL counsel expenses. To support a successful NEPOOL stakeholder process and anticipate and respond to NEPOOL's needs, NEPOOL counsel has assembled a team of attorneys and non-attorney professionals whose responsibilities, which evolve with the demands of the organization, have included the following tasks:

- assist in developing changes to the Tariff through negotiation, drafting and advocacy
- monitor and ensure compliance with existing RTO arrangements and subsidiary rules
- coordinate with the ISO, state and federal regulators and other interested stakeholders on a regular basis
- provide counsel and assistance to individual Participants or groups of Participants regarding the RTO arrangements and Participant Processes
- assist committees and working groups to conduct the business of NEPOOL
- provide legal analysis and opinions on regional issues
- negotiate/mediate solutions to issues among NEPOOL Participants or with the ISO
- develop and defend joint filings by the ISO and NEPOOL
- assist in preparing and/or assembling agendas and supporting materials for meetings as necessary
- participate with officers in pre-planning for meetings to make the meetings more effective and efficient
- provide counsel at NEPOOL meetings on legal, factual and process matters
- draft and review minutes and records of meetings as appropriate
- draft or assist in recording agreements and changes to rules, procedures or other documents to reflect NEPOOL positions

- research legal and factual precedents
- work with Participants and state representatives to ensure full and informed hearing of regulators' views
- · monitor and assist in coordinating NEPOOL's calendar
- negotiate arrangements for meeting facilities
- confirm completeness of membership applications and shepherd those applications through NEPOOL
- prepare necessary organizational resolutions in support of committee actions
- summarize orally and in writing views of NEPOOL and its members
- represent NEPOOL in legal/regulatory proceedings, including
 - the preparation of interventions, comments, positions and pleadings in contested proceedings relative to matters in which NEPOOL has taken positions
 - the monitoring of contested proceedings in which NEPOOL has not taken a position but in which the outcome could have broad regional implications
- summarize legal proceedings each month

The NEPOOL team will continue to adapt to the evolving needs of NEPOOL in order to maximize the potential for a successful stakeholder process.

Participant Expenses continued...

The table below shows the Participant Expenses in 2006 relative to 2005 expenses and the 2006 budget (based on year-to-date amounts through October 31, 2006). Participant Expenses are paid first out of annual dues, with the remainder paid by Participants according to Sector membership. The table also shows other regional expenses that are covered through separate charges.

Annualized 2006 Participant Expenses Spending Compared to 2006 NEPOOL Budget and 2005 Actual Expenses (2006 Expenses based on YTD amounts through October 31, 2006)

Description	2005 Expenses	2006 Budget	2006 Annualized Expenses
NEPOOL Counsel Fees and Disbursements	\$3,893,600	\$3,250,000	\$2,940,960
Independent Financial Advisor Fees and Disbursements	\$58,700	\$105,000	\$54,000
Committee Meeting Expenses	\$578,200	\$600,000	\$524,400
Review Board Compensation	\$247,300	\$215,000	\$215,000
Review Board Administrative and Support Expense	\$15,100	\$95,000	\$32,400
Review Board Insurance	\$62,400	\$70,000	\$75,000
SUBTOTAL	\$4,855,300	\$4,335,000	\$3,841,760
NEPOOL Membership Fees	(\$1,070,800)	(\$1,025,000)	(\$1,466,760)
TOTAL PARTICIPANT EXPENSES	\$3,784,500	\$3,310,000	\$2,375,000

Other Expenses

Generation Information System	\$1,484,700	\$1,600,000	\$1,121,400
Credit Insurance Premium	\$272,100	\$350,000	\$350,000
Load Response	\$632,000	\$650,000	\$1,590,240
TOTAL FOR OTHER EXPENSES	\$2,388,800	\$2,600,000	\$2,711,640

Operative Documents

Second Restated NEPOOL Agreement (2d RNA)

The agreement between and among the NEPOOL Participants which governs their relationship, including governance of the NEPOOL organization.

http://www.iso-ne.com/regulatory/restatd_nepool_agree/index.html

Participants Agreement (PA)

The agreement among the ISO and the NEPOOL Participants acting by and through the Participants Committee and the Individual Participants (as defined therein), as modified and amended from time to time in accordance with its terms.

http://www.iso-ne.com/regulatory/part_agree/index.html

Market Participant Service Agreement (MPSA)

An agreement between the ISO and a Market Participant or a FTR-Only Customer, DRP Only Customer, or ODR-Only Customer, as the case may be, in the form specified in Attachments A/A-1 to the Tariff.

http://www.iso-ne.com/regulatory/tariff/attach_a/index.html

ISO Tariff (Tariff)

The ISO New England Inc. Transmission, Markets and Services Tariff, FERC Electric Tariff No. 3, which contains the rates, terms, and conditions of service by the ISO to its Customers. The ISO Tariff is comprised of General Terms and Conditions, including the Financial Assurance and Billing Policies (Section I); the Open Access Transmission Tariff (Section II); the Market Rules (Section III); and the ISO Administrative Costs and Capital Funding Tariffs (Section IV).

http://www.iso-ne.com/regulatory/tariff/index.html

Manuals

The guides for the implementation of the Market Rules that are adopted in accordance with the Participants Agreement, as in effect from time to time. http://www.iso-ne.com/rules proceds/isone mnls/index.html

Operating Procedures (OPs)

Detailed operating procedures for operation of the System as in effect from time to time.

http://www.iso-ne.com/rules_proceds/operating/index.html

Planning Procedures (PPs)

The guides, manuals, procedures and protocols for planning and expansion of the Transmission Facilities, as modified from time to time.

http://www.iso-ne.com/rules_proceds/isone_plan/index.html

Transmission Operating Agreement (TOA)

The Transmission Operating Agreement among the ISO and the transmissionowning entities that are parties thereto, as modified and amended from time to time in accordance with its terms.

http://www.iso-ne.com/regulatory/toa/index.html

MEPCO Transmission Operating Agreement (MEPCO TOA)

The Transmission Operating Agreement between the ISO and Maine Electric Power Company, Inc.(MEPCO) governing the ISO's operation of the MEPCO Transmission System.

http://www.iso-ne.com/regulatory/toa/mepco toa.pdf

Phase I/II HVDC Transmission Operating Agreement (HVDC TOA)

The operating agreement between the ISO and the Asset Owners which formally integrates the Phase I/II Interconnection into the ISO's regional system planning process, and clarifies the authority of the ISO to operate the high-voltage direct current transmission facilities (HVDC-TF) interconnecting the transmission systems operated by the ISO and Hydro-Quebec TransEnergie (HQTE).

http://www.iso-ne.com/regulatory/toa/hvdc_toa.pdf

Phase I/II HVDC-TF Transmission Service Administration Agreement (TSAA)

The agreement among the ISO and the Interconnection Rights Holders (including the Schedule 20 Service Providers) (IRH) that governs how transmission service over the Phase I/II HVDC-TF will be offered and administered, and how the parties will interact to ensure that the service over the Phase I/II HVDC-TF is properly integrated within the RTO.

http://www.iso-ne.com/regulatory/toa/phase I-II hvdc-tf- tsaa.pdf

Operative Documents continued...

Interconnection Operators Agreement (IOA)

The Agreement between HQTE and the ISO that provides for the coordinated scheduling, reliability and operability, in conjunction with the New England and Quebec bulk power systems, of the Phase I/II HVDC/TF. The IOA also provides accounting and procedures for: (i) the transfer of emergency energy between the parties during periods of energy or capacity shortage; and (ii) inadvertent energy interchange.

http://www.iso-ne.com/regulatory/co_agree/index.html

Asset Owners Agreement (AOA)

The agreement among the Asset Owners and HQTE (in its capacity as the owner of the Canadian portion of the Phase I/II HVDC/TF) that sets forth the rights and obligations of the AOA parties with respect to the interconnected operation of, and the coordinated maintenance, metering and planning for, the Phase I/II HVDC-TF. http://www.iso-ne.com/regulatory/co agree/index.html

New Brunswick Coordination Agreement

The Coordination Agreement between the New Brunswick System Operator and the ISO that sets forth the parties' security and reliability responsibilities within their respective control areas, as well as pricing schedules for emergency and security energy. http://www.iso-ne.com/regulatory/co agree/index.html

NYISO Coordination Agreement

The Coordination Agreement between the New York Independent System Operator (NYISO) and the ISO that sets forth the parties' security and reliability responsibilities within their respective control areas, as well as pricing schedules for emergency energy.

http://www.iso-ne.com/regulatory/co_agree/index.html

Interregional Coordination and Seams Issue Resolution Agreement

The Agreement between NYISO and the ISO regarding the coordination of efforts to reduce or eliminate identified seams.

http://www.iso-ne.com/regulatory/ferc/filings/2004/jun/rt04 2 06 22 04.pdf

Generation Information System (GIS) Operating Rules

Detailed rules for the operation of the generation information database and certificate system that accounts for certain attributes of energy consumed within the New England Control Area and exported outside the New England Control Area. http://www.iso-ne.com/committees/comm_wkgrps/mrkts_comm/geninfo_sys/operating/index.html

Review Board Rules of Procedure and Code of Conduct and Ethics Policy

The rules of procedures for the conduct of an appeal to the Review Board and the Code of Conduct and Ethics Policy designed to ensure the independence of the Review Board, each as adopted by the Participants Committee.

http://www.iso-ne.com/committees/comm_wkgrps/prtcpnts_comm/rvwbrd/prps/index.html



FERC Proceedings

EL04-112	RSC Formation
EL05-56	CT DPUC Complaint Challenging Use of Historic Test Year Data in Calculating the PTF Capital Addition Cost Component of the Attachment F Formula
EL05-89	Maine PUC Complaint challenging TO's ROE under the Tariff
EL05-91	Status Reports Concerning ISO Schedule 3 Settlement
EL05-147	Milford Complaint challenging the ISO's rejection of a portion of three RBAs seeking adjustment to Milford's payments under the Milford RMR Agreement
EL05-150	CT Representatives complaint concerning Connecticut RMR Resources
EL06-47	Devon Complaint Regarding Rejected Requested Billing Adjustment
EL06-48	Braintree RMR Agreement
EL06-77	206 Investigation Into ISO's External Affairs and Corporate Communications Expenses
EL07-2	Gas-Electric Coordination Issues
ER02-2330	Quarterly SMD Reports
ER03-345	Semi-Annual Status Reports on Load Response Programs
ER03-421	PPL Wallingford RMR Agreement (On Remand)
ER03-563	Progress Reports on Siting, Permitting and Construction of Transmission and Generation Upgrades in the New England Control Area
ER03-563	LICAP Settlement
ER04-157	RTO ROE Proceeding
ER05-26	Mirant RMR Agreement
ER05-134	Status Reports on Schedule 3 Settlement Discussions
ER05-163	Milford RMR Agreement
ER05-231	PSEG RMR Agreement
ER05-508	Cold Weather Procedures (Appendix H)
ER05-611	Bridgeport RMR Agreement
ER05-795	Regulation Clearing Price Compliance Filing
ER05-903	ConEd (West Springfield 1) RMR Agreement
ER05-1179	Berkshire RMR Agreement
ER05-1531	2006/2007 HQICCs



FERC Proceedings continued...

ER06-17	Lag in Recovery of New Transmission Costs in RNS Rates	ER06-1219	Black Start and Order No. 676 Compliance Filing
ER06-89	Winter Package	ER06-1335	2006/2007 Power Year Rate Filing
ER06-94	2006 ISO Administrative Costs Budget	ER06-1311	Non-Conforming MPSAs (Freedom, DemandDirect, Energy
ER06-118	NRG Successor RMR Agreement		Spectrum)
ER06-191	Small Interconnection Compliance Filing	ER06-1340	Corrected UCAP Auction Results
ER06-193	Schedule 22 Improvements (LGIA/LGIP)	ER06-1365	Capital Projects Report - 2006 Q2
ER06-252	Additional Winter Package Revisions	ER06-1434	Non-conforming MPSA (NAPP)
ER06-262	Pittsfield RMR Agreement	ER06-1464	Revised Appendix H - Cold Weather Operations
ER06-280	Market Rule 1 Terminology Changes	ER06-1465	FCM Transition Period Market Rules
ER06-295	Revised Pricing Formula for Hydro-Quebec/TransEnergie	ER06-1501	Information Policy Changes (Research Universities)
	Emergency Energy Sales	ER06-1502	Non-Conforming MPSA (330 Fund IX LLC)
ER06-427	Mystic 8 & 9 RMR Agreement	ER06-1541	SEMA Financial Assurance Charges
ER06-507	Order Nos. 661 and 661-A Compliance Filing	ER07-92	Price Finality Market Rules
ER06-592	Reverse Winter Rules	ER07-108	Non-conforming MPSA (Innoventive Power)
ER06-613	ASM Phase II	ER07-115	2007 Capital Budget and Capital Projects Report - 2006 Q3
ER06-620	Non-conforming MPSAs (EnergyConnect, Lotus Energy Capital,	ER07-116	2007 ISO Administrative Costs Budget
	WebGen Systems)	ER07-118	Treatment of HQICCs During Capacity Market Transition
ER06-644	Capital Projects Report - 2005 Q4		Period
ER06-646	Appendix H Cancellation	ER07-175	Locational Forward Reserve Market Changes Regarding New
ER06-647	Amendments to Financial Assurance and Billing Policies	EDOZ 107	Resource Assumptions
ER06-656	2006/2007 Power Year ICRs	ER07-187	Pro Forma MPSA for DRP-Only FTR-Only and ODR-Only Customers
ER06-724	Information Policy Changes Standardizing Information Request/ Reply Process	ER07-197	MEPCO TOA Amendment
ER06-819	ConEd (W. Springfield GT-1/GT-2) RMR Agreement	ER07-201	Revisions to Regulation Market Selection Criteria
ER06-822	Fore River RMR Agreement	ER07-219	Elimination of PUSH Bidding
ER06-926	Revisions to Reliability Service Rate Design	RM05-17/25	Order No. 888 (OATT) Reform
ER06-1002	Capital Projects Report - 2006 Q1	RM06-4	Promoting Transmission Investment through Pricing Reform
ER06-1011	Corrections to Form LOCs in Financial Assurance Policies	RM06-8	Long-Term Transmission Rights (LTTR) in RTO Markets
ER06-1034	ASM Phase II Clarifications/Corrections	RM06-16	Mandatory Reliability Standards for the Bulk-Power System
ER06-1116	MR1 Revisions to Supply Offer Parameter Adjustments, Posturing, EET and Posturing Cost Allocation	MPUC 2006-364	Inquiry into Maine Transmission and Distribution Utilities
ER06-1180	TOA and Disbursement Agreement Updates and Clarifications	Continued Participation in the New England Req Transmission Organization	
ER06-1181	VT Transco Changes to TOA and Disbursement Agreement		0

NEPOOL Participants*

511 Plaza, LP

511 Plaza Energy, LLC

AB Energy Inc.

Accent Energy Massachusetts, LLC

AIG Energy Inc.

American Electric Power Service Corporation

ANP Funding I, LLC

Appalachian Power Company

Ashburnham Municipal Light Plant

Associated Industries of Massachusetts

Bangor Hydro-Electric Company

Bank of America, N.A.

Barclays Bank PLC

Bear Energy LP

Bear Swamp Power Company LLC

Belmont Municipal Light Department

Berkshire Power Company, LLC

BG Dighton Power, LLC

BJ Energy, LLC

Black Oak Capital, LLC

Black Oak Energy, LLC

Blackstone Hydro, Inc.

BOC Energy Services, Inc.

Boralex Stratton Energy Inc.

Boston Edison Company

Boston Generating, LLC

Boulder Trading, LLC

Boylston Municipal Light Department

BP Energy Company

Braintree Electric Light Department

Brookfield Energy Marketing Inc.

Burlington Electric Department

Caithness New England Services

Company, LLC

Calpine Energy Services, LP

CAM Energy Products, LP

CAM Energy Trading, LLC

Cambridge Electric Light Company

Canal Electric Company

Cape Light Compact

Cargill Power Markets, LLC

Central Maine Power Company

Central Vermont Public Service

Chicopee Municipal Lighting Plant

CinCap IV, LLC

CinCap V, LLC

Cincinnati Gas & Electric Company, Inc.

Cinergy Capital & Trading, Inc.

Cinergy Services, Inc.

Citadel Energy Products LLC

Citigroup Energy Inc.

Citizens Communications Company

CMS Marketing Services and Trading

CMT Fund IX LLC

Columbus Southern Power Company

Commonwealth Electric Company

Concord Municipal Light Plant

Connecticut Jet Power LLC

Connecticut Light and Power

Company, The

Connecticut Municipal Electric Energy Cooperative

Connecticut Resources Recovery Authority

Conservation Law Foundation

Conservation Services Group, Inc.

Consolidated Edison Co. of New York, Inc.

Consolidated Edison Development, Inc.

Consolidated Edison Energy, Inc.

Consolidated Edison Solutions, Inc.

Constellation Energy Commodities

Group, Inc.

Constellation NewEnergy, Inc.

Coral Power, LLC

*as of December 1, 2006

Credit Suisse Energy LLC

Cross-Sound Cable Company, LLC

D.E. Shaw Plasma Power, L.L.C.

Danvers Electric Division

DB Energy Trading, LLC

DC Energy, LLC

Dennis Beverage Company, Inc.

Dennis Energy Company

Deutsche Bank AG, London Branch

Devon Power LLC

Dighton Power Associates Limited Partnership

Dominion Energy Marketing, Inc.

Dominion Nuclear Marketing III, Inc.

Dominion Nuclear Connecticut, Inc.

Dominion Retail, Inc.

DTE Energy Trading, Inc.

Dynegy Power Marketing, Inc.

Edison Mission Marketing & Trading, Inc.

El Paso Marketing, LP

Elmet Technologies, Inc.

Emera Energy Services, Inc.

Emera Energy U.S. Subsidiary No. 1 Inc.

Emera Energy U.S. Subsidiary No. 2 Inc.

Energy America, LLC

Energy Management, Inc.

Energy New England LLC

EnerNOC, Inc.

Energy Federation Inc.

Entergy Nuclear Generation Company

Entergy Nuclear Power Marketing LLC

Entergy Nuclear Vermont Yankee, LLC

EPIC Merchant Energy NE, LP ESI Northeast Energy GP, Inc.

Exelon Generation Company, LLC

Exelon New Boston, LLC

Exelon New England Holdings, LLC

NEPOOL Participants continued...

Fairchild Semiconductor Corporation

Fairchild Energy, LLC

Fitchburg Gas and Electric Light Company

Florida Power & Light Company

Fortis Energy Marketing & Trading GP

FPL Energy Maine Hydro, LLC

FPL Energy Maine, Inc.

FPL Energy Mason, LLC

FPL Energy Power Marketing, Inc.

FPL Energy Seabrook, LLC

FPL Energy Wyman IV, LLC

FPL Energy Wyman, LLC

FPL Energy LLC

Freedom Partners LLC

Fulcrum Power Marketing LLC

Galt Power, Inc.

Gas Recovery Systems, LLC

Gexa Energy LLC

Glacial Energy of New England, Inc.

Granite Ridge Energy, LLC

Granite State Electric Company

Great Bay Power Marketing, Inc.

Green Mountain Power

Groton Electric Light Department

H.Q. Energy Services (U.S.) Inc.

Hampshire Council of Governments

Harvard Dedicated Energy Limited

Hess Corporation

Hingham Municipal Lighting Plant

Holden Municipal Light Department

Holyoke Gas & Electric Department

Holyoke Water Power Company

Hudson Light and Power Department

Hull Municipal Lighting Plant

Indeck Energy-Alexandria, LLC

Indeck Maine Energy, LLC

Indiana Michigan Power Company

Industrial Energy Consumer Group

Industrial Power Services Corporation

Ipswich Municipal Light Department

J & L Electric

J. Aron & Company

J.F. Gray & Associates, LLC

J.P. Morgan Ventures Energy Corporation

JPMorgan Chase Bank, N.A.

Kennebec River Energy, LLC

Kentucky Power Company

LaBree's, Inc.

LaBree's Energy, LLC

Lake Road Generating Company, L.P.

Lehman Brothers Commodity Services Inc.

Liberty Power Holding, LLC

Lincoln Paper and Tissue, Inc.

Littleton (MA) Electric Light Department

Littleton (NH) Water and Light Department

Long Island Lighting Company d/b/a LIPA

Lowell Cogeneration Co. Limited Partnership

Lowell Power LLC

LP&T Energy LLC

Luminescent Systems, Inc.

MAG Energy Solutions, Inc.

Maine Health & Higher Educational Facilities Authority

Maine Skiing, Inc.

Mansfield Municipal Electric Department

Marblehead Municipal Light Department

Marden's. Inc.

Massachusetts Bay Transportation Authority

Massachusetts Electric Company

Massachusetts Municipal Wholesale Electric

Company

Massachusetts Port Authority

Massachusetts, Public Interest Research

Group, Inc.

MATEP LLC

Mead Oxford Corporation

Merchants Plaza, LLC

Merchants Plaza Energy, LLC

Merrill Lynch Commodities, Inc.

Middleborough Gas and Electric Department

Middleton Municipal Electric Department

Middletown Power LLC

Milford Power Company, LLC

Milford Power Limited Partnership

Millennium Power Partners, LP

Mirant Canal, LLC

Mirant Energy Trading, LLC

Mirant Kendall, LLC

Mohawk River Funding IV, LLC

Montville Power LLC

Morgan Stanley Capital Group, Inc.

Morin Brick Company, Inc.

Morin Energy, LLC

MxEnergy Electric Inc.

Narragansett Electric Company

NE Energy Management, LLC

New England Power Company

New England Wire Technologies Corporation

New Hampshire Electric Cooperative, Inc.

New Hampshire Industries, Inc.

New Hampshire Office of Consumer Advocate

New York State Electric & Gas, Inc.

North Attleborough Electric Department

Northeast Generation Company

Northeastern Power, LLC

Northern States Power Company

Norwalk Power LLC

Norwood Municipal Light Department

NRG Power Marketing Inc.

NEPOOL Participants continued...

NYSEG Solutions, Inc.

Ohio Power Company

Old Lane Commodities LP

Old Town Lumber Company, Inc.

Ontario Power Generation Inc.

Order of St. Benedict of New Hampshire,

d/b/a St. Anselm College

Parkview Adventist Medical Center

Parkview AMC Energy, LLC

Pascoag Utility District

Paxton Municipal Light Department

Peabody Municipal Light Plant

Pepco Energy Services, Inc.

Pinpoint Power, LLC

Power Bidding Strategies, LLC

Powerex Corp.

PowerOptions, Inc.

PPL EnergyPlus Co.

PPL Maine, LLC

PPL Wallingford Energy, LLC

PPM Energy, Inc

Praxair, Inc.

PSEG Energy Resources & Trade LLC

PSEG Energy Technologies Inc.

Public Service Company of New Hampshire

Quality Egg of New England, LLC

Rainbow Energy Marketing Corporation

Reading Municipal Light Plant

Rentricity Inc.

Richard Silkman

Ridgewood Maine Hydro Partners, L.P.

Ridgewood Rhode Island Generation, LLC

Robbins Energy, LLC

Robins Lumber, Inc.

Rochester Electric Light & Power

Rowley Municipal Light Plant

Rumford Falls Hydro LLC

Rumford Power Associates Limited Partnership

S.A.C. Energy Investments, L.P.

Saracen Energy, LP

Saracen Merchant Energy, LP

Select Energy Inc.

Select Energy New York, Inc.

Sempra Energy Solutions

Sempra Energy Trading Corp.

Seneca Energy II, LLC

SESCO Enterprises, LLC

Shrewsbury's Electric Light Department

Silverhill Ltd.

Solios Power, LLC

Somerset Power LLC

South Hadley Electric Light Department

Spark Energy, LP

Split Rock Energy, LLC

SR Energy, LLC

State of Connecticut, Office of Consumer Counsel

Sterling Municipal Electric Light Department

Strategic Energy, Limited Partnership

SUEZ Energy Marketing NA, Inc.

SUEZ Energy Resources NA, Inc.

Susquehanna Energy Products, LLC

Taunton Municipal Lighting Plant

TCPL Power Ltd.

Templeton Municipal Lighting Plant

Texas Instruments Incorporated

The Energy Consortium

The Energy Council of Rhode Island

Tiverton Power Associates Limited Partnership

TransAlta Energy Marketing (U.S.) Inc.

TransCanada Energy Ltd.

TransCanada Power Marketing Ltd.

TransEnergie U.S. Ltd.

Turner Energy LLC

TXU Energy Trading Company LP

UBS AG, acting through its London Branch

Union of Concerned Scientists, Inc.

United Illuminating Company, The

Unitil Energy Systems, Inc.

UNITIL Power Corp.

UPC Wind Management, LLC

Vermont Electric Cooperative

Vermont Electric Power Company, Inc.

Vermont Energy Investment Corporation

Vermont Marble Company

Vermont Public Power Supply Authority

Vermont Transco LLC

Vermont Yankee Nuclear Power Corporation

Wakefield Municipal Gas and Light Department

Webenergy.net d/b/a ConsumerPowerline

WebGen Systems Inc.

Wellesley Municipal Light Plant

West Boylston Municipal Lighting Plant

The Westerly Hospital

Westerly Hospital Energy Company, LLC

Western Massachusetts Electric Company

Westfield Gas & Electric Light Department

Wheelabrator North Andover, Inc.

Williams Power Company, Inc.

Worcester Energy Partners, Inc.

WPS Energy Services Inc.

Z-TECH, LLC



2006 NEPOOL Officers

Participants Committee

Chair Peter D. Fuller (Generation)

Vice-Chairs Daniel W. Allegretti (Supplier)

Thomas E. Atkins (Alternative Resources)

Lisa M. Barton (Transmission) Brian E. Forshaw (Publicly Owned)

Donald J. Sipe (End User)

Secretary David T. Doot

Ass't Secretary Paul N. Belval

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Markets Eric N. Stinneford (Transmission)

Reliability Dorothy J. Capra (Generation)

Transmission Robert de R. Stein (Supplier)

Budget & Finance Daniel W. Allegretti (Supplier)

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