

MEMORANDUM

TO: NEPOOL Participants Committee Members and Alternates

FROM: Paul Belval and Patrick Gerity, NEPOOL Counsel

DATE: September 27, 2018

RE: ISO New England Inc. (“ISO”) 2019 Operating and Capital Budgets
New England States Committee on Electricity (“NESCOE”) 2019 Budget

At its October 4, 2018 meeting, the Participants Committee (the “NPC”) will be asked to vote on the ISO’s proposed 2019 operating and capital budgets (collectively, the “ISO Budgets”) and on NESCOE’s 2019 operating budget (the “NESCOE Budget”). We have included with this memorandum background materials regarding these budgets.

The ISO 2019 Budgets

The ISO Budgets were prepared according to the processes included in the Participants Agreement and in the Settlement Agreement with state agencies in FERC Dockets Nos. ER13-185 and ER13-192. The ISO presented its preliminary budgets in May at the NECPUC Symposium and in June at the NEPOOL Summer Meeting. The ISO next presented the ISO Budgets to New England state agencies and attorneys general on August 9, to the NEPOOL Budget & Finance Subcommittee (the “Subcommittee”) on August 10, and to the Massachusetts Attorney General’s office on August 17. Mr. Ludlow also provided an overview of the ISO Budgets at the August 24 NPC meeting and offered to answer any questions that NPC members may have on the ISO Budgets. On September 4, certain New England state regulators and consumer advocates provided comments on the ISO Budgets, to which the ISO responded on September 18.

Included with this memorandum is a memorandum from Mr. Ludlow describing the changes that have been made to the ISO Budgets from the versions reviewed by the Subcommittee. That memorandum includes a link to the updated ISO Budgets presentation and a link to the comments from the New England state regulators and consumer advocates and the ISO’s response to those comments. The ISO’s September 26 memorandum regarding the allocation of its projected costs among the ISO Tariff Schedules is also included with this memorandum.

The 2019 operating budget, prior to true-ups, reflects a 1.5 percent increase over the 2018 operating budget. After accounting for the true-up mechanism in the ISO Tariff, the revenue requirement to fund the 2019 operating budget (i.e., the amount collected under the ISO administrative cost tariff) will

decrease by 3.5 percent over the amount projected to be collected in 2018.¹ The ISO capital budget for 2019 is \$28 million. This reflects no change from the amount of the 2018 capital budget.

The following form of resolution can be used by the NPC on this matter:

RESOLVED, that the Participants Committee supports the Year 2019 operating budget and capital budget proposed by the ISO, as presented at this meeting.

The NESCOE 2019 Budget

Ms. Heather Hunt, the Executive Director of NESCOE, joined the Subcommittee's August 10 meeting and informed the Subcommittee that NESCOE expected the NESCOE Budget for 2019 to be approximately \$2,350,787, slightly less than the \$2,395,513 included in the five-year *pro forma* projections supported by the NPC in June 2017 and accepted by the FERC. That fact was reported at the last NPC meeting as well. A summary presentation regarding the NESCOE Budget, which was previously circulated with the materials for the [August 24, 2018 meeting](#), can also be found at https://www.iso-ne.com/static-assets/documents/2018/08/5a_nescoe_2019_budget.pdf, and will be posted with composite materials for this meeting.

The following form of resolution can be used by the NPC in its consideration of the proposed 2019 NESCOE Budget:

RESOLVED, that the Participants Committee supports the 2019 NESCOE budget, as proposed by NESCOE at this meeting, as the Year 2019 operating budget for NESCOE.

cc: R. Ludlow
C. Arnold
H. Hunt
NEPOOL Budget & Finance Subcommittee

¹ A memo addressing the Projected 2019 Revenue Requirement, including the final true-up for 2017 and a comparison to the 2018 Revenue Requirement, a Draft 2019 Revenue Requirement by activity, and Draft 2019 Rate Components, was circulated by the ISO to Participants Committee members and alternates and Budget & Finance Subcommittee members on September 26.



memo

To: NEPOOL Participants Committee
From: Robert C. Ludlow, VP & CFO
Date: September 25, 2018
Subject: ISO New England's 2019 Proposed Operating and Capital Budgets

This 2019 operating and capital budgets (the "Budgets") update is intended to provide the NEPOOL Participants Committee with information regarding the changes that have been made to the ISO's 2019 proposed Budgets since the last review of the Budgets at the August 24, 2018 NEPOOL Participants Committee meeting.

Summary of Changes

The 2019 operating budget, including depreciation and excluding the true-up has been reduced to \$198.0M, which is a decrease of \$1.4M from the operating budget presented in August. During the August and September discussions of the draft Budgets, we noted that we were in the process of finalizing medical and dental expense projections and the capital projects plan (which impacts depreciation expense). Accordingly, the decrease is a result of the medical and dental plan renewals coming in flat compared to 2018 and lower depreciation expense due to changes in the 2019 capital budget. In addition, the ISO's Board of Directors approved the 2019 proposed compensation increases, which are included in the operating budget.

In summary, the 2019 operating budget, excluding the true-up, is an increase of 1.5% or \$2.9M as compared to the 2018 operating budget. The 2019 operating budget, including the true-up, results in a 3.5% decrease to the 2018 Revenue Requirement.

The 2019 capital budget amount has not changed, remaining at \$28M. Changes to the capital projects plan include updates for recently chartered projects, budget updates for certain projects, and project description or completion date changes. Specifically, the changes to projects in planning/conceptual design and chartered, include moving the Streamline Asset Registration Phase III and Competitive Auctions with Sponsored Policy Resources projects to chartered projects. Budget updates were made to the CIMNET Simultaneous Feasibility Test with Data Transfer Enhancements and Identity and Access Management Phase II projects. Minor project description changes, completion dates, and/or 2018 budget amount changes were made to the Identity and Access Management Phase II and the FERC Form 1, 3Q, 714 projects.

Materials

The August 10, 2018 budget presentation (the "Budget Presentation") presented to the NEPOOL Budget and Finance Subcommittee has been updated to reflect the changes described above. The updated Budget Presentation can be found at the following link: https://www.iso-ne.com/static-assets/documents/2018/09/4_isonewengland_2019_proposed_op_cap_budget_updated_09_25_2018.pdf.

The 2019 state agencies' written comments and the accompanying response can be found at the following link: https://www.iso-ne.com/static-assets/documents/2018/09/4_states_2019_budget_comments_isoner_response.pdf.

Budget Presentation Slide Changes

The following pages have been updated in the Budget Presentation:

Operating Budget Slides, pages: 4, 5, 6, 15, 18, 24, 25, 27, 29, 30, 32, 35, 36, 37, 38, 39, 40, 44, 45, 46, 55, 63, 67, 68, 69, 87, 125, 127

Capital Budget Slides, pages: 92, 93, 95, 96, 100, 101, 104, 117, 121

Please let me know if you have any questions in advance of our meeting. I look forward to our discussion.



memo

To: NEPOOL Budget & Finance Subcommittee and Participants Committee
From: Bob Ludlow and Cheryl Arnold
Date: September 26, 2018
Subject: Projected 2019 Revenue Requirement for ISO New England Administrative Cost Tariff Schedules

To help our Participants prepare their 2019 budgets and consistent with information provided in previous years, this memo includes a preliminary indication of ISO-NE's 2019 costs and related tariff schedules. Specifically, the memo includes (1) the estimated 2019 Revenue Requirement, including the final true-up for 2017 and a comparison to the 2018 Revenue Requirement (see Exhibit 1 below), (2) the Draft 2019 Revenue Requirement by activity (see Exhibit 2), and (3) the Draft 2019 Rate Components (see Exhibit 3). Both Exhibits 2 and 3 are attached and, in their final form, will be part of the ISO's budget filing with the FERC. The cost assignment and allocation mechanisms that were utilized in the Draft 2019 tariff schedules were established as part of the settlement that has been in effect for the last seventeen years.

Overall Change in Revenue Requirement

As shown in Exhibit 1 below, the overall Revenue Requirement has decreased by \$6.8 million year-over-year, from \$195.5M for 2018 to \$188.7M for 2019.¹ The change includes a \$2.9 million increase in the revenue requirement before taking into account the change in prior year true-ups. Prior year true-ups resulted in a decrease of \$9.7M. The 2018 tariff included a \$0.4M revenue requirement increase for the final 2016 true-up, while the 2019 tariff will include a decrease of \$9.3M as a result of the final 2017 true-up.

| Draft Exhibit 1 | | | | |
|--|--------------------|--------------------|--------------------|--------------------|
| ISO New England Revenue Requirement By Tariff Schedule 2019 Estimated Amount vs. 2018 Filed Amount | | | | |
| | Sch 1 | Sch 2 | Sch 3 | Total |
| 2019 Revenue Requirement Before Prior Year True Ups | \$ 42,182,921 | \$ 94,793,248 | \$ 61,050,840 | \$ 198,027,010 |
| 2018 Revenue Requirement Before Prior Year True Ups | 43,916,721 | 92,721,385 | 58,529,055 | 195,167,162 |
| \$ Increase/(Decrease) from 2018 to 2019 | (1,733,800) | 2,071,863 | 2,521,785 | 2,859,848 |
| % Increase/(Decrease) from 2018 to 2019 | (3.9%) | 2.2% | 4.3% | 1.5% |
| 2019 Revenue Requirement Prior Year True Ups-Under/(Over) Collect | \$ (3,134,835) | \$ (3,768,663) | \$ (2,431,428) | \$ (9,334,926) |
| 2018 Revenue Requirement Prior Year True Ups-Under/(Over) Collect | (1,690,120) | (376,781) | 2,447,993 | 381,092 |
| \$ Increase/(Decrease) from 2018 to 2019 | (1,444,715) | (3,391,882) | (4,879,421) | (9,716,018) |
| 2019 Revenue Requirement Including Prior Year True-Ups | \$ 39,048,086 | \$ 91,024,585 | \$ 58,619,412 | \$ 188,692,084 |
| 2018 Revenue Requirement Including Prior Year True-Ups | 42,226,601 | 92,344,604 | 60,977,048 | 195,548,254 |
| \$ Increase/(Decrease) from 2018 to 2019 | (3,178,515) | (1,320,019) | (2,357,636) | (6,856,170) |
| % Increase/(Decrease) from 2018 to 2019 | (7.5%) | (1.4%) | (3.9%) | (3.5%) |

¹ Minor variances may appear due to rounding among the various presentations and schedules for the 2019 Budgets.

Change in Revenue Requirement by Schedule

Before true-ups in 2019 and 2018, the 2019 Revenue Requirement reflects an overall increase of \$2.9M or 1.5% over the 2018 Revenue Requirement. By tariff schedule, the changes are: Schedule 1, a \$1.7M or 3.9% *decrease*; Schedule 2, a \$2.1M or 2.2% *increase*; and Schedule 3, a \$2.5M or 4.3% *increase*.

The Tariff Schedule 1 decrease of \$1.7M is attributable to:

- A net depreciation reduction for projects that have or will become fully depreciated in 2018 or 2019, including the Voltage Stability project which is allocated entirely to Schedule 1, Coordinated Transaction Scheduling which is allocated largely to Schedule 1, and Generation Control Application Production Part I which is allocated evenly to Schedules 1 and 2.
- The depreciation expense decrease is partially offset by increases for funding of items that impact all three schedules, including for Compensation (annual Merit and Promotion); continuing Cyber Security and Critical Infrastructure Protection costs; and Computer Service and Systems support for new products as well increases for existing products.

The Tariff Schedule 2 increase of \$2.1M is attributable to:

- Funding for items that impact all three schedules, as noted above in the explanation for Schedule 1.
- Funding for items that impact Schedules 2 and 3, including fuel security initiatives and an increase in work by the ISO's independent (external) market monitor/advisor.
- The depreciation expense changes for Schedule 2 in total are de minimis. However, there are increases for the nGEM Software Development project allocated entirely to Schedule 2 and to reflect a full year of depreciation expense for the Price Responsive Demand project (allocated evenly between Schedules 2 and 3 with only a partial year of depreciation in 2018). These increases were offset by a reduction due to projects becoming fully depreciated by 2019, including Generation Control Application Production Part I (noted above in Schedule 1) and Wind Integration Phase II / Do Not Exceed (DNE) Dispatch project which is allocated evenly between Schedules 2 and 3.

The Tariff Schedule 3 increase of \$2.5M includes:

- Funding for items that impact all three tariff schedules, as noted above in the explanation for Schedule 1, and funding for items that impact tariff Schedules 2 and 3 as noted above in the explanation for Schedule 2.
- Funding for items allocated entirely to Schedule 3, including completion of a reevaluation and updating of Cost of New Entry (CONE), Net CONE, and the Offer Review Trigger Price in the Forward Capacity Market which is required to be completed at least every three years under ISO-NE's Transmission, Markets, and Services Tariff; and an increase in dues for both the Northeast Power Coordinating Council and North American Electric Reliability Corporation.
- The depreciation expense increase for Schedule 3 includes the Forward Capacity Market Pay for Performance and Forward Capacity Improvement projects, both allocated entirely to Schedule 3, and as noted above, a full year for the Price Responsive Demand project (allocated evenly between schedules 2 and 3 with only a partial year of depreciation in 2018). These increases were partially offset by the Wind Integration Phase II / Do Not Exceed (DNE) Dispatch project (Schedules 2 and 3 as noted above) that will become fully depreciated in 2019.

The ISO 2019 Revenue Requirement will be reviewed and voted on at the October 4, 2018 NPC meeting. Should you have any questions regarding the information provided in this memo, do not hesitate to contact us.

| Line No. | Activity Code | | Allocation Factor | Self-Funding Tariff | | | |
|----------|---------------|--|-------------------|---------------------|--------------|--------------|--------------|
| | No. | Description | | Total | Schedule 1 | Schedule 2 | Schedule 3 |
| (a) | (b) | (c) | (d) | (e) | (f) | (g) | |
| 1 | | Administration-CEO | | | | | |
| 2 | 12651 | Indirect Administrative Support | Total Dir Labor | \$ 8,228,264 | \$ 1,773,191 | \$ 4,258,126 | \$ 2,196,946 |
| 3 | 12652 | NEPOOL Committee Support | Total Dir Labor | 7,358 | 1,586 | 3,808 | 1,965 |
| 4 | 12654 | National Committee Support | Total Dir Labor | 1,200 | 259 | 621 | 320 |
| 5 | 12657 | Indirect Administrative Support for BCC | Total Dir Labor | 997,949 | 215,058 | 516,439 | 266,452 |
| 6 | | Total | | 9,234,771 | 1,990,093 | 4,778,994 | 2,465,684 |
| 7 | | | | | | | |
| 8 | | Finance | | | | | |
| 9 | 11601 | Payroll Administration | Total Dir Labor | 468,377 | 100,935 | 242,385 | 125,057 |
| 10 | 11701 | Accounts Payable | Total Dir Labor | 159,804 | 34,438 | 82,699 | 42,668 |
| 11 | 11702 | Procurement | Total Dir Labor | 383,530 | 82,651 | 198,477 | 102,402 |
| 12 | 11901 | Billing for Transmission and Energy Settlements | Total Dir Labor | 95,882 | 20,663 | 49,619 | 25,601 |
| 13 | 12001 | Budgeting and Forecasting | Total Dir Labor | 671,177 | 144,639 | 347,334 | 179,204 |
| 14 | 12005 | Credit Administration | Total Dir Labor | 392,832 | 84,655 | 203,291 | 104,886 |
| 15 | 12101 | Ledger Closing, Financial Statements and Tax Reporting | Total Dir Labor | 767,059 | 165,301 | 396,953 | 204,805 |
| 16 | 12201 | Treasury and Cash Management | Total Dir Labor | 2,269,081 | 488,987 | 1,174,249 | 605,845 |
| 17 | 92004 | Depreciation Expense 2004 Assets | Alloc-Fixed | 43,161 | 8,988 | 22,535 | 11,637 |
| 18 | 92005 | Depreciation Expense 2005 Assets | Alloc-Fixed | 773,169 | 163,467 | 402,125 | 207,577 |
| 19 | 92006 | Depreciation Expense 2006 Assets | Total Dir Labor | 568,952 | 122,609 | 294,433 | 151,910 |
| 20 | 92007 | Depreciation Expense 2007 Assets | Total Dir Labor | 157,622 | 33,968 | 81,569 | 42,085 |
| 21 | 92008 | Depreciation Expense 2008 Assets | Total Dir Labor | 2,677 | 577 | 1,385 | 715 |
| 22 | 92009 | Depreciation Expense 2009 Assets | Total Dir Labor | 2,052 | 442 | 1,062 | 548 |
| 23 | 92010 | Depreciation Expense 2010 Assets | Total Dir Labor | 2,380 | 513 | 1,232 | 635 |
| 24 | 92011 | Depreciation Expense 2011 Assets | Total Dir Labor | 1,280 | 276 | 662 | 342 |
| 25 | 92012 | Depreciation Expense 2012 Assets | Total Dir Labor | 111,595 | 24,049 | 57,750 | 29,796 |
| 26 | 92013 | Depreciation Expense 2013 Assets | Alloc-Fixed | 1,526,913 | 356,746 | 771,908 | 398,260 |
| 27 | 92014 | Depreciation Expense 2014 Assets | Alloc-Fixed | 717,086 | 265,463 | 297,326 | 154,296 |
| 28 | 92015 | Depreciation Expense 2015 Assets | Alloc-Fixed | 1,580,563 | 372,630 | 582,350 | 625,583 |
| 29 | 92016 | Depreciation Expense 2016 Assets | Alloc-Fixed | 7,035,788 | 1,302,669 | 3,997,946 | 1,735,173 |
| 30 | 92017 | Depreciation Expense 2017 Assets | Alloc-Fixed | 8,037,831 | 875,029 | 4,402,244 | 2,760,558 |
| 31 | 92018 | Depreciation Expense 2018 Assets | Alloc-Fixed | 6,954,272 | 799,741 | 3,645,627 | 2,508,904 |
| 32 | 92019 | Depreciation Expense 2019 Assets | Alloc-Fixed | 1,473,098 | 134,327 | 867,831 | 470,940 |
| 33 | 99707 | Amortization of Land Recovery | Alloc-Fixed | 39,300 | 2,460 | 24,170 | 12,670 |
| 34 | 99995 | NPCC/NERC Dues | Alloc-Fixed | 6,200,575 | - | - | 6,200,575 |
| 35 | 99996 | Operating Contingency | Total Dir Labor | 700,000 | 150,850 | 362,250 | 186,900 |
| 36 | 99996 | Operating Contingency | Total Dir Labor | 1,100,000 | 237,050 | 569,250 | 293,700 |
| 37 | 99998 | Payroll & Other Accruals | Total Dir Labor | 13,469,621 | 2,902,703 | 6,970,529 | 3,596,389 |
| 38 | | Total | | 55,705,677 | 8,876,825 | 26,049,192 | 20,779,660 |
| 39 | | | | | | | |
| 40 | | Building Services | | | | | |
| 41 | 12664 | Building Maintenance | Total Dir Labor | 3,219,980 | 693,906 | 1,666,340 | 859,735 |
| 42 | | Total | | 3,219,980 | 693,906 | 1,666,340 | 859,735 |
| 43 | | | | | | | |
| 44 | | Enterprise Risk Management | | | | | |
| 45 | 22704 | Record Retention Services | Alloc-Fixed | 152,370 | 50,739 | 50,739 | 50,891 |
| 46 | 22705 | Corporate Scorecard | Alloc-Fixed | 83,266 | 27,727 | 27,727 | 27,811 |
| 47 | 22706 | Document Management Services | Alloc-Fixed | 183,185 | 73,274 | 54,955 | 54,955 |
| 48 | 22708 | ERM Administration | Total Dir Labor | 3,984 | 859 | 2,062 | 1,064 |
| 49 | 22709 | Management | Total Dir Labor | 83,266 | 17,944 | 43,090 | 22,232 |
| 50 | 22710 | Employee Development | Total Dir Labor | 49,959 | 10,766 | 25,854 | 13,339 |
| 51 | 22714 | Analysis | Total Dir Labor | 334,302 | 72,042 | 173,001 | 89,259 |
| 52 | 22727 | ERM Business Analysis | Total Dir Labor | 116,572 | 25,121 | 60,326 | 31,125 |
| 53 | 23006 | Business Continuity Planning | Total Dir Labor | 188,018 | 40,518 | 97,299 | 50,201 |
| 54 | 25011 | Corrective Action/Preventive Action | Alloc-Fixed | 166,534 | 55,456 | 55,456 | 55,622 |
| 55 | 25014 | ETQ Tools Dev & Support | Total Dir Labor | 127,156 | 27,402 | 65,803 | 33,951 |
| 56 | 25020 | EDL SharePoint 2013 Upgrade Project | Total Dir Labor | 16,653 | 3,589 | 8,618 | 4,446 |
| 57 | | Total | | 1,505,265 | 405,437 | 664,931 | 434,896 |

| Line No. | Activity Code | | Allocation Factor | Self-Funding Tariff | | | |
|----------|---------------|--|-------------------|---------------------|------------|------------|------------|
| | No. | Description | | Total | Schedule 1 | Schedule 2 | Schedule 3 |
| | (a) | (b) | (c) | (d) | (e) | (f) | (g) |
| 1 | | Human Resources | | | | | |
| 2 | 12661 | Employee Affairs (Recreation Committee) | Total Dir Labor | 26,929 | 5,803 | 13,936 | 7,190 |
| 3 | 12701 | Recruiting/Interviewing | Total Dir Labor | 560,377 | 120,761 | 289,995 | 149,621 |
| 4 | 12801 | Employee Relations | Total Dir Labor | 58,268 | 12,557 | 30,154 | 15,558 |
| 5 | 12901 | Benefit Administration | Total Dir Labor | 1,147,627 | 247,314 | 593,897 | 306,416 |
| 6 | 12951 | Compensation | Total Dir Labor | 537,925 | 115,923 | 278,376 | 143,626 |
| 7 | 12961 | HR - General | Total Dir Labor | 1,186,227 | 255,632 | 613,873 | 316,723 |
| 8 | 12962 | HR - Training | Total Dir Labor | 1,444,848 | 311,365 | 747,709 | 385,775 |
| 9 | 13410 | Power Training & Development | Total Dir Labor | 1,746,909 | 376,459 | 904,025 | 466,425 |
| 10 | 13411 | Markets Training & Development | Total Dir Labor | 284,690 | 61,351 | 147,327 | 76,012 |
| 11 | 13412 | People Training & Development | Total Dir Labor | 627,552 | 135,237 | 324,758 | 167,556 |
| 12 | 13413 | Business Skills Training & Development | Total Dir Labor | 339,910 | 73,251 | 175,904 | 90,756 |
| 13 | 13414 | Technology Training & Development | Total Dir Labor | 1,539,349 | 331,730 | 796,613 | 411,006 |
| 14 | | Total | | 9,500,613 | 2,047,382 | 4,916,567 | 2,536,664 |
| 15 | | | | | | | |
| 16 | | Legal Department | | | | | |
| 17 | 12422 | Interconnection Queue | Alloc-Fixed | 61,118 | - | - | 61,118 |
| 18 | 12423 | Financial Assurance Policy (FAP) | Total Dir Labor | 61,118 | 13,171 | 31,629 | 16,318 |
| 19 | 12426 | Interconnection Agreements | Alloc-Fixed | 91,677 | - | 45,838 | 45,838 |
| 20 | 12502 | Board of Directors | Total Dir Labor | 258,889 | 55,791 | 133,975 | 69,123 |
| 21 | 12508 | Energy Markets / Complaints / Rule Changes | Alloc-Fixed | 775,417 | - | 775,417 | - |
| 22 | 12513 | Miscellaneous Labor Matters | Total Dir Labor | 209,999 | 45,255 | 108,675 | 56,070 |
| 23 | 12514 | NEPOOL Participants Committee | Total Dir Labor | 107,924 | 23,258 | 55,851 | 28,816 |
| 24 | 12517 | Administrative and Clerical Support | Total Dir Labor | 458,415 | 98,788 | 237,230 | 122,397 |
| 25 | 12520 | Market Monitoring Rules/Regulations | Alloc-Fixed | 397,267 | - | 158,907 | 238,360 |
| 26 | 12543 | Independent Market Advisor | Alloc-Fixed | 1,100,000 | - | 770,000 | 330,000 |
| 27 | 12559 | General Corporate | Total Dir Labor | 1,225,289 | 264,050 | 634,087 | 327,152 |
| 28 | 12587 | Capacity Market Development | Alloc-Fixed | 494,984 | - | - | 494,984 |
| 29 | 12588 | Web Content Management | Total Dir Labor | 628,840 | 135,515 | 325,425 | 167,900 |
| 30 | 12606 | NERC Operating Compliance | Alloc-Fixed | 2,750 | 1,237 | 275 | 1,237 |
| 31 | 12614 | Contracts/Agreements | Total Dir Labor | 30,559 | 6,585 | 15,814 | 8,159 |
| 32 | 12619 | Compliance | Alloc-Fixed | 76,397 | 30,559 | 30,559 | 15,279 |
| 33 | 12621 | NOPRs and NOIs | Total Dir Labor | 91,677 | 19,756 | 47,443 | 24,478 |
| 34 | 12622 | Open Access Transmission Tariff | Alloc-Fixed | 356,385 | 356,385 | - | - |
| 35 | 12663 | Public Information | Total Dir Labor | 1,612,373 | 347,466 | 834,403 | 430,504 |
| 36 | 12669 | Government Affairs | Total Dir Labor | 1,765,485 | 380,462 | 913,639 | 471,385 |
| 37 | | Total | | 9,806,563 | 1,778,279 | 5,119,165 | 2,909,119 |
| 38 | | | | | | | |
| 39 | | Internal Audit | | | | | |
| 40 | 15001 | Indirect Management Duties | Total Dir Labor | 154,470 | 33,288 | 79,938 | 41,244 |
| 41 | 15002 | Personnel Management | Total Dir Labor | 9,469 | 2,041 | 4,900 | 2,528 |
| 42 | 15003 | Budget & Forecasting | Total Dir Labor | 9,469 | 2,041 | 4,900 | 2,528 |
| 43 | 15004 | Audit Follow-up Activities | Total Dir Labor | 37,876 | 8,162 | 19,601 | 10,113 |
| 44 | 15005 | Audit & Finance Committee | Total Dir Labor | 64,227 | 13,841 | 33,238 | 17,149 |
| 45 | 15006 | Internal Audit Business Process Update | Total Dir Labor | 9,469 | 2,041 | 4,900 | 2,528 |
| 46 | 15007 | Annual Audit Work Plan | Total Dir Labor | 92,634 | 19,963 | 47,938 | 24,733 |
| 47 | 15011 | Internal Audit Meetings | Total Dir Labor | 9,469 | 2,041 | 4,900 | 2,528 |
| 48 | 15013 | Indirect Administrative Support | Total Dir Labor | 45,290 | 9,760 | 23,437 | 12,092 |
| 49 | 15021 | Performance Measurements | Total Dir Labor | 37,876 | 8,162 | 19,601 | 10,113 |
| 50 | 15022 | Vendor Contracts | Total Dir Labor | 9,469 | 2,041 | 4,900 | 2,528 |
| 51 | 15023 | Wire Transfers | Total Dir Labor | 9,469 | 2,041 | 4,900 | 2,528 |
| 52 | 15029 | Payroll | Total Dir Labor | 28,407 | 6,122 | 14,701 | 7,585 |
| 53 | 15031 | Employee Expense Reporting | Total Dir Labor | 18,938 | 4,081 | 9,800 | 5,056 |
| 54 | 15085 | Information Technology | Total Dir Labor | 236,724 | 51,014 | 122,505 | 63,205 |
| 55 | 15101 | Information Technology | Total Dir Labor | 106,885 | 23,034 | 55,313 | 28,538 |
| 56 | 15104 | Tripwire implementation | Total Dir Labor | 106,885 | 23,034 | 55,313 | 28,538 |
| 57 | 15107 | VMWARE Infrastructure | Total Dir Labor | 106,885 | 23,034 | 55,313 | 28,538 |
| 58 | 15110 | Systems Development Reviews | Total Dir Labor | 28,407 | 6,122 | 14,701 | 7,585 |
| 59 | 15133 | Satellite Operations Reviews | Total Dir Labor | 30,765 | 6,630 | 15,921 | 8,214 |
| 60 | 15136 | SCADA IT Reviews | Total Dir Labor | 9,469 | 2,041 | 4,900 | 2,528 |
| 61 | 15137 | Satellite IT Reviews | Total Dir Labor | 1,179 | 254 | 610 | 315 |
| 62 | 15161 | External Audit- Pension Audit | Total Dir Labor | 64,420 | 13,883 | 33,338 | 17,200 |
| 63 | 15162 | External Audit- Financial Audit | Total Dir Labor | 122,605 | 26,421 | 63,448 | 32,736 |
| 64 | 15166 | External Audit -Pricing Module Certification | Alloc-Fixed | 13,843 | - | 13,843 | - |
| 65 | 15176 | External Audit - ISO Internet Vulnerability Assessment | Total Dir Labor | 15,820 | 3,409 | 8,187 | 4,224 |
| 66 | 15186 | External Audit - SSAE 16 Direct Support | Total Dir Labor | 18,938 | 4,081 | 9,800 | 5,056 |
| 67 | 15192 | Data Mining - Audit Command Language Implementation | Total Dir Labor | 54,120 | 11,663 | 28,007 | 14,450 |
| 68 | 25702 | External Audit - SSAE 16 | Alloc-Fixed | 464,292 | - | 464,292 | - |
| 69 | 28003 | Case/Compliance Mngmnt Procedures Audit | Total Dir Labor | 18,938 | 4,081 | 9,800 | 5,056 |
| 70 | 28004 | Market Monitoring Procedures Audit | Total Dir Labor | 9,469 | 2,041 | 4,900 | 2,528 |
| 71 | 28005 | Fraud, Waste & Abuse Program | Total Dir Labor | 18,938 | 4,081 | 9,801 | 5,057 |
| 72 | 28007 | Contractor/Consultant Review | Total Dir Labor | 23,901 | 5,151 | 12,369 | 6,382 |
| 73 | 28164 | Cyber Security Group Procedures Audit | Total Dir Labor | 47,344 | 10,203 | 24,500 | 12,641 |
| 74 | | Total | | 2,036,357 | 335,797 | 1,284,515 | 416,045 |

| Line No. | Activity Code | | Allocation Factor | Self-Funding Tariff | | | |
|----------|---------------|--|-------------------|---------------------|------------|------------|------------|
| | No. | Description | | Total | Schedule 1 | Schedule 2 | Schedule 3 |
| | (a) | (b) | (c) | (d) | (e) | (f) | (g) |
| 1 | | COO-Adm | | | | | |
| 2 | 19001 | NEPOOL Committee Support | Total OPS Labor | 227,839 | 61,061 | 109,249 | 57,529 |
| 3 | 19002 | Regional Committee Support | Total OPS Labor | 33,136 | 8,881 | 15,889 | 8,367 |
| 4 | 19003 | National Committee Support | Total OPS Labor | 70,388 | 18,864 | 33,751 | 17,773 |
| 5 | 19005 | Indirect Supervision/Clerical Support | Total OPS Labor | 1,530,596 | 410,200 | 733,921 | 386,475 |
| 6 | 19009 | Renewable Resource Integration | Alloc-Fixed | 123,431 | - | - | 123,431 |
| 7 | | Total | | 1,985,390 | 499,005 | 892,810 | 593,576 |
| 8 | | | | | | | |
| 9 | | System Operations - Administration | | | | | |
| 10 | 14404 | NEPOOL Committee Support | SOA Labor | 20,232 | 6,988 | 9,392 | 3,852 |
| 11 | 14405 | Indirect Supervision/Clerical Support | SOA Labor | 348,262 | 120,290 | 161,663 | 66,309 |
| 12 | 14407 | Regional Committee Support | SOA Labor | 15,174 | 5,241 | 7,044 | 2,889 |
| 13 | 14408 | National Committee Support | SOA Labor | 15,174 | 5,241 | 7,044 | 2,889 |
| 14 | | Total | | 398,843 | 137,760 | 185,143 | 75,940 |
| 15 | | | | | | | |
| 16 | | Operations | | | | | |
| 17 | 14001 | Generation Dispatch | Alloc-Fixed | 2,943,628 | - | 2,472,647 | 470,980 |
| 18 | 14002 | Transmission Operations | Alloc-Fixed | 2,943,628 | 2,354,902 | 147,181 | 441,544 |
| 19 | 14304 | Advanced Scheduling and Forecasting | Alloc-Fixed | 1,766,177 | 88,309 | 1,395,279 | 282,588 |
| 20 | 14402 | Operations Training | Alloc-Fixed | 1,766,177 | 706,471 | 706,471 | 353,235 |
| 21 | 14413 | Operations Support Training & Development | Alloc-Fixed | 182,000 | 72,800 | 72,800 | 36,400 |
| 22 | 14564 | Indirect Supervision/Clerical Support | OPS Labor | 1,333,532 | 372,855 | 738,243 | 222,433 |
| 23 | 14565 | Employee Development | OPS Labor | 24,750 | 6,920 | 13,702 | 4,128 |
| 24 | 14574 | OPTI Continuing Training | Alloc-Fixed | 588,726 | 235,490 | 235,490 | 117,745 |
| 25 | 14575 | OPTI System Operator Initial Training | Alloc-Fixed | 588,726 | 235,490 | 235,490 | 117,745 |
| 26 | 14702 | Procedure Documentation | Alloc-Fixed | 117,799 | 47,120 | 47,120 | 23,560 |
| 27 | | Total | | 12,255,140 | 4,120,357 | 6,064,424 | 2,070,360 |
| 28 | | | | | | | |
| 29 | | Reliability and Operations Compliance | | | | | |
| 30 | 14803 | Regional Committee Support | OS Labor | 68,688 | 34,344 | - | 34,344 |
| 31 | 14804 | National Committee Support | OS Labor | 188,912 | 94,456 | - | 94,456 |
| 32 | 14806 | Employee Development | Alloc-Fixed | 42,836 | 23,795 | 8,280 | 10,760 |
| 33 | 14807 | NERC RSAW Update and Audit Prep | Alloc-Fixed | 53,545 | 26,773 | - | 26,773 |
| 34 | 14808 | Change Management | Alloc-Fixed | 21,418 | 9,638 | 2,142 | 9,638 |
| 35 | 14809 | Tariff Compliance | Alloc-Fixed | 160,647 | 48,194 | 96,388 | 16,065 |
| 36 | 14810 | NERC Self Certifications | Alloc-Fixed | 53,545 | 45,513 | - | 8,032 |
| 37 | 14812 | NPCC MP Referral | Alloc-Fixed | 53,545 | 21,418 | 21,418 | 10,709 |
| 38 | 14815 | Identifications and Description of Internal Controls | Total Dir Labor | 214,181 | 46,156 | 110,838 | 57,186 |
| 39 | 14816 | Support NE Compliance Groups | Total Dir Labor | 107,090 | 23,078 | 55,419 | 28,593 |
| 40 | 14817 | AskISO Customer or Internal Inquiries | Total Dir Labor | 107,090 | 23,078 | 55,419 | 28,593 |
| 41 | | Total | | 1,071,498 | 396,443 | 349,905 | 325,149 |
| 42 | | | | | | | |
| 43 | | Operations Support Services | | | | | |
| 44 | 14301 | Contract Administration and Scheduling | Alloc-Fixed | (60,000) | (6,000) | (42,000) | (12,000) |
| 45 | 14453 | National Committee Support | TSO Labor | 177,526 | 57,465 | 84,875 | 35,186 |
| 46 | 14454 | Indirect Supervision/Clerical Support | TSO Labor | 189,841 | 61,451 | 90,763 | 37,626 |
| 47 | 18361 | Transmission Studies, Operations, OASIS Support | Alloc-Fixed | 2,004,975 | 1,603,980 | 100,249 | 300,746 |
| 48 | 18381 | Transmission Outage Application - Short Term | Alloc-Fixed | 1,955,530 | 1,564,424 | 97,776 | 293,329 |
| 49 | 18382 | Transmission Outage Application - Long Term | Alloc-Fixed | 1,303,687 | - | - | 1,303,687 |
| 50 | | Total | | 5,571,558 | 3,281,320 | 331,663 | 1,958,574 |
| 51 | | | | | | | |
| 52 | | Market Operations - Adm | | | | | |
| 53 | 19101 | NEPOOL Committee Support | MOA Labor | 2,071 | - | 1,450 | 621 |
| 54 | 19104 | Indirect Supervision/Clerical Support | MOA Labor | 919,352 | - | 643,546 | 275,806 |
| 55 | 19112 | Settlements - Customer Service | MOA Labor | 25,374 | - | 17,762 | 7,612 |
| 56 | 19120 | CEIL Requests | Total Dir Labor | 13,874 | 2,990 | 7,180 | 3,704 |
| 57 | | Total | | 960,672 | 2,990 | 669,938 | 287,744 |

| Line No. | Activity Code | | Allocation Factor | Self-Funding Tariff | | | |
|----------|---------------|---|-------------------|---------------------|------------|------------|------------|
| | No. | Description | | Total | Schedule 1 | Schedule 2 | Schedule 3 |
| (a) | (b) | (c) | (d) | (e) | (f) | (g) | |
| 1 | | Market Monitoring | | | | | |
| 2 | 16101 | Market Power Monitoring and Mitigation | Alloc-Fixed | 3,539,734 | - | 2,477,814 | 1,061,920 |
| 3 | 16102 | Regulatory Activities | Alloc-Fixed | 20,059 | - | 14,041 | 6,018 |
| 4 | 16103 | Administration Supervision and Clerical Support | Alloc-Fixed | 29,351 | - | 20,546 | 8,805 |
| 5 | 16115 | Analysis & Internal Reports | Alloc-Fixed | 139,547 | - | 97,683 | 41,864 |
| 6 | 16121 | FCM Market Monitoring | Alloc-Fixed | 426,880 | - | - | 426,880 |
| 7 | | Total | | 4,155,572 | - | 2,610,084 | 1,545,488 |
| 8 | | | | | | | |
| 9 | | Market Operations | | | | | |
| 10 | 21901 | Day Ahead Market Administration | Alloc-Fixed | 254,070 | - | 254,070 | - |
| 11 | 21902 | Real Time Price Verification | Alloc-Fixed | 285,829 | - | 285,829 | - |
| 12 | 21904 | NEPOOL Committee Support | MA Labor | 32,282 | - | 31,262 | 1,020 |
| 13 | 21907 | Indirect Supervision/Clerical Support | MA Labor | 541,252 | - | 524,148 | 17,104 |
| 14 | 21908 | Employee Development | MA Labor | 127,035 | - | 123,021 | 4,014 |
| 15 | 21909 | Customer Support | MA Labor | 97,368 | - | 94,291 | 3,077 |
| 16 | 21913 | Data Collection/Report Writing | Alloc-Fixed | 158,794 | - | 158,794 | - |
| 17 | 21915 | FTR/Auction Administration | Alloc-Fixed | 254,070 | 127,035 | 127,035 | - |
| 18 | 21916 | Forward Reserve Market - Administration | Alloc-Fixed | 31,759 | - | - | 31,759 |
| 19 | 21917 | Real Time Price Finalization | Alloc-Fixed | 158,794 | - | 158,794 | - |
| 20 | 21951 | FCM Annual Reconfiguration Auction Administration | Alloc-Fixed | 31,759 | - | - | 31,759 |
| 21 | 21953 | FCM Monthly Administration | Alloc-Fixed | 95,286 | - | - | 95,286 |
| 22 | | Total | | 2,068,298 | 127,035 | 1,757,244 | 184,019 |
| 23 | | | | | | | |
| 24 | | Market Analysis & Settlements | | | | | |
| 25 | 1701 | Billing Statements - Energy | Alloc-Fixed | 113,935 | - | 113,935 | - |
| 26 | 1702 | Billing Statements - Transmission | Alloc-Fixed | 113,935 | 113,935 | - | - |
| 27 | 1713 | Billing Statements - ISO Tariff | Total Dir Labor | 45,574 | 9,821 | 23,585 | 12,168 |
| 28 | 2047 | Score Card | STLM Labor | 11,394 | 1,685 | 5,550 | 4,159 |
| 29 | 2048 | FCM | Alloc-Fixed | 182,296 | - | - | 182,296 |
| 30 | 2051 | Legal Support | Alloc-Fixed | 11,394 | - | 5,697 | 5,697 |
| 31 | 2005 | Customer Service | STLM Labor | 138,174 | 20,436 | 67,305 | 50,434 |
| 32 | 2007 | Admin support - NEPOOL Committees | STLM Labor | 11,999 | 1,775 | 5,844 | 4,379 |
| 33 | 2008 | Admin support (ISO) | STLM Labor | 11,600 | 1,716 | 5,650 | 4,234 |
| 34 | 2009 | Indirect Supervision/Clerical Support | STLM Labor | 797,546 | 117,957 | 388,485 | 291,104 |
| 35 | 2010 | Employee Development | STLM Labor | 136,722 | 20,221 | 66,597 | 49,904 |
| 36 | 2013 | FTR Administration | Alloc-Fixed | 45,574 | - | 45,574 | - |
| 37 | 2014 | Billing Statements - NCPC | Alloc-Fixed | 341,805 | - | 170,903 | 170,903 |
| 38 | 2020 | Billing Disputes | Total Dir Labor | 22,787 | 4,911 | 11,792 | 6,084 |
| 39 | 2021 | Analysis & Reporting | Total Dir Labor | 597,743 | 128,814 | 309,332 | 159,597 |
| 40 | 2024 | ASM Regulation | Alloc-Fixed | 22,787 | - | - | 22,787 |
| 41 | 2025 | ASM Locational Forward Reserve | Alloc-Fixed | 91,148 | - | - | 91,148 |
| 42 | 2026 | Batch Processing | Total Dir Labor | 45,574 | 9,821 | 23,585 | 12,168 |
| 43 | 2032 | Billing | STLM Labor | 45,574 | 6,740 | 22,199 | 16,635 |
| 44 | 2033 | Market Analysis | Alloc-Fixed | 239,099 | - | 239,099 | - |
| 45 | 2049 | Product Testing | Alloc-Fixed | 22,787 | - | 18,230 | 4,557 |
| 46 | | Total | | 3,049,446 | 437,832 | 1,523,360 | 1,088,254 |
| 47 | | | | | | | |
| 48 | | Market Operations Support Services | | | | | |
| 49 | 3000 | Hourly Settlements Support | Alloc-Fixed | 263,006 | - | 131,503 | 131,503 |
| 50 | 3002 | Monthly Settlements Support | Alloc-Fixed | 119,548 | 59,774 | - | 59,774 |
| 51 | 3003 | Market Analysis Support | Alloc-Fixed | 47,819 | - | 47,819 | - |
| 52 | 3004 | Generation & Load Admin Support | Alloc-Fixed | 263,006 | - | 263,006 | - |
| 53 | 3006 | Customer Service | Alloc-Fixed | 119,548 | - | 119,548 | - |
| 54 | 3008 | Admin Support | Alloc-Fixed | 239,763 | - | 239,763 | - |
| 55 | 3009 | Indirect Supervision (Principal Analysts only) | Alloc-Fixed | 191,277 | - | 191,277 | - |
| 56 | 3010 | Employee Development | Alloc-Fixed | 47,819 | - | 47,819 | - |
| 57 | 3012 | FERC Data Request | Alloc-Fixed | 23,910 | - | 23,910 | - |
| 58 | 3015 | Market Administration Support | Alloc-Fixed | 23,910 | - | 23,910 | - |
| 59 | 3016 | Market Monitoring Assistance | Alloc-Fixed | 47,819 | - | 47,819 | - |
| 60 | 3017 | Project MAS (Market Analysis & Settlements) | Alloc-Fixed | 71,729 | 17,932 | 17,932 | 35,864 |
| 61 | | Total | | 1,459,155 | 77,706 | 1,154,307 | 227,142 |

| Line No. | Activity Code | | Allocation Factor | Self-Funding Tariff | | | |
|----------|---------------|--|-------------------|---------------------|------------|------------|------------|
| | No. | Description | | Total | Schedule 1 | Schedule 2 | Schedule 3 |
| | (a) | (b) | (c) | (d) | (e) | (f) | (g) |
| 1 | | Market Services | | | | | |
| 2 | 16001 | Participant/membership support | Alloc-Fixed | 91,438 | - | 45,719 | 45,719 |
| 3 | 16006 | Call Support (Ask ISO) | Alloc-Fixed | 1,081,482 | 281,185 | 713,778 | 86,519 |
| 4 | 16404 | NEPOOL Committee Support | MS Labor | 54,963 | - | 49,467 | 5,496 |
| 5 | 16414 | Direct Customer Contact | MS Labor | 49,764 | - | 44,788 | 4,976 |
| 6 | 16419 | Asset Registration Implemented | Alloc-Fixed | 254,070 | - | 254,070 | - |
| 7 | 16420 | Asset Registration Review | Alloc-Fixed | 190,553 | - | 190,553 | - |
| 8 | 16422 | Claimed Capability Audits | Alloc-Fixed | 31,759 | - | 31,759 | - |
| 9 | 16424 | Demand Resource Audits | Alloc-Fixed | 127,035 | - | 127,035 | - |
| 10 | 16425 | DR Registration Implemented | Alloc-Fixed | 31,759 | - | 31,759 | - |
| 11 | | Total | | 1,912,823 | 281,185 | 1,488,928 | 142,710 |
| 12 | | | | | | | |
| 13 | | Market Training and Reliability Contracts | | | | | |
| 14 | 16021 | Training Development | Alloc-Fixed | 810,540 | - | 405,270 | 405,270 |
| 15 | 16024 | Training Delivery | Alloc-Fixed | 11,394 | - | 5,697 | 5,697 |
| 16 | 16408 | Miscellaneous and Administrative Activities | Alloc-Fixed | 191,256 | - | 172,130 | 19,126 |
| 17 | 16432 | New Generation Coordination and Registration | Alloc-Fixed | 158,794 | - | 158,794 | - |
| 18 | 16434 | QMS/CAPA Process and Procedure Updates | Total Dir Labor | 158,794 | 34,220 | 82,176 | 42,398 |
| 19 | | Total | | 1,330,778 | 34,220 | 824,067 | 472,491 |
| 20 | | | | | | | |
| 21 | | Resource Adequacy | | | | | |
| 22 | 14313 | National Committee Support | PSR Labor | 46,464 | 5,051 | 2,342 | 39,072 |
| 23 | 17101 | Analysis | Alloc-Fixed | 665,363 | - | 465,754 | 199,609 |
| 24 | 17131 | Calculate Objective Capability | Alloc-Fixed | 227,229 | - | - | 227,229 |
| 25 | 17251 | Regional Bulk Power System Assessment | Alloc-Fixed | 37,239 | 18,620 | 18,620 | - |
| 26 | 17331 | NEPOOL Committee Support | PSR Labor | 93,592 | 10,173 | 4,717 | 78,702 |
| 27 | 17361 | Regional Committee Support | PSR Labor | 36,910 | 4,012 | 1,860 | 31,037 |
| 28 | 17401 | Indirect Supervisory Activities | PSR Labor | 221,458 | 24,073 | 11,162 | 186,224 |
| 29 | 17403 | TCA Application Review | Alloc-Fixed | 100,737 | - | - | 100,737 |
| 30 | 17405 | Energy Efficiency Forecast | Alloc-Fixed | 110,729 | - | - | 110,729 |
| 31 | 17408 | MA - Energy Efficiency Advisory Council | Total Dir Labor | 37,239 | 8,025 | 19,271 | 9,943 |
| 32 | 17501 | FCA - Evaluate Existing Resource De-list Bids | Alloc-Fixed | 136,803 | - | - | 136,803 |
| 33 | 17502 | FCA - Preliminary Review of Show of Interest Applications | Alloc-Fixed | 110,729 | - | - | 110,729 |
| 34 | 17503 | FCA - New Resource Qualification Support | Alloc-Fixed | 752,521 | - | - | 752,521 |
| 35 | 17504 | FCA - Perform Transmission / Topology Assessments | Alloc-Fixed | 55,365 | - | - | 55,365 |
| 36 | 17505 | FCA - Perform Existing Resource Qualification | Alloc-Fixed | 166,409 | - | - | 166,409 |
| 37 | 17507 | FCA - Auctions & Filings | Alloc-Fixed | 1,171,835 | - | - | 1,171,835 |
| 38 | 17508 | FCA - Annual Reconfiguration Auction Support/Reliability Reviews | Alloc-Fixed | 55,365 | - | - | 55,365 |
| 39 | 18101 | Develop Load Forecast | Alloc-Fixed | 550,977 | 110,195 | 110,195 | 330,586 |
| 40 | 18121 | Operations Forecast Support | Alloc-Fixed | 73,819 | 14,764 | 14,764 | 44,292 |
| 41 | 18131 | Other Load Forecasting Activities | Alloc-Fixed | 36,910 | 7,382 | 7,382 | 22,146 |
| 42 | 18132 | NEPOOL Administrative Support | Alloc-Fixed | 36,910 | 9,165 | 6,544 | 21,201 |
| 43 | 18133 | Solar Load Forecast Development | Alloc-Fixed | 118,045 | 23,609 | 23,609 | 70,827 |
| 44 | | Total | | 4,842,649 | 235,068 | 686,220 | 3,921,360 |
| 45 | | | | | | | |
| 46 | | System Planning | | | | | |
| 47 | 18150 | Regional Transmission Expansion Plan | Alloc-Fixed | 664,227 | 498,170 | 166,057 | - |
| 48 | 18148 | NEPOOL Committee Support | Alloc-Fixed | 20,061 | - | 20,061 | - |
| 49 | 18152 | States Requests | Alloc-Fixed | 160,786 | 80,393 | 40,197 | 40,197 |
| 50 | 18401 | Regional Activities | Alloc-Fixed | 133,545 | 133,545 | - | - |
| 51 | 18402 | Transmission Planning/Economic Studies Initiative | Alloc-Fixed | 333,364 | - | 166,682 | 166,682 |
| 52 | 18461 | NERC Activities | Alloc-Fixed | 52,593 | 52,593 | - | - |
| 53 | 18531 | Indirect Supervision/Clerical Support | SP Labor | 209,476 | 52,013 | 37,140 | 120,323 |
| 54 | 18562 | Project Management | Alloc-Fixed | 75,082 | 75,082 | - | - |
| 55 | | Total | | 1,649,135 | 891,796 | 430,137 | 327,202 |
| 56 | | | | | | | |
| 57 | | Transmission Planning | | | | | |
| 58 | 14715 | Non DOE Funded/Unallowable | Alloc-Fixed | 138,271 | - | - | 138,271 |
| 59 | 18201 | Transmission System Assessment | Alloc-Fixed | 2,771,877 | 2,771,877 | - | - |
| 60 | 18301 | NEPOOL Administrative Support - Schedule 1 Tariff | Alloc-Fixed | 40,225 | 40,225 | - | - |
| 61 | 18333 | General SIS/FS | Alloc-Fixed | 943,137 | 943,137 | - | - |
| 62 | 18334 | Indirect Supervision/Clerical Support | Alloc-Fixed | 372,084 | 372,084 | - | - |
| 63 | 18335 | Regulatory Activities - NPCC | Alloc-Fixed | 394,822 | 394,822 | - | - |
| 64 | 18336 | National Activities | Alloc-Fixed | 98,511 | 98,511 | - | - |
| 65 | 18337 | Regulatory Activities | Alloc-Fixed | 56,777 | 56,777 | - | - |
| 66 | 18343 | FERC Order 1000 | Alloc-Fixed | 91,457 | - | - | 91,457 |
| 67 | 18346 | OATT and Oper. Agreement Dev., Adm. and Support | Alloc-Fixed | 230,256 | 230,256 | - | - |
| 68 | | Total | | 5,137,417 | 4,907,689 | - | 229,728 |

| Line No. | Activity Code | | Allocation Factor | Self-Funding Tariff | | | |
|----------|---------------|---|-------------------|---------------------|------------|------------|------------|
| | No. | Description | | Total | Schedule 1 | Schedule 2 | Schedule 3 |
| (a) | (b) | (c) | (d) | (e) | (f) | (g) | |
| 1 | | Program Management | | | | | |
| 2 | 801 | Program Management - Administration | Total Dir Labor | 821,526 | 177,039 | 425,140 | 219,347 |
| 3 | 1661 | ISO Program Management | Alloc-Fixed | 364,500 | - | 255,150 | 109,350 |
| 4 | 26035 | CASPR | Alloc-Fixed | 36,910 | - | - | 36,910 |
| 5 | | Total | | 1,222,936 | 177,039 | 680,290 | 365,607 |
| 6 | | | | | | | |
| 7 | | Business Architecture and Technology | | | | | |
| 8 | 21201 | Business Architecture and Technology | Total Dir Labor | 2,519,020 | 542,849 | 1,303,593 | 672,578 |
| 9 | 21203 | Employee Development | Total Dir Labor | 33,587 | 7,238 | 17,381 | 8,968 |
| 10 | | Total | | 2,552,607 | 550,087 | 1,320,974 | 681,546 |
| 11 | | | | | | | |
| 12 | | Market Development | | | | | |
| 13 | 16607 | National Committee Support | Total Dir Labor | 129,059 | 27,812 | 66,788 | 34,459 |
| 14 | 21001 | Market Development | Alloc-Fixed | 1,485,102 | - | 742,551 | 742,551 |
| 15 | 21002 | Administration | Total Dir Labor | 376,713 | 81,182 | 194,949 | 100,582 |
| 16 | 21003 | Employee Development | Total Dir Labor | 83,383 | 17,969 | 43,151 | 22,263 |
| 17 | 21007 | Budget/Forecast Support | Total Dir Labor | 287,831 | 62,028 | 148,953 | 76,851 |
| 18 | 21010 | MD-Day-Ahead Reserve Market | Total Dir Labor | 785,501 | 169,276 | 406,497 | 209,729 |
| 19 | 21011 | Capacity Market | Alloc-Fixed | 337,844 | - | - | 337,844 |
| 20 | 22656 | Energy, Reserve, and Regulation Markets | Alloc-Fixed | 662,467 | - | 496,850 | 165,617 |
| 21 | 22657 | ORTP/CONE Updates | Alloc-Fixed | 508,610 | - | - | 508,610 |
| 22 | 22658 | Storage | Alloc-Fixed | 219,007 | - | 175,205 | 43,801 |
| 23 | 22660 | Fuel Security | Alloc-Fixed | 1,190,579 | - | 595,290 | 595,290 |
| 24 | | Total | | 6,066,096 | 358,266 | 2,870,233 | 2,837,597 |
| 25 | | | | | | | |
| 26 | | NEPOOL Relations | | | | | |
| 27 | 22602 | NEPOOL Committee Meetings & Support | Alloc-Fixed | 283,465 | - | 141,733 | 141,733 |
| 28 | 22606 | Governing Documents | Alloc-Fixed | 228,675 | - | 114,338 | 114,338 |
| 29 | 22607 | NEPOOL Committee Administration | Total Dir Labor | 692,956 | 149,332 | 358,605 | 185,019 |
| 30 | | Total | | 1,205,097 | 149,332 | 614,675 | 441,090 |
| 31 | | | | | | | |
| 32 | | Demand Resource Strategy | | | | | |
| 33 | 22401 | Administration | Total Dir Labor | 110,704 | 23,857 | 57,290 | 29,558 |
| 34 | 22402 | Working Group Meetings and Support | Alloc-Fixed | 67,784 | - | 33,892 | 33,892 |
| 35 | | Total | | 178,488 | 23,857 | 91,181 | 63,450 |
| 36 | | | | | | | |
| 37 | | IT Management | | | | | |
| 38 | 6517 | Employee Development - Hardware/Software | Total Dir Labor | 151,132 | 32,569 | 78,211 | 40,352 |
| 39 | 6519 | Indirect Supervision and Clerical Support | Total Dir Labor | 3,083,884 | 664,577 | 1,595,910 | 823,397 |
| 40 | 6552 | Security | Total Dir Labor | 270,971 | 58,394 | 140,228 | 72,349 |
| 41 | 6556 | Budget Preparation, Tracking & Forecast | Total Dir Labor | 109,357 | 23,566 | 56,592 | 29,198 |
| 42 | 6557 | Information Technology Committee | Total Dir Labor | 33,599 | 7,241 | 17,387 | 8,971 |
| 43 | 6650 | Standards Development | Total Dir Labor | 75,470 | 16,264 | 39,056 | 20,150 |
| 44 | 22501 | Change Management Support | Alloc-Fixed | 202,500 | 91,125 | 91,125 | 20,250 |
| 45 | 22505 | Administrative | Alloc-Fixed | 385,908 | 131,209 | 127,350 | 127,350 |
| 46 | | Total | | 4,312,820 | 1,024,945 | 2,145,858 | 1,142,018 |
| 47 | | | | | | | |
| 48 | | IT Infrastructure Support | | | | | |
| 49 | 6510 | Desktop Support - Hardware | Total Dir Labor | 620,352 | 133,686 | 321,032 | 165,634 |
| 50 | 6511 | Desktop Support - Software | Total Dir Labor | 673,191 | 145,073 | 348,376 | 179,742 |
| 51 | 6512 | Host Computer - Hardware | Alloc-Fixed | 2,685,227 | - | 2,013,920 | 671,307 |
| 52 | 6513 | Host Computer - Software | Alloc-Fixed | 2,827,031 | - | 2,120,274 | 706,758 |
| 53 | 6514 | Networking - Hardware | Total Dir Labor | 270,863 | 58,371 | 140,172 | 72,320 |
| 54 | 6516 | Communications | Total Dir Labor | 2,244,374 | 483,663 | 1,161,463 | 599,248 |
| 55 | 6602 | Help Desk Support | Total Dir Labor | 339,644 | 73,193 | 175,766 | 90,685 |
| 56 | 6615 | Host Computer Monitoring | Alloc-Fixed | 1,221,363 | - | 610,681 | 610,681 |
| 57 | 6616 | Desktop Support | Total Dir Labor | 461,797 | 99,517 | 238,980 | 123,300 |
| 58 | 6617 | System Administration - Unix | Total Dir Labor | 626,336 | 134,975 | 324,129 | 167,232 |
| 59 | 6618 | System Administration - Windows | Total Dir Labor | 1,017,170 | 219,200 | 526,386 | 271,584 |
| 60 | 6621 | Network Support | Total Dir Labor | 542,812 | 116,976 | 280,905 | 144,931 |
| 61 | 6622 | CIP & Systems Compliance | Total Dir Labor | 2,969,755 | 639,982 | 1,536,848 | 792,925 |
| 62 | 6623 | Asset Management | Total Dir Labor | 975,751 | 210,274 | 504,951 | 260,525 |
| 63 | | Total | | 17,475,666 | 2,314,911 | 10,303,883 | 4,856,872 |

| Line No. | Activity Code | | Allocation Factor | Self-Funding Tariff | | | |
|----------|---------------|--|-------------------|---------------------|---------------|---------------|---------------|
| | No. | Description | | Total | Schedule 1 | Schedule 2 | Schedule 3 |
| | (a) | (b) | (c) | (d) | (e) | (f) | (g) |
| 1 | | <u>IT Cyber Security</u> | | | | | |
| 2 | 6539 | Policy/Procedures Program | Total Dir Labor | 131,987 | 28,443 | 68,303 | 35,241 |
| 3 | 6540 | Security Compliance and Reporting | Total Dir Labor | 1,536,876 | 331,197 | 795,334 | 410,346 |
| 4 | 6540A | Controls Assessment | Total Dir Labor | 41,598 | 8,964 | 21,527 | 11,107 |
| 5 | 6540B | Virus/Malware Reporting and Response | Total Dir Labor | 27,120 | 5,844 | 14,035 | 7,241 |
| 6 | 6540D | Intrusion Monitoring and Response | Total Dir Labor | 1,125,190 | 242,478 | 582,286 | 300,426 |
| 7 | 6540E | System Compliance Enhancement | Total Dir Labor | 95,839 | 20,653 | 49,597 | 25,589 |
| 8 | 6541 | Security SW Tools Program | Total Dir Labor | 15,905 | 3,428 | 8,231 | 4,247 |
| 9 | 6543 | Critical Infrastructure Protection WG (NERC) | Total Dir Labor | 30,288 | 6,527 | 15,674 | 8,087 |
| 10 | 6544 | Cyber Security Impact Assessment | Total Dir Labor | 118,453 | 25,527 | 61,299 | 31,627 |
| 11 | 6548 | CIP Compliance & Monitoring | Total Dir Labor | 79,527 | 17,138 | 41,155 | 21,234 |
| 12 | | Total | | 3,202,784 | 690,200 | 1,657,441 | 855,143 |
| 13 | | | | | | | |
| 14 | | <u>IT Enterprise Applications Support</u> | | | | | |
| 15 | 6571 | DBA Support - MOPS | Total Dir Labor | 2,367,358 | 510,166 | 1,225,108 | 632,084 |
| 16 | 6591 | Data Architect - MOPS | Total Dir Labor | 362,180 | 78,050 | 187,428 | 96,702 |
| 17 | 6594 | IT Data Analyst | Total Dir Labor | 507,052 | 109,270 | 262,400 | 135,383 |
| 18 | 6595 | IT WEB Application Support | Total Dir Labor | 450,700 | 97,126 | 233,237 | 120,337 |
| 19 | 6596 | IT Data Governance | Total Dir Labor | 217,308 | 46,830 | 112,457 | 58,021 |
| 20 | 21706 | Enterprise Software Support | Total Dir Labor | 1,114,690 | 240,216 | 576,852 | 297,622 |
| 21 | 21801 | Software Support - Settlements | Alloc-Fixed | 546,285 | - | 437,028 | 109,257 |
| 22 | 21802 | Software Support - Publishing | Alloc-Fixed | 184,928 | - | 147,942 | 36,986 |
| 23 | 21803 | Software Support - Finance | Alloc-Fixed | 543,631 | - | 434,905 | 108,726 |
| 24 | 21804 | Software Support - Mitigation | Alloc-Fixed | 289,747 | - | 231,798 | 57,949 |
| 25 | 21805 | Software Support - TSO | Total Dir Labor | 391,592 | 84,388 | 202,649 | 104,555 |
| 26 | 21806 | Software Support - Enterprise | Total Dir Labor | 1,440,303 | 310,385 | 745,357 | 384,561 |
| 27 | 21807 | Software Support - Planning | Alloc-Fixed | 359,571 | - | 287,656 | 71,914 |
| 28 | 21808 | Training Delivery to NON-IT | Alloc-Fixed | 169,884 | - | 135,907 | 33,977 |
| 29 | 21809 | IT Markets Software Maintenance | Alloc-Fixed | 167,747 | - | 134,198 | 33,549 |
| 30 | 21810 | IT Issue Resolution | Alloc-Fixed | 61,754 | - | 49,403 | 12,351 |
| 31 | 21811 | Single Sign On Support | Alloc-Fixed | 96,578 | - | 77,263 | 19,316 |
| 32 | 21812 | GADS Support | Alloc-Fixed | 95,856 | - | 76,684 | 19,171 |
| 33 | 21816 | CMS Support | Total Dir Labor | 27,711 | 5,972 | 14,341 | 7,399 |
| 34 | 21818 | Discoverer Support | Total Dir Labor | 61,754 | 13,308 | 31,957 | 16,488 |
| 35 | 21822 | Integration Review and Assessment | Alloc-Fixed | 24,701 | 2,470 | 14,821 | 7,410 |
| 36 | 21824 | FCTS Support | Alloc-Fixed | 666,845 | - | - | 666,845 |
| 37 | 21825 | eTariff Support | Alloc-Fixed | 191,711 | - | 153,369 | 38,342 |
| 38 | 21830 | Annual Software Maintenance for Enterprise Wide Software | Total Dir Labor | 24,702 | 5,323 | 12,783 | 6,595 |
| 39 | | Total | | 10,364,588 | 1,503,503 | 5,785,543 | 3,075,542 |
| 40 | | | | | | | |
| 41 | | <u>IT Energy Management Systems</u> | | | | | |
| 42 | 21600 | Indirect Supervision and Administration | Total Dir Labor | 117,374 | 25,294 | 60,741 | 31,339 |
| 43 | 21601 | Power System Modeling | Total Dir Labor | 89,786 | 19,349 | 46,464 | 23,973 |
| 44 | 21602 | Applications Support | Total Dir Labor | 15,902 | 3,427 | 8,229 | 4,246 |
| 45 | 21603 | EMS Power System Applications Support | Total Dir Labor | 868,302 | 187,119 | 449,346 | 231,837 |
| 46 | 21604 | Dispatcher Training Simulatory Support | Alloc-Fixed | 2,124,680 | 1,699,744 | 424,936 | - |
| 47 | 21605 | DAM FTR/ARR Support | Alloc-Fixed | 1,254,882 | 250,976 | 752,929 | 250,976 |
| 48 | 21606 | Real-time Market Support | Alloc-Fixed | 2,118,156 | 423,631 | 1,270,894 | 423,631 |
| 49 | 21607 | Forecast Support | Alloc-Fixed | 299,862 | 59,972 | 179,917 | 59,972 |
| 50 | | Total | | 6,888,943 | 2,669,513 | 3,193,457 | 1,025,974 |
| 51 | | | | | | | |
| 52 | | <u>IT Enterprise Applications Development</u> | | | | | |
| 53 | 6518 | Employee Development - Software | Total Dir Labor | 18,375 | 3,960 | 9,509 | 4,906 |
| 54 | 21701 | IT Settlement Application Support | Alloc-Fixed | 24,073 | - | 19,259 | 4,815 |
| 55 | 21702 | IT Corporate Application Support | Alloc-Fixed | 132,404 | - | 105,923 | 26,481 |
| 56 | 21707 | Application Analysis and Conceptual Design | Alloc-Fixed | 24,073 | - | 19,259 | 4,815 |
| 57 | 21708 | Application Design Evaluation and Selection | Alloc-Fixed | 24,073 | - | 19,259 | 4,815 |
| 58 | 21709 | Technology Evaluation and Selection | Alloc-Fixed | 581,967 | - | 465,574 | 116,393 |
| 59 | 21710 | Indirect Supervision and Administration | Alloc-Fixed | 786,712 | - | 629,369 | 157,342 |
| 60 | 21711 | EWR and CAPA Analysis | Alloc-Fixed | 286,522 | - | 229,218 | 57,304 |
| 61 | | Total | | 1,878,200 | 3,960 | 1,497,369 | 376,871 |
| 62 | | | | | | | |
| 63 | | <u>IT Power System Modeling Management</u> | | | | | |
| 64 | 21650 | Indirect Supervision and Administration | Total Dir Labor | 133,501 | 28,769 | 69,087 | 35,645 |
| 65 | 21651 | Power System Modeling | Alloc-Fixed | 1,008,078 | 403,231 | 403,231 | 201,616 |
| 66 | 21652 | System Application Support | Alloc-Fixed | 298,294 | 119,317 | 119,317 | 59,659 |
| 67 | 21654 | NX9 Administration | Alloc-Fixed | 436,178 | 174,471 | 174,471 | 87,236 |
| 68 | 21655 | ICCP Support | Alloc-Fixed | 1,014,559 | 405,824 | 405,824 | 202,912 |
| 69 | 21656 | Transmission Project Management | Alloc-Fixed | 25,152 | 20,121 | 5,030 | - |
| 70 | 21657 | Model On Demand Admin | Alloc-Fixed | 806,100 | - | - | 806,100 |
| 71 | 21658 | Model on Demand Case Requests | Alloc-Fixed | 49,662 | - | - | 49,662 |
| 72 | 21659 | Synchrophasor Applications | Alloc-Fixed | 49,662 | 7,449 | 7,449 | 34,764 |
| 73 | | Total | | 3,821,186 | 1,159,183 | 1,184,410 | 1,477,593 |
| 74 | | | | | | | |
| 75 | | | | | | | |
| 76 | | Total ISO | | \$ 198,027,010 | \$ 42,182,921 | \$ 94,793,248 | \$ 61,050,840 |

Exhibit 3

Draft 2019 Rate Components (1)

| Tariff Schedule | Jan. 1, 2019 |
|----------------------------|---------------------|
| (a) | (b) |
| Schedule 1 | |
| Network Load (per kW-hour) | \$0.00024 |
| Schedule 2 | |
| TU Bids (Virtual Inc/Dec) | |
| Submitted | \$0.00500 |
| Cleared | \$0.06000 |
| FTR Bids | |
| Submitted | \$2.19882 |
| Cleared | \$2.63152 |
| TU's | |
| Block 1 - 1st 12,500 | \$0.63654 |
| Block 2 - Next 27,000 | \$0.57867 |
| Block 3 - Over 39,500 | \$0.52081 |
| Volumetric | |
| Block 1 - 1st 250,000 | \$0.33369 |
| Block 2 - Next 1,250,000 | \$0.30335 |
| Block 3 - Over 1,500,000 | \$0.27302 |
| Schedule 3 | |
| R-T NCP Load Obligation | \$0.22134 |
| Export Rate | \$0.48000 |

(1) From Exh 3, RCL-7, Sch 3.

New England States Committee on Electricity

2019 Budget Presentation
NEPOOL Budget & Finance Subcommittee
August 10, 2018



Background: Budget Review

Term Sheet Provision: “ ... the annual review of its [NESCOE’s] proposed budgets by at least the NEPOOL Participants Committee will be limited to considerations of accounting and reconciliation, so long as spending remains within the boundaries established by those frameworks..... NESCOE will develop an operating budget recommendation for each year in consultation with NEPOOL, the PTO Administrative Committee and ISO-NE within the boundaries of the then-approved five year budget framework ...”

- ✓ Proposed 2019 budget conforms to:
 - 1) Boundaries of previously reviewed 5-year pro forma (2018 - 2022) supported by NEPOOL in June 2017 & accepted by FERC in August 2017
 - 2) NESCOE commitment not to seek an increase over pro forma budget of more than 10% in any 1 year - 2019 proposed budget is less than 2019 5-year pro forma budget
- ✓ Following calendar year 2017, independent auditor concluded NESCOE books conform to generally accepted accounting principles

Background: Policy Priorities

Term Sheet Provision Governing Identification of Policy Priorities

“Each year NESCOE will produce a *Report to the New England Governors* that will document its accomplishments from the preceding year and its projected policy priorities for the coming two years. This report will include a full accounting of spending by NESCOE during the preceding year and proposed budgets for each of the upcoming two years.”

Consistent with Term Sheet, *2017 Report to the New England Governors*:

- ✓ Reviewed work in 2017
- ✓ Projected policy priorities
- ✓ Provided spending from prior year
- ✓ Projected budget information for upcoming two years

Projected Policy Priorities

- ✓ NESCOE provided to the Governors the **2017 Annual Report to New England Governors**
- ✓ Report simultaneously released to NEPOOL & ISO-NE & circulated to the Participants Committee on March 28, 2018
- ✓ NESCOE identified forward looking policy priorities at Section V, pages 24-28

Report available at <http://nescoe.com/wp-content/uploads/2018/03/AnnualReport2017.pdf> or go to www.nescoe.com "Resource Center" and enter

Annual Report in the search bar

ANNUAL REPORT NEW ENGLAND GOVERNORS

2017

New England States Committee on Electricity

Projected Policy Priorities, update

Power System Performance, Resources and Reliability:

- ✓ Assess results of ISO-NE's Pay for Performance program, and ISO-NE's concern about its insufficiency
- ✓ Actively engage in cost-of-service litigation and associated issues of first impression with consumer implications, including potential consumer funding of certain fuel supply infrastructure through wholesale electric rates, potential for resources to shift between regulated rates and competitive markets
- ✓ Actively engage in process to consider short-term solutions to fuel security challenges ("Chapters 1 and 2")
- ✓ Assess and/or advance market-based proposals to reliability challenges to ensure that any operational or market design solution(s) is/are appropriately tailored to a precisely-defined problem and that consumer cost implications and effectiveness are chief among the metrics by which potential solutions are evaluated ("Chapter 3")

Transmission Planning:

- ✓ In fall 2018, anticipate commencing discussion of other RTO approaches to competitive transmission-related issues including cost caps and containment

NESCOE Organization & Misc.

Employees

- ✓ Diversity in academic training, skills; blend of private & public sector experience
- ✓ Current total employee level: 5

Office Space

- ✓ 4 Bellows Road, Westborough, MA
 - ✓ Current lease through September 2019; anticipate renewal
 - ✓ Provides small group meeting space needs
- ✓ Small room in Portsmouth, New Hampshire
 - ✓ Current lease through 2018; anticipate renewal

Organizational matters, Con't.

Technical Consultants

Technical consultants, such as transmission engineers and economists, assist NESCOE in the regular course of business in analyzing ISO-NE studies and data.

Continue work with technical consultants to conduct independent analysis to inform state officials' decisions on key issues, including, for example:

- ✓ Wilson Energy Economics - assistance with economic analysis
- ✓ PeterGFlynn, LLC - New England transmission cost and infrastructure expertise
- ✓ Reishus Consulting, LLC - electric industry research and analysis

Supplement with other expertise, on an as needed basis, in light of potential for satisfying power system reliability requirements in the near-term via historic cost-of-service regulatory approaches and consumer funding of certain fuel supply infrastructure (NewGen Strategies & Solutions, Jane Michalek, LLC, etc.)

Legal Counsel

Litigation is not the primary means by which NESCOE seeks to accomplish its objectives & thus, greater resource and focus has historically been on technical consulting. Further, while NESCOE produces most legal pleadings and analysis internally, the frequency and type of litigation brought by others influences the extent to which NESCOE engages outside counsel. Reemergence of cost-of-service approaches increases need for legal services.

- ✓ FERC Counsel: McCarter & English LLP

5-Year Pro Forma

Proposed 2019 budget conforms to 2019 budget in 5-year Pro Forma Framework

- 2019 Projected Budget in 5-Year Pro Forma: \$2,395,513
- 2019 Proposed Budget: \$2,350,787
- 2018 Budget, for reference: \$2,282,317

In relation to 2019 5-year Pro Forma, 2019 Proposed Budget reflects:

- Rebalancing of technical consulting and legal spending in light of current events and ISO-NE path to reliable system operations in the near-term via historic cost-of-service regulatory approaches (“Chapters 1 and 2”).
- Upon return to reliance on competitive market mechanisms, return to NESCOE preference and practice of greater allocation to technical analysis.

5-Year Pro Forma, for reference

NESCOE
 PRO FORMA BUDGET 2018-2022*

| Expense Category | Year 11 (2018) | Year 12 (2019) | Year 13 (2020) | Year 14 (2021) | Year 15 (2022) |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| Salaries and Wages | | | | | |
| Salaries | 983,020 | 1,012,510 | 1,042,886 | 1,074,172 | 1,106,397 |
| Payroll Taxes | 98,302 | 101,251 | 104,289 | 107,417 | 110,640 |
| Health and Other Benefits | 84,975 | 87,524 | 90,150 | 92,854 | 95,640 |
| Retirement \$401(k) | 39,321 | 40,501 | 41,716 | 42,967 | 44,256 |
| Total, Salaries and Wages | 1,205,618 | 1,241,787 | 1,279,040 | 1,317,411 | 1,356,934 |
| Direct Expenses - Consulting | | | | | |
| Technical Analysis | 517,734 | 533,266 | 549,264 | 565,742 | 582,714 |
| Legal (FERC) | 140,689 | 144,909 | 149,257 | 153,734 | 158,346 |
| Total, Direct Expenses, Consulting | 658,422 | 678,175 | 698,520 | 719,476 | 741,060 |
| General and Administrative | | | | | |
| Rent | 26,523 | 27,318 | 28,138 | 28,982 | 29,851 |
| Utilities | 5,305 | 5,464 | 5,628 | 5,796 | 5,970 |
| Office and Administrative Expenses | 43,497 | 44,802 | 46,146 | 47,530 | 48,956 |
| Professional Services | 78,126 | 80,469 | 82,883 | 85,370 | 87,931 |
| Travel/Lodging/Meetings | 91,155 | 93,890 | 96,706 | 99,608 | 102,596 |
| Total General and Administrative | 244,604 | 251,943 | 259,501 | 267,286 | 275,304 |
| Capital Expenditures & Contingencies | | | | | |
| Computer Equipment | 5,665 | 5,835 | 6,010 | 6,190 | 6,376 |
| Contingencies | 211,431 | 217,774 | 224,307 | 231,037 | 237,968 |
| Capital Expenditures & Contingencies | 217,096 | 223,609 | 230,317 | 237,227 | 244,344 |
| TOTAL EXPENSES** | 2,325,741 | 2,395,513 | 2,467,379 | 2,541,400 | 2,617,642 |

*Based on projected 3% annual adjustment. Line items and categories subject to increase greater than, or decreases from, amounts projected. Any such changes will be subject to review, input, and recommendations by the NEPOOL Participants Committee (and/or its designees).

**At no time during this 5-year period will NESCOE seek a budget increase of more than 10% in any 1 year or more than 30% on a cumulative basis.

2019 Proposed Budget

| | 2019 |
|--|------------------|
| Salaries and Wages | |
| Salaries | 1,012,511 |
| Payroll Taxes | 101,251 |
| Health and Other Benefits | 84,975 |
| Retirement \$401(k) | 40,501 |
| | 1,239,237 |
| Direct Expenses - Consulting | |
| Technical Analysis | 331,345 |
| Legal (FERC) | 331,346 |
| | 662,691 |
| Total, Direct Expenses, Consulting | |
| General and Administrative | |
| Rent | 27,810 |
| Utilities | 5,464 |
| Office and Administrative Expenses | 44,802 |
| Professional Services | 56,650 |
| Travel/Lodging/Meetings | 92,700 |
| | 227,426 |
| Total General and Administrative | |
| Capital Expend. & Contingencies | |
| Computer Equipment | 7,725 |
| Contingencies | 213,708 |
| | 221,433 |
| TOTAL EXPENSES | 2,350,787 |
| BUDGET | 2,395,513 |

2017 & 2018 Spending & Implications for 2019

- ✓ Unspent funds in any year credited toward future year
- ✓ Expenses increasing over time, commensurate with substantive activity and analysis

2017 Total Spending: \$1,512,009 *

2018 Spending to end of June: \$ 661,249

2018 Projected Year End: \$1,924,709 *

2018 Quarter 3 and 4 projected spending reflects cost-of-service litigation

* Cumulative prior years' true up, including 2016, was reflected in the 2018 revenue requirement and rates. The 2017 true up will be reflected in the 2019 revenue requirement and rates (see following slide). Any 2018 true up will be reflected in the 2020 revenue requirements and rates.

2019 Projected Billing Rate

With thanks to ISO-NE for calculations -

2019 Budget: \$2,350,787

Less 2017 True Up: (\$743,722)

Total Revenue Recovery: \$1,607,065

Divided by Total Network Load: 236,084,842

(total network load from 2018 ISO-NE tariff; no escalation or reduction used in calculation)

2019 Schedule 5 Estimated Rate: \$0.00711 per kW-month

Rev. 9/28/2018

Thank you.

Questions?