

FINAL

A meeting of the NEPOOL Participants Committee was held at 10:00 a.m. on Friday, May 7, 2010 at the Colonnade Hotel, 120 Huntington Avenue, Boston, MA, pursuant to notice duly given. A quorum determined in accordance with the Second Restated NEPOOL Agreement was present and acting throughout the meeting. Attachment 1 identifies the members, alternates, and temporary alternates attending the meeting.

Mr. Brian E. Forshaw, Chair, presided and Mr. David T. Doot, Secretary, recorded.

VOTE ON SLATE OF CANDIDATES FOR ISO BOARD (EXECUTIVE SESSION)

The Committee began the meeting in Executive Session to consider a proposed slate of candidates for election to the ISO Board. That slate, which was identified in a confidential package of materials that was circulated to the members and alternates of the Committee in advance of the meeting, was presented on behalf of the Joint Nominating Committee by Mr. Paul Levy of the ISO Board, with comments from Mass. DPU Commissioner Tim Woolf and the Participants Committee Officers. Following that presentation, Messrs. Levy and Woolf, and all the other ISO representatives still present left the meeting. The slate was then discussed among the voting representatives.

The following motion was duly made and seconded:

RESOLVED, that the Participants Committee endorses the slate of candidates for the ISO Board that has been recommended by the Nominating Committee and presented to the Participants Committee in executive session at this meeting.

Following balloting of the confidential slate, the motion was determined and reported to have passed with votes endorsing the slate exceeding 70% of the aggregate Sector Voting Shares, as required under the Participants Agreement.

EXTENSION OF REVIEW BOARD TERMS

Mr. Doot referred the Committee to a memorandum circulated with the meeting materials in advance of the meeting regarding the renewal of a Review Board member's term. After confirming that this discussion did not need to be in executive session, the Committee ended the executive session and welcomed back all guests. He then explained that, pursuant Section 11.2 of the Second Restated NEPOOL Agreement, the Participants Committee was responsible for electing Review Board members prior to expiration of incumbent members' terms. The proposed resolution would extend the term of one Review Board member who was completing his term. He noted that action on the resolution would not create any requirement or expectation that the member's full four-year-term would be served.

The following motion was duly made and seconded:

RESOLVED, that the Participants Committee selects Review Board member Mr. Jon (Jack) Lotis for an additional four-year term to commence May 1, 2010, as presented to the Participants Committee at this meeting, it being understood that (1) passage of this resolution does not require or otherwise create an expectation that the Review Board will remain in existence for another four years, and (2) any vote in favor of this resolution is without prejudice to the position of the Participant on whose behalf that vote is cast with respect to the future continuation or elimination of the Review Board arrangements.

The Committee then discussed the resolution. A member noted that it was his understanding that the Review Board could be a three-five member board, so he did not see it as essential to renew the term of the Board member.

The representative of the MA AG's office offered a motion to amend the main motion, which was seconded, so that it would reflect the following:

Defer for six months consideration of an additional term for Mr. Lotis pending consideration of changes to the appellate provisions of the Second Restated NEPOOL Agreement, and related governance

provisions, it being understood that Mr. Lotis shall continue to serve as a Review Board member pending a vote on renewal of his term.

The Committee discussed the proposed motion to amend the main motion. A member questioned whether the amended main motion would accomplish the intended six-month deferral with a continuation of the term of Mr. Lotis. Mr. Doot responded that it would. Mr. Michael Harrington of the NH PUC opined that it was not prudent to spend \$300,000 annually on Review Board arrangements that had produced only two or three appeals over the last four or five years. He urged change to the Review Board arrangements either to reduce the cost or increase value.

Mr. Thomas W. Kaslow, Chair of the Review Board Liaison Committee, indicated that he would support the amendment to defer the vote on the motion, so long as it did not present a problem for Mr. Lotis. He noted that he appreciated the MA AG's clarification that the purpose of the deferral would include consideration of how the Review Board process could be modified to make it more valuable.

In a response to questions, Mr. Doot stated that, if the motion to approve Mr. Lotis failed, the 2nd Restated NEPOOL Agreement contemplated that the Participants Committee would hire a search firm to identify a replacement.

Following additional discussion and clarification, the motion to amend the main motion was then voted and passed unanimously.

Thereafter, the amended main motion was then voted and passed unanimously.

APPROVAL OF APRIL 9, 2010 MINUTES

Mr. Doot referred the members to the preliminary minutes of the April 9, 2010 meeting that had been circulated in advance of the meeting. Following motion duly made and seconded, the preliminary minutes of the April 9 meeting were unanimously approved.

CONSENT AGENDA

Mr. Forshaw referred the Committee to the Consent Agenda that had been circulated in advance of the meeting. Following discussion, the Committee agreed unanimously to waive the Bylaws to remove from the Consent Agenda, in addition to those items removed prior to the circulation of the supplemental notice, Item 11 (FCM Conforming Changes to OP 9 and Appendix B to OP 9) for consideration at a future Participants Committee meeting. Following motion duly made and seconded, the Consent Agenda with Items 6, 7, 11, and 12 removed was approved with oppositions by Bangor Hydro, CMP, CT OCC and the MA AG, because of identified concerns with Consent Agenda Item 8 (Revisions to MR 1 (further assurances against double recovery for VAR Capacity Costs)) and an abstention by the NH OCA.

REPORT OF ISO CHIEF EXECUTIVE OFFICER

Mr. Gordon van Welie summarized the Board and Board Committee meetings that had occurred since the April 9 report. Since April 9, the Compensation and Human Resources Committee, Board Markets Committee, System Planning and Reliability Committee, and the full Board had each met once.

Compensation and Human Resources Committee

Mr. van Welie reported that the Compensation and Human Resources Committee met on April 15 in Holyoke to discuss the structure of the ISO's Long-Term Incentive Plan, with the objective of ensuring that the Plan was competitive and created appropriate incentives. The Committee reviewed information regarding comparable plans at other ISOs and RTOs as well as reports from compensation experts. Mr. van Welie indicated that, although the Committee determined that the Plan was competitive, the Committee decided to continue working on refinements to the Plan's structure. He also reported that Committee received an update on the

negotiations with the union representing the ISO's Control Room employees. He stated that the negotiations had resulted in agreement on a variety of administrative issues, and that the parties appeared to be near agreement on the economic issues as well.

Board Markets Committee

Mr. van Welie reported that the Board Markets Committee met on April 15 in Holyoke. At its meeting, the Committee received its regular reports on market monitoring activity, reliability costs, market seams, the NEPOOL Markets Committee, and the Forward Capacity Market (FCM) and Price-Responsive Demand (PRD) projects. During the Internal Market Monitor's report, Mr. David LaPlante noted that the Internal Market Monitoring department had implemented improved business processes and controls. Mr. Raymond Hepper also noted that the ISO had implemented an ISO-wide case management process. Both the External and Internal Market Monitors noted that the recent Real-Time price volatility seen in the New England Market was primarily the result of significantly reduced supplemental commitment, which had resulted in lower Net Commitment Period Compensation (NCPC) charges. The External Market Monitor noted that New England generally had less price volatility than other regional electricity markets. The External Market Monitor also gave his report and noted that both electricity prices and congestion costs continued to be very low by historic standards. During the PRD update, the Board Markets Committee discussed the planned comments by both the ISO and the Internal Market Monitor on FERC's Notice of Proposed Rulemaking (NOPR) on Demand Response Compensation in Organized Wholesale Energy Markets (RM10-17). In addition to those regular reports, the Board Markets Committee reviewed the first draft of the Internal Market Monitor's 2009 Annual Markets Report.

System Planning and Reliability Committee (SPARC)

Mr. van Welie reported that SPARC met on April 15 in Holyoke. At its meeting, the SPARC received an update on the Demand Response Integration project, which aimed to integrate by June 1, 2010 large quantities of demand resources into operations, planning and information technology processes. He reported that the project was on target for timely completion. The SPARC also received an update on the ISO's Department of Energy-funded smart grid project, which would increase the use of synchrophasors on the grid. The SPARC also discussed the format for the annual Regional System Plan (RSP) public meeting, and agreed to encourage participation by modifying the meeting format to shorten the presentation of the RSP and to add panel discussions. Mr. van Welie went on to report that the SPARC received updates on the New England East-West Solution (NEEWS) project, the Kleen Energy plant, and Vermont Yankee developments. Last, he said, the SPARC reviewed its charter, determined that the charter was accurate, and determined that the Committee was in compliance with the charter's terms.

Full Board

Mr. van Welie reported that the full Board of Directors also met on April 15. Following reports by the various Committees of the Board on their recent activities, the Board spent the rest of its meeting on strategic planning, which involved an initial review of the ISO's five-year business plan and updates on topics including the state and federal political landscapes and various significant regional issues, including the role of non-transmission alternatives in planning, wind integration, FCM, and PRD. Mr. van Welie noted that a draft of the five-year business plan would be included in the materials for the June Participants Committee meeting. He reported that the Board also reviewed the full line-up of projects facing the ISO and related concerns about workload and risks. On this topic, Mr. van Welie indicated, the full Board reviewed management's

plans to allocate resources to those projects and the means to be employed to mitigate the risks associated with rapid completion of a series of interconnected projects.

Members then asked clarifying questions concerning the CEO Report. A member asked what the new developments were concerning VT Yankee. Mr. van Welie responded that the Board received updates on the situation with regard to both the actions of the state legislature as well as by Vermont Yankee itself and was generally informed that the ISO was proceeding with transmission studies to ascertain the impact of the potential unavailability of Vermont Yankee in 2012 and beyond. Dr. Vamsi Chadalavada added that each year the ISO must do a 10-year study pursuant to NERC reliability standards, so as part of the annual process, with respect to NH and VT the ISO was taking into consideration the potential unavailability of VT Yankee in 2012 and beyond. The ISO was asked whether, if the analysis was not completed until the fall, there would be enough time to get the needed transmission upgrades in place by March 2012. Dr. Chadalavada responded that out-of-merit generation might be needed, and that the ISO would consider short-term, medium-term, and long-term solutions. Concerns were raised over who would bear those uplift costs, followed by a request that these concerns be addressed sooner rather than later.

A member asked for clarification regarding how the ISO intended to respond to the FERC's April 23 order on the FCM Re-Design changes that accepted some of the changes filed by the ISO and NEPOOL, but had also saved a number of controversial issues for resolution following paper hearing. Mr. Hepper responded that NEPOOL counsel had scheduled a meeting on May 11 to discuss this in detail. He stated that, the ISO would try, ahead of its filing, to present high-level materials to NEPOOL and the state regulators reflecting the ISO's expected filing so that this matter could be discussed with the ISO Board at the June summer meeting. He stated that, since

this matter had been set for hearing, the ISO did not intend to go through the full stakeholder process for review and consideration of any proposed FCM changes to be submitted.

REPORT OF ISO CHIEF OPERATING OFFICER

Dr. Chadalavada reviewed highlights from the monthly COO report, which was circulated in advance of the meeting and posted on the ISO website. He indicated that April natural gas prices were 7.7% lower and oil prices were 6.2% higher than March average values. Average Real-Time Hub LMPs over the period, he continued, were down 6.7% from March 2010 averages. He reported that the total reliability costs for the month of April were \$1.9 million, with a large portion of that in First Contingency payments. He responded that there was a Planning Advisory Committee (PAC) meeting scheduled for April 25 to discuss environmental issues and a draft scope of work of the Economic Studies in response to the stakeholder requests received and discussed at the April 27, 2010 PAC meeting.

Dr. Chadalavada then reported on the Eastern Interconnection Planning Collaborative (EIPC) process that was underway. He noted that at an April 22-23 meeting in St. Louis regarding the formation of a stakeholder steering committee, there had been no conclusion as to how the committee was to be formed and what sort of governance process would be developed within that structure. He reported that there was a webinar scheduled for 2:00 p.m. that day, to review the stakeholder process issues, since EIPC needed to reach agreement by mid-May. Separate meeting space at the Colonnade Hotel had been arranged for those interested in participating.

Turning to his report on operations, Dr. Chadalavada said that the lowest Spring Operable Capacity Margin was calculated to occur in the week beginning May 8; the lowest Summer Operable Capacity Margin, in the week beginning June 5. He noted that, starting in June, the ISO would use the aggregate Capacity Supply Obligations (CSOs) in performing its Operable Capacity

analysis. From a timing stand point, he noted that because FCM permitted monthly bilaterals, the June report would begin to track the result of what happened through the primary auction, bilaterals, reconfiguration auctions, and monthly bilaterals.

In follow-up to Participant requests, Dr. Chadalavada reviewed charts reflecting the monthly recorded Net Energy for Load (NEL), weather normalized NEL, monthly peak load, and weather-normalized seasonal peak history. He reviewed a chart reflecting Hourly Real-Time LMPs for the month of April, noting that on April 9 there was: a price spike in the Boston area; an LMP for a period of time over \$400-\$450; outages on the 345 kV system; and maintenance being performed on a breaker that inadvertently tripped two 115 kV lines and took some local area generation off-line. As to the maintenance event, he reported that the ISO was working with the local Transmission Owner to understand the cause and there may be a report to the Reliability Committee in that regard.

Another chart that Dr. Chadalavada reviewed in follow up to a Participant request, reflected CSOs in FCA1, which provided a snapshot of how CSOs were distributed across the primary resource categories. In response to a member's question, Dr. Chadalavada responded that the ISO would be providing similar summaries for FCA2 and FCA3 within the next several months. In response to another member's question, Mr. Mark G. Karl reported that the ISO did not intend to publish a list of CSOs attached to the physical units within New England or unit-specific information. He said the ISO was required to provide, and had provided, a similar list to the FERC following the primary auction, which took a considerable amount of effort to produce. Dr. Chadalavada stated that the ISO would like to automate those reports, and would add it to the list of things to do as part of the Forward Capacity Tracking System (FCTS).

Dr. Chadalavada noted that, from an operations standpoint, on May 2 and 3, there were loads that far exceeded the forecast. He stated that the forecast was off by nearly 1,000 MWs, when over one-third of the region's generation fleet was out of service for annual maintenance. He committed to provide a full report on this situation, which would be included in the June report and that the ISO would also analyze the May 2 and 3 events from a post-FCM standpoint.

The Committee then commented and asked clarifying questions on the COO report. A member expressed concern with the size of the financial impact and encouraged additional efforts to improve load forecasts. Dr. Chadalavada reported that the ISO was working with a local university to improve its load forecasting.

REPORT OF ISO INTERNAL MARKET MONITOR

Mr. Marc D. Montalvo, for the ISO Internal Market Monitor, reviewed the draft 2009 Annual Markets Report, as circulated in advance of the meeting. He noted that the report would be finalized within a few weeks of the meeting and filed with the FERC. He stated that an additional meeting to review the details of the report in its entirety would be scheduled in the near future. He highlighted several important outcomes of the market in 2009, including: (1) a dramatic decrease in overall energy costs when compared to 2008 levels, a decrease of approximately 50%, attributable almost entirely to the steep drop in fuel prices for all fuel types; (2) a 90% drop in costs associated with operating resources for reliability, either for local second contingency protection or for voltage, with the majority of the decreased costs occurring during the first 6 months of 2009; (3) loads that were about 4% lower than loads in 2008; (4) FCA3 cleared at \$2.95/kW-month; (5) the first Annual Reconfiguration Auction (ARA) for the 2010/2011 FCM commitment period cleared 197.6 MW at \$1.50/kW-month; and (6) aggregate transmission charges for the year of about \$1.8 billion.

Mr. Montalvo reported that the price outcomes of the ISO-administered energy market were consistent with those expected of a competitive market, confirmed by using both structural and price-based measures. He noted an increase in the frequency and magnitude of non-zero Real-Time reserve prices, with a shift in the relationship between average Day-Ahead and Real-Time prices in the late second quarter from Day-Ahead prices that were higher than Real-Time to Day-Ahead prices that were lower than Real-Time.

With regard to reliability and operations, Mr. Montalvo reported that: (i) the sum of all NCPC components fell to \$55 million in 2009 from \$256 million in 2008, a reduction of 78%; (ii) economic NCPC fell to \$32 million in 2009 from \$42 million in 2008, a reduction of 24%; (iii) net payments to generation under reliability agreements fell to \$72 million in 2009 from \$127 million in 2008; and (iv) transmission upgrades in Southwest Connecticut and lower SEMA had significantly reduced the need for Local Second Contingency Protection Resource commitments.

Concluding his report, Mr. Montalvo reviewed key ISO findings in 2009 for the FCM, including: the results of FCA3 were competitive; the large amount of supply capacity in FCA3 indicated sufficient supply-side competition; the amount of surplus capacity exceeded out-of-market (OOM) capacity, so the floor price would have been reached with or without OOM capacity; and the APR was not triggered in FCA3 because the existing qualified capacity (37,695 MW) exceeded the region's Installed Capacity Requirements (ICR) of 31,965 MW.

The Committee then commented and asked clarifying questions on the draft 2009 Markets Report. A member asked if the ISO had considered retaining outside assistance in reviewing market power issues. Mr. Montalvo responded that, although he was not aware of any ISO plans to retain consultants for that purpose, the Internal Market Monitor would consider and had the authority to implement that option if and to the extent such assistance would be necessary or

useful. A member expressed appreciation to the ISO for getting the draft Markets Report out sooner rather than later, and asked that the scheduling of the meeting to review the final report in more detail be scheduled in the near future. Mr. Montalvo stated that he would make himself available at any time for the scheduling of that meeting.

A member referred to a slide that reflected a decrease of 2.2% in weather-normalized energy load. He asked whether the Internal Market Monitor had itself evaluated or had reviewed any other ISO analyses that evaluated the various contributions of the economic downturn and passive resources that led to that 2.2% reduction. In response, Mr. Montalvo stated that the Internal Market Monitor had not performed such an analysis, but had reviewed the results of the analysis performed by the ISO's load forecasting group, and would consider including that type of analysis in its future annual reports.

Mr. Montalvo reminded the Committee that, pursuant to FERC Order No. 719, the Internal Market Monitor had an obligation, on a quarterly basis, to report and meet with Participants on the performance of the markets. He noted that the format and content of the report for the first quarter of 2010 would reflect a number of changes from the quarterly reports prepared previously and encouraged Participants to review that report following its issuance and filing. He indicated further that the meetings with Participants would be roughly coincident with the issuance of the reports themselves and expected the Internal Market Monitor to next meet with the Committee in approximately 3 months.

REPORT ON EASTERN INTERCONNECTION PLANNING COLLABERATIVE (EIPC) PROCESS

Mr. Eric Runge, NEPOOL Counsel, referred the Committee to the materials circulated in advance of the meeting concerning the EIPC. He reported that there was a meeting on April 22-23

in St. Louis and the primary purpose of that meeting was to discuss and try to finalize the Stakeholder Steering Committee (SSC) arrangements for the EIPC. He explained that the SSC would be responsible for providing strategic guidance on the studies and selection of cases/assumptions/sensitivities that would be used in the EIPC process. He observed that representation at the meeting had been uneven across the Eastern Interconnection. There was only one representative of generators and marketers, no representative from Canada, only a few from the south and many Non-Governmental Organizations (NGOs) and state representatives. There were several Transmission Owner (TO) representatives, a couple of Public Power representatives and only one regional stakeholder organization representative (NEPOOL counsel). From New England, there were representatives from CLF, CMEEC, NGrid, NU, NSTAR, and NEPOOL. Additionally, Ms. Heather Hunt was there for NESCOE, Chairman Paul Hibbard was there for the Eastern Interconnection States Planning Council, and Mr. Donald Gates was there for the ISO. The FERC had observers present (Ms. Julie Simon and Mr. David Andrejczak, who seemed to indicate that FERC did not want an *ex-officio* seat on the SSC), and the Department of Energy (DOE) had several representatives present.

Mr. Runge indicated that prior to the meeting a straw proposal with two SSC options had been circulated and commented on, including by NEPOOL. NEPOOL's main comment was that the SSC should allow for regional representation of collective regional interests. At the beginning of the meeting on April 22, the EIPC presented a slightly revised straw proposal with only one option for the SSC. That proposal showing changes from the original proposal was circulated to the Participants Committee with the materials in advance of this meeting. He reviewed that the EIPC meeting had break-out and plenary sessions where issues related to the composition and functioning of the SSC were discussed. Through these sessions he reported that it became clear

that the main issues were the size of the SSC, regional representation on the SSC (which directly tied to the size of the SSC), reserved seats within sectors for certain segments of sectors (such as renewable generators within the Generators sector) and the decision-making process (and to what extent voting would be used).

Mr. Runge reported further that, from the outset of the EIPC meeting, it appeared that the DOE and the EIPC (which was to be funded by the DOE) were predisposed towards a small SSC (no more than 30 members) as provided for in the straw proposal and against using voting as a decision-making tool unless as a last resort. The States, NGOs and End Users supported this view, while the TOs, Public Power and NEPOOL supported regional diversity and a larger SSC, with a clearly defined voting mechanism. The DOE seemed inflexible about what was allowed in terms of populating the SSC and the use of proxies or fractional voting (whereby a small number of sector representatives could hold the votes of a larger group) on that committee, which made resolution of the issue of adequate regional representation difficult.

Mr. Runge further noted that during the course of the meeting and during the night in between there were several negotiating sessions within sectors and among them, especially with the TOs and the States. In these sessions, the States put forth a proposal with the following elements:

- ▶ 3 members each for 6 non-government sectors;
- ▶ States would have one-third of the SSC representation;
- ▶ TO regions not represented by 3 members could attend SSC meetings, put forward agenda items, and consult with members;
- ▶ SSC would develop 8 macroeconomic futures and 3 final scenarios: States would get to approve or revise 4 macro futures and 1 final scenario for detailed transmission analysis; and
- ▶ consensus decision making with a fall back that would require a super majority (with the percentage to be determined to ensure that no 2 sectors could block the majority).

The meeting ended with no agreement on the size of the SSC, the mechanism to allow for regional representation from all of the EIPC regions, or on the voting process. The DOE announced that it would allow for one more webinar meeting, but if no agreement was achieved, they will use the smaller SSC model with no guarantee of regional representation. The facilitators for the EIPC (the Keystone Group) and the DOE announced that, while the SSC was intended to be a consensus driven group, there was not an intent to require consensus for the formation of the SSC.

Mr. Runge reported that, since the April 22-23 meeting, the EIPC had announced that it would conduct a final webinar on the formation of the SSC, which would meet from 2:00-3:30 p.m. that same day. Following that webinar, the EIPC would take written comments on the SSC proposal until May 12, 2010, after which it would finalize the formation of the SSC structure that would then be populated by SSC members selected by Sector caucuses. He noted that, on April 29, the Participants Committee Chair had circulated a memo to Participants encouraging the Sectors within NEPOOL to begin the process of selecting their candidates for Sector representation.

With regard to future EIPC activities and the selection of Sector caucus representatives, Mr. Runge reviewed that NEPOOL had formed a NEPOOL Steering Committee for EIPC matters made up of the six Sector elected officers and/or their designees and other interested persons. He noted that there had been a couple of teleconference meetings and that Committee would continue to meet on a monthly and as-needed basis, and was also coordinating with the ISO and New England State representatives.

He indicated that sector caucuses would need to be formed quickly. As noted previously, Mr. Forshaw had begun the process for NEPOOL by urging the Vice-Chairs to begin selection activity. Once the SSC structure was finalized, each Sector Vice-Chair would be expected to submit the names of people proposed to be the Sector caucus representatives for that Sector.

NEPOOL Counsel would then send out the names to all of the NEPOOL Participants, give two business days for any reaction, and then finalize that list to be submitted to the EIPC. Mr. Runge indicated there would be a special meeting on the selection of caucus representatives only if and to the extent it seemed necessary. NEPOOL was not required to vote on the process or selection of caucus representatives.

In response to a question concerning the geographic breakout of the attendees present at the St. Louis meeting, Mr. Runge noted that there were more representatives from the North than the South, with several from the Midwest. The Northeast had 2 or 3 representatives from New York and 4 or 5 from New England. Florida and Canada were not represented at all. Overall, he expressed his surprise at the number of non-governmental organization representatives present at the meeting, and the lack of generator representatives, particularly in light of the resources required to attend the meeting.

On behalf of the TOs, Ms. Mary Ellen Paravolos reported that, in the week following the meeting in St. Louis, the TOs put forward a written proposal for the formation of the SSC and had sought support for that proposal from other Sectors and the States. She noted that the TO proposal kept the actual voting members of the SSC to a small number but allowed for active participation of a larger group of Sector representatives at meetings. She explained that the TO proposal intended to achieve, and hoped to convey at the webinar following the Participants Committee meeting, the need for, the following: (1) time for folks who were not on the SSC to have meaningful input at the meetings; (2) time for the SSC members to caucus with their Sectors, to have breaks during the meeting where they could solicit input from their Sector representatives; and (3) the ability to provide written comments.

Mr. Forshaw reinforced the importance of participation by NEPOOL, as an organization, in this process and ultimately to strive to be influential in the decisions that are made by the EIPC.

eTARIFF CHANGES TO FINANCIAL ASSURANCE AND BILLING POLICIES AND CFT

Mr. Joel Gordon, as Chair and on behalf of the Budget and Finance Subcommittee, referred the Committee to the materials circulated in advance of the meeting regarding changes to the ISO Financial Assurance Policy (the Financial Assurance Policy or FAP) and the ISO Billing Policy (together with the FAP, the Policies), and the capital funding arrangements included in Section IV of the ISO Tariff (the CFT). He stated the proposed changes were necessary to conform those provisions of the ISO Tariff to the standards developed for electronic tariff (eTariff) filings under FERC Order No. 714 (Order 714). He explained that Order 714 required regulated entities to work with FERC's vendors in the development and testing of software for electronic tariff filings and, following the software development, to file a "baseline" electronic tariff. In order to comply with Order 714, the ISO had committed to file the baseline ISO Tariff in electronic form with the FERC on August 13, 2010. The ISO had further stated that that filing would not include any new and/or substantive tariff revisions but, rather, would reflect only existing FERC-accepted ISO Tariff provisions. In order to make such a filing, the ISO had to first file certain non-substantive and/or administrative changes to the Tariff in order to conform the ISO Tariff to the eTariff software standards. The ISO had indicated its intention to file these revisions with the FERC by June 1, 2010.

Mr. Gordon reported that the ISO discussed the eTariff changes to the Policies and the CFT with the Budget and Finance Subcommittee (the Subcommittee) at its March 22 teleconference, and no Subcommittee members on that teleconference objected to the changes. Other changes to the ISO Tariff to conform it to the eTariff software standards were presented to and supported by

other NEPOOL Technical Committees and had been included on the Consent Agenda approved earlier in the meeting. He explained that because the Subcommittee was not a voting Technical Committee, however, the eTariff changes to the Policies and the CFT had not been included on the Consent Agenda and required a formal vote of the Participants Committee.

Mr. Doot reviewed for the Committee that the proposed resolutions would authorize the Chairman of the Subcommittee to work with NEPOOL Counsel and the ISO to reflect the eTariff-related changes to the Policies in the revised version of the Policies reflecting unsecured credit changes that were currently pending before the FERC. Those revised versions of the Policies reflect the restrictions on unsecured credit and other related matters that the Participants Committee approved in May, 2009 were filed with the FERC on March 26, 2010 and would become effective on December 1, 2010, at the earliest. He noted that the resolutions were worded to permit members to support the proposed changes even though they might not agree with the revised version of the Policies that remained pending.

Following motion duly made and seconded, the Committee considered and unanimously approved the following motions:

RESOLVED, that the NEPOOL Participants Committee supports the changes to the ISO New England Financial Assurance Policy, the ISO New England Billing Policy and the Capital Funding Arrangements included in Section IV of the ISO Tariff circulated to the Committee and discussed at this meeting (the e-Tariff Changes), together with such non-substantive changes as the Chief Financial Officer of the ISO and the Chairman of the Budget & Finance Subcommittee may approve; and

FURTHER RESOLVED, that the NEPOOL Participants Committee delegates to the Chair of the Budget & Finance Subcommittee, working with NEPOOL Counsel and ISO New England, the authority to identify and file with the Commission further amendments to the versions of the ISO New England Financial Assurance Policy and ISO New England Billing Policy that are pending before the Commission for approval reflecting changes to unsecured credit in order to reflect the e-Tariff Changes, it being understood that a vote in support of this resolution is without prejudice to any position of the supporting Participant on the versions of the ISO New England Financial Assurance Policy

and the ISO New England Billing Policy that reflect the changes to unsecured credit.

TARIFF CHANGES REFLECTING REMOVAL OF SECTION I.3.11

Mr. Gates, as Chair and on behalf of the Transmission Committee, referred the Committee to the materials circulated in advance of the meeting related to modifications to Sections I.3.9, I.3.10 and I.3.11 of the Tariff to reflect the expiration of Section I.3.11 on May 31, 2010. He explained that the deleted provisions pertained to the retirement or deactivation of generating resources, which were to be governed by the FCM market rules. He reported that the changes had been unanimously recommended for Participants Committee support by the Transmission Committee at its April 28, 2010 meeting, and would have been on the Consent Agenda but for the timing of the Transmission Committee action.

The following motion was then duly made, seconded, considered and unanimously approved:

RESOLVED, that the Participants Committee supports the modification of Section I.3.9.1, Section I.3.10, Section I.3.11, and Section I.3.11.1 of the ISO Tariff to reflect the deletion of provisions listed in Section I.3.11.1 as expiring on May 31, 2010, as recommended by the Transmission Committee, and as reflected in materials circulated to the Participants Committee in advance of this meeting, together with any non-substantive changes as may be approved by the Chair and Vice-Chair of the Transmission Committee.

COMPLIANCE WITH COMMON COST ALLOCATION ORDER

Mr. Doot referred the Committee to the materials circulated in advance of the meeting related to consideration of NEPOOL's participation in a filing that was required to be made with the FERC on or before June 1, 2010 in compliance with an April 16, 2010 FERC order in ER10-750 (the Order). He explained that the Order pertained to a February 16 ISO and NEPOOL joint

filing of Tariff revisions which implemented a methodology for allocating common costs at stations with multiple generating units that were permitted to de-list less than all of the station's units.

Mr. Doot explained that the Order required the Tariff to be amended to provide more precisely how the cost allocation would be applied. Specifically, he noted, the FERC sought clarification regarding the historical period that would be used to determine the historical megawatt hour production for a particular asset, the methodology the ISO would apply for using this cost allocation to set default de-list bids, and the meaning in the Tariff of the term "monotonically decreasing."

After this explanation, the following motion was duly made, seconded, considered, and unanimously approved, without discussion or question:

RESOLVED, that the Participants Committee delegates to the Markets Committee the authority of the Participants Committee under Section 6.1 of the Second Restated NEPOOL Agreement and Section 8.1.3(c) of the Participants Agreement to make filings on behalf of the NEPOOL Participants in proceedings before the Commission with regards to proposed changes to the Tariff that are consistent with those described by the ISO in materials circulated in advance of this meeting and described at the meeting, in order to comply with the FERC's April 16, 2010 order in Docket No. ER10-750.

CHANGES TO MARKET RULE 1, § III.12.7 (INCLUSION OF EXISTING CAPACITY RESOURCES IN ICR CALCULATION)

Mr. Gates, as Chair of and on behalf of the Reliability Committee, referred the Committee to the materials circulated in advance of the meeting related to changes to Section 12.7 of Market Rule 1 regarding the inclusion within the calculation of ICR of "all Existing Import Capacity Resources backed by a multi-year contract to provide capacity in the New England Control Area". He explained that this modification was intended to provide greater clarity to the ICR calculation.

He reported that the changes were unanimously recommended for Participants Committee support, with four abstentions, by the Reliability Committee at its April 26, 2010 meeting, and would have been on the Consent Agenda but for the timing of the Reliability Committee action.

Mr. Gates informed the Committee that a member had offered clarifying language to Section III.12.7.2, with which the ISO agreed, as follows:

all Existing Import Capacity Resources backed by a multiyear contract to provide capacity in the New England Control Area, where that multiyear contract requires delivery of capacity for the Commitment Period for which the ICR is being calculated [~~Import Capacity Resources cleared in previous Forward Capacity Auctions and obligated for the relevant Capacity Commitment Period~~], and

Following a brief discussion and circulation of the clarifying language to the Committee, the following motion was then duly made, seconded, considered, and unanimously approved with an abstention by the MA AG:

RESOLVED, that the Participants Committee supports the changes to Market Rule 1, Section III.12.7 regarding the inclusion within the calculation of ICR of “all Existing Import Capacity Resources backed by a multi-year contract to provide capacity in the New England Control Area”, as recommended by the Reliability Committee, and as reflected in materials circulated to the Participants Committee in advance of this meeting, together with the change agreed to at this meeting and such non-substantive changes as may be approved by the Chair and Vice-Chair of the Reliability Committee.

REVISIONS TO MANUAL M-RPA (FCM MANUAL UPDATE PROJECT)

Mr. Kaslow, as Vice-Chair and on behalf of the Markets Committee, referred the Committee to the materials circulated in advance of the meeting related to FCM conforming changes to ISO New England Manual M-RPA (Registration and Performance Auditing). He reported that the Markets Committee voted at its April 13-14, 2010 meeting to recommend Participants Committee support for these changes with opposition noted from three members of the Alternative Resources Sector that were present and abstentions by three members of the End User

Sector. Mr. Kaslow noted that this matter had been on the Consent Agenda, but had been pulled from the Consent Agenda at the request of CPower.

The following motion was duly made and seconded:

RESOLVED, that the Participants Committee supports the FCM conforming changes to ISO New England Manual M-RPA (Registration and Performance Auditing) as proposed by ISO New England Inc. and as recommended by the Markets Committee and circulated to this Committee during the meeting, together with such non-substantive changes as the Chair and Vice-Chair of the Markets Committee may approve.

The CPower representative then provided an explanation of its concerns with the proposed changes. She stated that CPower would oppose this Manual change because it believed the ISO had not done an adequate job of creating parity between generator auditing and DR auditing and because there had not been sufficient time to discuss the proper way to audit DR. She stated CPower's view that the Manual changes placed DR at a significant disadvantage. On behalf of CPower, she requested that the ISO create a stakeholder process around the auditing procedures as it had committed to do at the Markets Committee meetings.

Following discussion and clarifying questions, the Committee considered and approved the motion, with oppositions by 511 Plaza, AR DG Small Group Member, CLF, Corinth Wood, CPower, CSG, Dennis Beverage, Dragon Products; Elekrisola, EnerNOC, Fairchild Semiconductor, Food City, Garland Manufacturing, Hammond Lumber, Hardwood Products, LaBree's, Lavalley Lumber, Maine Woods, Marden's, Merchants Plaza, RJF-Morin Brick, PalletOne, Quality Egg, Robbins Lumber, St. Anselm College, St. Joseph Health Services of RI, The Westerly Hospital, Whole Foods, and Z-TECH; and abstentions by the CT OCC, IECG, MA AG, Maine Skiing, Mead Oxford, NH OCA, UCS, and VEIC.

GIS CARDINAL CHANGE: MASSACHUSETTS SOLAR CARVE-OUT PROGRAM

Mr. Kaslow then referred the Committee to the materials circulated in advance of the meeting to approve “Cardinal” changes to the NEPOOL Generation Information System (GIS) and the GIS Operating Rules (the Rules). He explained that the purpose of the changes was to implement the new Massachusetts Solar Carve Out program. Following a summary of the rule change, Mr. Kaslow noted that, under GIS Rule 1.5, a Participants Committee vote was required to approve Cardinal changes to the GIS, after review by the Markets Committee. He said that the Markets Committee, at its April 13-14, 2010 meeting, voted unanimously to recommend its support for these changes. He explained that this item was originally on the Consent Agenda for this meeting, but that TransCanada Power Marketing, Ltd. requested that the item be removed.

The following motion was duly made and seconded:

RESOLVED, that the Participants Committee approves the “Cardinal” changes to the NEPOOL Generation Information System presented at this meeting associated with the implementation of the Massachusetts Department of Energy Resources’ Solar Credit Clearinghouse program, at an estimated cost of approximately \$24,000, as recommended by the Markets Committee and circulated to this Committee in advance of this meeting, together with such non-substantive changes as the Chair and Vice-Chair of the Markets Committee may approve.

The TransCanada representative then explained why TransCanada opposed the GIS Cardinal Rule change. He explained that TransCanada had a pending complaint in Federal District Court in Worcester, MA challenging the constitutionality of the Solar Carve Out program.

Following a brief discussion, the Committee considered and approved the motion with oppositions by 511 Plaza, AIM, Corinth Wood, CPower, Dennis Beverage, Dragon Products; Elekrisola, Fairchild Semiconductor, Food City, Garland Manufacturing, Hammond Lumber, Hardwood Products, Harvard, LaBree’s, Lavalley Lumber, Maine Woods, Marden’s, Merchants Plaza, RJF-Morin Brick, PalletOne, Quality Egg, Robbins Lumber, St. Anselm College, St. Joseph

Health Services of RI, TEC, TransCanada, The Westerly Hospital, Whole Foods, and Z-TECH; and abstentions by BP, Energy America, Hess, Integrys, and TEC-RI.

PROPOSED NEPOOL COMMENTS ON DEMAND RESPONSE COMPENSATION

Mr. Kaslow next referred the Committee to the materials circulated in advance of the meeting regarding the approval of a detailed final outline of NEPOOL's response to the Notice of Proposed Rulemaking (the NOPR) titled "Demand Response Compensation in Organized Wholesale Energy Markets" (Docket No. RM10-17), which would serve as the guiding framework for NEPOOL's comments to the FERC. He reported that the Markets Committee recommended Participants Committee approval for the outline at its April 13-14, 2010 meeting, with a 74.97% Vote in favor. He explained that the Markets Committee recommendation had been previously noticed on the Consent Agenda, but had been removed at the request of EnerNOC. Mr. Kaslow reported that comments on the NOPR were due on May 13, 2010, and NEPOOL Counsel, with the review of the Participants Committee Officers and the Vice-Chair of the Markets Committee, would draft comments to the FERC consistent with the outline presented. He indicated that before being filed with the FERC, a draft of these comments would be provided upon request to any Participant advising of an interest in reviewing the draft.

The following motion was then duly made and seconded:

RESOLVED, that the NEPOOL Participants Committee (i) supports positions reflected in the comment outline as approved by the Markets Committee and as distributed to the Committee in advance of the May 7, 2010 meeting and (ii) authorizes and directs NEPOOL Counsel to reflect those positions in comments filed with the FERC in response to the NOPR.

The EnerNOC representative articulated his company's reasons for opposition to this item. He stated that the positions were not unanimously supported at the Markets Committee meeting, noting that a majority of the AR Sector present voted in opposition to the positions. He stated that

EnerNOC would not support a filing as reflected in the outline because such a filing would go beyond what was necessary and the scope originally discussed.

Members of the End User Sector stated that, at the Markets Committee meeting, several End User members noted their opposition, and would abstain from a Participants Committee vote, as they believed the language was overly-broad and addressed issues that did not need to be addressed by NEPOOL.

The Committee then considered and approved the motion with oppositions by 511 Plaza, CES, CLF, Corinth Wood, Dennis Beverage, Dragon Products; Elekrisola, EnerNOC, Fairchild Semiconductor, Food City, Garland Manufacturing, Gas Recovery, Hammond Lumber, Hardwood Products, IECG, LaBree's, Lavalley Lumber, Maine Woods, Maine Skiing, Marden's, Mead Oxford, Merchants Plaza, RJF-Morin Brick, PalletOne, Quality Egg, Robbins Lumber, St. Anselm College, St. Joseph Health Services of RI, Westerly Hospital, Whole Foods, and Z-TECH; and abstentions by AR Load Response Small Group Member, CPower, CSG, CT OCC, MA AG, NextEra, NH OCA, Small DG Group, USC, and VEIC.

LITIGATION REPORT

Mr. Doot referred the Committee to the Litigation Report circulated in advance of the meeting. He noted that the Report continued to reflect an intense level of activity and encouraged anyone with questions on the Report to raise them with any member of the NEPOOL counsel team.

OTHER BUSINESS

Mr. Doot then discussed the calendar for May and June that had been distributed at the meeting. He noted that the next Participants Committee meetings were scheduled for June 4 at the Seaport Hotel in Boston, MA, and the 2010 Summer Meeting scheduled for June 22-23, with a

welcome reception on Monday, June 21 for those able to come in early, at the Water's Edge Resort and Spa in Westbrook, Connecticut. He announced that a golf outing was being organized for June 21, 2010, the Monday before the 2010 Summer Meeting, at Lyman Orchards Golf Club in Middlefield, CT, and encouraged those interested in participating to contact Mr. Joseph Staszowski or Mr. Calvin Bowie for additional details. He noted that information regarding the golf outing would be circulated to the Committee over the next week.

There being no further business, the meeting was adjourned at 2:00 p.m.

Respectfully submitted,

David T. Doot, Secretary

**PARTICIPANTS IN ATTENDANCE AT THE
MAY 7, 2010 PARTICIPANTS COMMITTEE MEETING**

PARTICIPANT NAME	SECTOR	MEMBER NAME	ALTERNATE NAME	PROXY
511 Plaza LP	End User	William P. Short III		
Ashburnham Municipal Light Plant	Publicly Owned		Gary Will	
Associated Industries of Massachusetts	End User			Roger Borghesani
Bangor Hydro-Electric Company	Transmission		Stacy Dimou	
BG Dighton Power, LLC	Generation		William Fowler	
Boston Generating, LLC	Generation		William Fowler	
Boylston Municipal Light Department	Publicly Owned		Gary Will	
BP Energy Company	Supplier			Nancy Chafetz
Brookfield Energy Marketing /Cross-Sound Cable (CSC)	Supplier	Nicolas Bosse		Jose Rotger
Caithness New England Services Company	Generation		Ken Bekman	
Central Maine Power Company	Transmission		Susan Clary (tel)	
Chicopee Municipal Lighting Plant	Publicly Owned		Gary Will	
Competitive Energy Services, LLC (CES)	Supplier			Don Sipe
Comverge, Inc.	AR			Herb Healy
Concord Municipal Light Plant	Publicly Owned		Gary Will	
Connecticut Municipal Electric Energy Coop.	Publicly Owned	Brian Forshaw	Julie Cammarata	
Connecticut Office of Consumer Counsel (CT OCC)	End User		Richard Steeves (tel)	
Conservation Law Foundation (CLF)	End User	Seth Kaplan		
Conservation Services Group (CSG)	AR	Doug Hurley		
Consolidated Edison Energy, Inc. (ConEd)	Supplier	Jeff Dannels	Ken Bekman	
Constellation Energy Commodities Group, Inc.	Supplier	Steve Kirk		
Corinth Wood Pellets	End User	Gus Fromuth		
CPower, Inc.	AR	Janette Dudley		
Dennis Beverage	End User	Gus Fromuth		
Dominion Energy Marketing, Inc.	Generation	Ron Hart (tel)		
Dragon Products Company LLC	End User	Gus Fromuth		
Dynegy/Calpine	Supplier	Glenn Haake		
Elektrisola, Inc.	End User		Gus Fromuth	
Energy America, LLC	Supplier			Nancy Chafetz
EnerNOC, Inc.	AR	Herb Healy		
Exelon Generation Company, LLC	Supplier	William Fowler		
Fairchild Semiconductor Corporation	End User	Gus Fromuth		
Food City, Inc.	End User	Gus Fromuth		
Garland Manufacturing Company	End User	Gus Fromuth		
Gas Recovery Systems, LLC (GRS)	AR		Doug Hurley	
GDF SUEZ Energy Marketing NA/FirstLight	Supplier	Thomas Kaslow		
Generation Group Member	Generation	Dennis Duffy		
Granite Ridge Energy, LLC	Supplier		William Fowler	
Groton Electric Light Department	Publicly Owned		Gary Will	
H.Q. Energy Services (U.S.) Inc.	Supplier	Louis Guilbault	Robert Stein	
Hammond Lumber Company	End User	Gus Fromuth		
Hardwood Products Company	End User		Gus Fromuth	
Harvard Dedicated Energy Limited	End User			Roger Borghesani
Hess Corporation	Supplier			Nancy Chafetz
Holden Municipal Light Department	Publicly Owned		Gary Will	
Holyoke Gas & Electric Department	Publicly Owned			Gary Will
Hudson Light and Power Department	Publicly Owned		Gary Will	
Hull Municipal Lighting Plant	Publicly Owned		Gary Will	
Industrial Energy Consumer Group	End User	Donald Sipe		Paul Peterson
Ipswich Municipal Light Department	Publicly Owned		Gary Will	
Integrays Energy Services Inc.	Supplier			Nancy Chafetz
International Power America (ANP Funding I)	Generation	Dorothy Capra		

**PARTICIPANTS IN ATTENDANCE AT THE
MAY 7, 2010 PARTICIPANTS COMMITTEE MEETING**

PARTICIPANT NAME	SECTOR	MEMBER NAME	ALTERNATE NAME	PROXY
LaBree's Inc.	End User		Gus Fromuth	
Lavalley Lumber Co.	End User	Gus Fromuth		
Long Island Lighting Company (LIPA)	Supplier	William Killgoar		
Maine Skiing, Inc.	End User	Donald Sipe		
Maine Woods Pellet Company	End User	Gus Fromuth		
Mansfield Municipal Electric Department	Publicly Owned		Gary Will	
Marblehead Municipal Light Department	Publicly Owned		Gary Will	
Marden's Inc.	End User	Gus Fromuth		
Massachusetts Attorney General's Office	End User	Jesse Reyes	David Cetola	Jim Stetson (tel)
Massachusetts Municipal Wholesale Electric Co.	Publicly Owned	Gary Will		
Mead Oxford	End User	Donald Sipe		
Merchant's Plaza, LLC	End User	Gus Fromuth		
Middleborough Gas and Electric Department	Publicly Owned		Gary Will	
Middleton Municipal Electric Department	Publicly Owned		Gary Will	
Mirant Energy Trading, LLC	Generation	Phil Smith		
NAEA Energy Massachusetts, LLC	Generation	Ken Bekman		
New England Power Company	Transmission	Timothy Brennan	Terron Hill	
New Hampshire Office of Consumer Advocate (NH OCA)	End User	Paul Peterson		
NextEra Energy Resources, LLC	Generation	Fernando DaSilva		
Northeast Utilities Service Company (NU)	Transmission	Joseph Staszowski	Cal Bowie	
NRG Power Marketing, Inc.	Generation	Pete Fuller		
NSTAR Electric Company	Transmission	James Daly		
PalletOne of Maine	End User	Gus Fromuth		
Paxton Municipal Light Department	Publicly Owned		Gary Will	
Peabody Municipal Light Plant	Publicly Owned		Gary Will	
Pepco Energy Services, Inc.	Supplier			Nancy Chafetz
Pinpoint Power, LLC	Supplier		Tom Atkins	
PowerOptions, Inc.	End User		Doug Stevenson	
PPL EnergyPlus	Supplier		Sharon Weber	
Princeton Municipal Light Department	Publicly Owned		Gary Will	
Provisional Group Member – Generation Sector	Transmission		Allison Smith	
PSEG Energy Resources & Trade LLC	Supplier	Joel Gordon		
Quality Egg of New England, LLC	End User	Gus Fromuth		
RJF-Morin Brick	End User	Gus Fromuth		
Robbins Lumber, Inc.	End User		Gus Fromuth	
Rowley Municipal Lighting Plant	Publicly Owned		Gary Will	
Sempra Energy Trading Corp.	Supplier			Nancy Chafetz
Shrewsbury Electric & Cable Operations	Publicly Owned		Gary Will	
Small Distributed Generation Group Member	AR	Doug Hurley		
Small Load Response Group Member	AR	Doug Hurley		
Small Renewable Generation Group Member	AR			Doug Hurley
South Hadley Electric Light Department	Publicly Owned		Gary Will	
St. Anselm College	End User	Gus Fromuth		
St. Joseph Health Services of Rhode Island	End User		Gus Fromuth	
Sterling Municipal Electric Light Department	Publicly Owned		Gary Will	
Taunton Municipal Light Department	Publicly Owned		Brian Forshaw	
Templeton Municipal Lighting Plant	Publicly Owned		Gary Will	
The Energy Consortium (TEC)	End User	Roger Borghesani		
The Energy Council of RI (TEC-RI)	End User			Roger Borghesani
TransCanada Power Marketing Ltd.	Generation		Michael Hachey	
Union of Concerned Scientists (UCS)	End User		Paul Peterson	
United Illuminating Company	Transmission	Rich Peters		

**PARTICIPANTS IN ATTENDANCE AT THE
MAY 7, 2010 PARTICIPANTS COMMITTEE MEETING**

PARTICIPANT NAME	SECTOR	MEMBER NAME	ALTERNATE NAME	PROXY
Vermont Electric Power Company, Inc.	Transmission			Kirk Shields (tel)
Vermont Energy Investment Corporation (VEIC)	AR		Doug Hurley	
Wakefield Municipal Gas and Light Department	Publicly Owned		Gary Will	
West Boylston Municipal Lighting Plant	Publicly Owned		Gary Will	
Westfield Gas & Electric Department	Publicly Owned			Gary Will
Westerly Hospital	End User		Gus Fromuth	
Whole Foods Market Group, Inc.	End User	Gus Fromuth		
ZTECH, LLC	End User		Gus Fromuth	