

SCHEDULE 21-CTMEEC

I. COMMON SERVICE PROVISIONS

1 Definitions

Capitalized terms not defined herein shall have the meanings given them in the Tariff.

1.1 Annual Transmission Costs

The total annual cost of the Transmission System for purposes of Schedule 21-CTMEEC shall be the amount specified in Attachment CTMEEC B-, until amended by CTMEEC or modified by the Commission.

1.2 Annual True Up

The reconciliation to actual costs and actual loads of the estimated costs and loads costs used for billing purposes under this Schedule 21-CTMEEC for any Service Year.

1.3 Localized Load Ratio Share

Ratio of a Transmission Customer's Network Load located in the State of Connecticut to the monthly transmission system peak Load for the State of Connecticut, and calculated on a rolling twelve month basis.

1.4 CTMEEC

The Connecticut Transmission Municipal Electric Energy Cooperative.

1.5 Interest

The amount computed in accordance with the Commission's regulations at 18 C.F.R. §35.19a (a)(2)(iii). Interest on deposits and shall be calculated from the day the deposit check is credited to CTMEEC's account.

1.6 Localized Cost Responsibility Agreement

An agreement under which a customer subject to Schedule 21-CTMEEC agrees or is deemed to agree to take or pay for the service to which Schedule 21-CTMEEC relates.

1.7 Localized Facilities

Facilities, the cost of which the New England System Operator determines should not be included in Attachment F of the Tariff revenue requirements calculation.

1.8 Network Load

The load that a Network Customer designates for Service under Schedule 21-CTMEEC. The Network Customer's Network Load shall include all load served by the output of any Network Resources designated by the Network Customer. A Network Customer may elect to designate less than its total load as Network Load but may not designate only part of the load at a discrete Point of Delivery. Where an Eligible Customer has elected not to designate a particular load at discrete points of delivery as Network Load, the Eligible Customer is responsible for making separate arrangements for any Point-To-Point Transmission Service that may be necessary for such non-designated load.

1.9 New England System Operator

ISO New England, Inc. ("ISO") or its successor entity.

1.10 Party(ies)

CTMEEC and the Transmission Customer receiving service under the Tariff.

1.11 Service Year

The calendar year in which the Transmission Customer is receiving service under this Schedule.

1.12 CTMEEC's Transmission System

The PTF and non-PTF facilities owned, controlled or operated by CTMEEC. This includes PTF facilities whose costs are not included in the regional rate.

2. Billing and Payment

2.1 Billing Procedure

Within a reasonable time after the first day of each month, CTMEEC, or its agent, shall submit an invoice to the Transmission Customer for the charges for all services furnished under the Tariff during the preceding month.

The invoice shall be paid by the Transmission Customer within twenty (20) days of receipt. All payments shall be made in immediately available funds payable to CTMEEC, or its agent, or by wire transfer to a bank named by CTMEEC or its agent. Billing hereunder shall be based on cost estimates made by CTMEEC subject to Annual True-up when actual costs for the Service Year are known. Such Annual True-up shall occur no later than six (6) months after the close of the Service Year to which the Annual True-up relates. The Annual True-up will include interest calculated in accordance with Section 35.19a of the Commission's regulations. If the in-service date of a forecasted capital addition changes, and the impact of such change on CTMEEC's annual revenue requirement is ten percent or more, CTMEEC will adjust current billing to the Transmission Customer as appropriate.

2.2 Interest on Unpaid Balances

Interest on any unpaid amounts (including amounts placed in escrow) shall be calculated in accordance with the methodology specified for interest on refunds in the Commission's regulations at 18 C.F.R. § 35.19a(a)(2)(iii). Interest on delinquent amounts shall be calculated from the due date of the bill to the date of payment. When payments are made by mail, bills shall be considered as having been paid on the date of receipt by CTMEEC.

2.3 Customer Default

In the event the Transmission Customer fails, for any reason other than a billing dispute as described below, to make payment to CTMEEC on or before the due date as described above, and such failure of payment is not corrected within thirty (30) calendar days after CTMEEC notifies the Transmission Customer to cure such failure, a default by the Transmission Customer shall be deemed to exist. Upon the occurrence of a default, CTMEEC may initiate a proceeding with the Commission to terminate service but shall not terminate service until the Commission so approves any such request. In the event of a billing dispute between CTMEEC and the Transmission Customer, CTMEEC will continue to provide service under the Localized Cost Responsibility Agreement as long as the Transmission Customer (i) continues to make all payments not in dispute, and (ii) pays into an independent escrow account the portion of the invoice in dispute, pending resolution of such dispute. If the Transmission Customer fails to meet these two requirements for continuation of service, then CTMEEC may provide notice to the Transmission Customer of its intention to suspend service in sixty (60) days, in accordance with

Commission policy. Neither Party shall have the right to challenge any monthly bill or to bring any court or administrative action of any kind questioning the propriety of any bill after a period of twenty four (24) months from the date the bill was due; provided, however, that in the case of a bill based on estimates, such twenty-four month period shall run from the due date of the final adjusted bill.

2.4 Transmission Customer Right to Audit

CTMEEC shall keep complete and accurate accounts and records with respect to its performance under this Schedule and shall maintain such data for a period of at least two (2) years after final billing for audit by a Transmission Customer. The Transmission Customer shall provide thirty (30) days' written notice to CTMEEC to request an audit of all such accounts and records relevant to service provided to the Transmission Customer for a specific time period. The Transmission Customer shall have the right, during normal business hours and at its own expense, to examine, inspect and make copies of all such accounts and records relevant to service provided to the Transmission Customer at such offices where such accounts and records are maintained, insofar as may be necessary for the purpose of ascertaining the reasonableness and accuracy of all relevant data, estimates or statements of charges submitted hereunder to the Transmission Customer. The records made available to a Transmission Customer for auditing purposes hereunder shall not include information pertaining to the loads of or charges to an individual customer other than the Transmission Customer; unless the Transmission Customer requests that the Commission order that such information be made available to the Transmission Customer and the Commission so orders. Nothing in this section shall be interpreted as limiting the Transmission Customer's access to system-wide load or charge data.

3. Regulatory Filings

Nothing contained in the Tariff or any Localized Cost Responsibility Agreement shall be construed as affecting in any way such right as CTMEEC may have to unilaterally make application to the Commission for a change in rates, terms and conditions, charges, classification of service, Localized Cost Responsibility Agreement, rule or regulation under Section 205 or 206 or other provision of the Federal Power Act and pursuant to the Commission's rules and regulations promulgated thereunder. Nor shall anything contained in the Tariff or any Localized Cost Responsibility Agreement be construed as affecting in any way such right as CTMEEC may have as a governmental entity that is not a jurisdictional "public utility" under the Federal Power Act to effect unilaterally a change in rates, terms and conditions, charges, classification of service, Localized Cost Responsibility Agreement, rule or regulation.

Nothing contained in the Tariff or any Localized Cost Responsibility Agreement shall be construed as affecting in any way the ability of any Party receiving service under the Tariff to exercise its rights under the Federal Power Act and pursuant to the Commission's rules and regulations promulgated thereunder.

4. Creditworthiness

See Attachment CTMEEEC-C to this Schedule 21-CTMEEEC.

5. Rights Under The Federal Power Act

Nothing in this section shall restrict the rights of any party to file a complaint with the Commission under relevant provisions of the Federal Power Act.

II. SCHEDULE 21-CTMEEEC SERVICE

1. Nature of Service

Service under Schedule 21-CTMEEEC requires that Eligible Customers, who take Regional Network Service under the Tariff in a state or area in which CTMEEEC's Localized Facilities are located, pay for their portion of the Localized Costs of CTMEEEC's Transmission System constituting Localized Facilities, as determined in accordance with this Schedule.

2. Rates and Charges

2.1 General

Rates for Schedule 21-CTMEEEC Service shall be determined as set forth in Schedule CTMEEEC-1 on the basis of estimated costs for each Service Year until the actual costs for such Service Year are determined. Thereafter, payments made on such estimated costs shall be recalculated based on actual data for that Service Year, and an appropriate billing adjustment shall be made pursuant to Section 2.1 of this Schedule 21-CTMEEEC.

2.2 Eligible Customers Taking Service Under the ISO Tariff

Any Eligible Customer taking Regional Network Service under the ISO Tariff in the State of Connecticut, shall pay to CTMEEEC the Monthly Demand Charge set forth in Section 2.3. CTMEEEC shall not charge any such customer any such costs until such Localized Cost Responsibility Agreement has been accepted by the Commission.

2.3 Monthly Demand Charge

The Network Customer shall pay monthly Demand Charges, which shall be determined by multiplying its Localized Load Ratio Share times one twelfth (1/12) of the Formula Requirements in Schedule CTMEEC-1, Appendix A.

2.4 Determination of Network Customer's Monthly Localized Network Load

The Network Customer's Monthly Localized Network Load is its hourly load in Connecticut coincident with the monthly transmission system peak load for Connecticut.

SCHEDULE CTMEEC-1 CHARGE PROVISIONS FOR SCHEDULE 21-CTMEEC

I. DEMAND CHARGE

Network Customers will pay a demand charge for Service under Schedule 21-CTMEEC.

1. Determination of Demand Charge

The Demand Charge will be determined in accordance with Section II.2.3 of this Schedule 21-CTMEEC.

2. CTMEEC's Annual Transmission Revenue Requirements

The annual Transmission Revenue Requirements shall be determined in accordance with the formula specified in Appendix A of this Schedule CTMEEC-1 ("Formula Requirements").

II. TAX RATES AND TAXES

The Formula Requirements set forth in this Schedule CTMEEC1 in effect during a Service Year shall be based on applicable tax rates and taxes in effect during the Service Year. If, at any time, additional or new taxes are imposed on CTMEEC or existing taxes are removed, the Formula Requirements will be appropriately modified and filed with the Commission in accordance with Part 35 of the Commission's regulations.

III. ADDITIONAL CHARGES

In addition to the applicable charges of this Schedule 21-CTMEEC, and as otherwise specified in the Localized Cost Responsibility Agreement, the Transmission Customer shall pay to CTMEEC each month the following additional charges for service provided during such month.

A. Regulatory Expenses Charge

CTMEEC shall have the right to file for recovery of regulatory expenses associated with this Schedule 21-CTMEEC and the Localized Cost Responsibility Agreements.

B. Other

CTMEEC shall have the right, at any time, unilaterally to file for a change in any of the provisions of this Schedule CTMEEC-1 in accordance with Section 205 or 206 or other applicable provision of the Federal Power Act and the Commission's implementing regulations.

SCHEDULE CTMEEC-1 Appendix A NETWORK FORMULA REQUIREMENTS

CTMEEC's formula requirements for Schedule 21-CTMEEC Service applicable to Eligible Customers taking Regional Network Service under this Tariff in the State of Connecticut is determined from the following formula.

Formula Requirements_i = D_i

WHERE:

- i equals the Service Year.
- D is the annual Localized Transmission Revenue Requirements (expressed in dollars) of the Localized Facilities of CTMEEC, as described in Attachment CTMEEC-B.

ATTACHMENT CTMEEC-A LOCALIZED COST RESPONSIBILITY AGREEMENT

This Localized Cost Responsibility Agreement (“Agreement”) dated as of _____, is entered into by and between the Connecticut Transmission Municipal Electric Energy Cooperative and "Transmission Customer".

The Transmission Customer is _____ and has been determined by CTMEEC to be an Eligible Customer taking Regional Network Service under the Tariff who is located in the state or area in which Localized Facilities have been identified under Schedule 12 C of the ISO-NE Open Access Transmission Tariff (“OATT”) and authorized for Localized Cost Recovery under Schedule 21- CTMEEC on file with, and as may be revised from time to time in accordance with the rules of the Federal Energy Regulatory Commission. The Transmission Customer agrees to pay its portion of the Localized Costs of the Middletown Norwalk 345 kV Transmission Project (“Localized Facilities”) as provided in Section II of the Schedule 21-CTMEEC . Service under this Agreement shall commence on the later of: (1) 0001 hours on _____, or (2) such other date as it is permitted to become effective by the Commission. Service under this Agreement shall terminate on 2400 hours on _____.

Other special provisions (if any) RESERVED

_____.

Any notice or request made to or by any Party regarding this Agreement shall be made in writing and shall be telecommunicated or delivered either in person, or by prepaid mail (return receipt requested) to the representative of the other Party as indicated below. Such representative and address for notices or requests may be changed from time to time by notice by one Party to the other.

CTMEEC:

Thomas Solinsky
30 Stott Avenue
Norwich, CT. 06360

TRANSMISSION CUSTOMER:

Any exhibits to this Agreement and the Tariff are incorporated herein and made a part hereof. This Agreement may be amended, from time to time, as provided for in Schedule 21-CTMEEC of the OATT.

IN WITNESS WHEREOF, the Parties have caused this Service Agreement to be executed by their respective authorized officials as of the date first above written.

CTMEEC

By:

TRANSMISSION CUSTOMER

By:

ATTACHMENT CTMEEC-B ANNUAL LOCALIZED TRANSMISSION REVENUE REQUIREMENT

Attachment CTMEEC-B Methodology

This formula sets forth the method that CTMEEC will use to determine its annual total revenue requirements for Localized Facilities costs (“Localized Transmission Revenue Requirement”) for each Localized Transmission Project. It is intended to recover the costs associated with CTMEEC-owned transmission facilities that will not be recovered through Schedule 9. Subsequent references in this formula to “Localized Facilities” and “Localized Facilities Revenue Requirement” refer to the Localized Facilities and Localized Facilities Revenue Requirement for each individual Localized Transmission Project.

The Localized Transmission Revenue Requirement will be calculated for an initial term for a Localized Transmission Project commencing when CTMEEC first incurs costs for the Localized Transmission Project, and ending on the day prior to the effective date approved by the Commission for including the costs of the Localized Transmission Project in this Attachment CTMEEC-B (“Initial Term”), and continuing thereafter for successive 12 month periods commencing each June 1st (“Rate Year”). The Localized Transmission Revenue Requirement for the Initial Term for a Localized Transmission Project will be calculated based on the estimated cost of the Localized Facilities placed in service during the Initial Term, and will be charged to customers in equal monthly installments beginning on the effective date approved by the Commission for including the costs of the Localized Transmission Project in this Attachment CTMEEC-B, and continuing through December 31st of that year. The Localized Transmission Revenue Requirement for the Initial Term for a Localized Transmission Project will be trued up by June 30th of the succeeding year based on actual costs for the Initial Term.

The Localized Transmission Revenue Requirement for a Localized Transmission Project for a Rate Year commencing after the Initial Term (and for succeeding Rate Years) will be an annual calculation based on the previous calendar year’s Localized Transmission Revenue Requirements, plus the forecasted revenue requirements of Localized Facilities to be placed in service in the upcoming Rate Year. In the first Rate Year, this Localized Transmission Revenue Requirement will be in addition to the Localized Transmission Revenue Requirement for the Initial Term. Each June 30th, the Localized Transmission Revenue Requirement in effect during the portion of the Rate Year that occurred in the previous calendar year will be trued-up based on actual costs from such previous calendar year.

The true-up information will be based on actual data, in lieu of allocated data if specifically identified in the FERC Form 1, or based on allocated data if such specific information is not identified.

I. Definitions

Capitalized terms not otherwise defined in the Tariff and as used in this formula have the following definitions:

A. Allocation Factors

1. Localized Transmission Allocation Factor shall equal the ratio of Localized Transmission Plant in Service to total investment in Transmission Plant.

2. Total Localized Plant Allocation Factor shall equal the ratio of Localized Transmission Plant in Service to Total Plant in Service.

3. Transmission Wages and Salaries Allocation Factor shall equal the ratio of CTMEEC's Transmission-related direct wages and salaries, including those of affiliated companies, to CTMEEC's total direct wages and salaries, including those of affiliated companies, and excluding administrative and general wages and salaries.

B. Terms

Administrative and General Expense shall equal CTMEEC's expenses as recorded in FERC Account Nos. 920-935, excluding FERC Account Nos. 924, 928 and 930.1.

Amortization of Loss on Reacquired Debt shall equal CTMEEC's expenses as recorded in FERC Account No. 428.1.

Amortization of Investment Tax Credits shall equal CTMEEC's expenses as recorded in FERC Account No. 411.4.

Depreciation Expense for Localized Transmission Plant shall equal CTMEEC's Localized Facilities expenses as recorded in FERC Account No. 403.

General Plant shall equal CTMEEC's gross plant balance as recorded in FERC Account Nos. 389-399.

General Plant Depreciation Expense shall equal CTMEEEC's general plant expenses as recorded in FERC Account No. 403.

General Plant Depreciation Reserve shall equal CTMEEEC's general plant reserve balance as recorded in FERC Account No. 108.

Payroll Taxes shall equal those payroll expenses as recorded in FERC Account Nos. 408.1 and 409.1.

Prepayments shall equal CTMEEEC's prepayment balance as recorded in FERC Account No. 165.

Property Insurance shall equal CTMEEEC's expenses as recorded in FERC Account No. 924.

Total Loss on Reacquired Debt shall equal CTMEEEC's expenses as recorded in FERC Account 189.

Total Municipal Tax Expense shall equal CTMEEEC's expenses as recorded in FERC Account Nos. 408.1, 409.1.

Localized Transmission Plant in Service shall equal CTMEEEC's Localized Facilities gross plant balance as recorded in FERC Account Nos. 350-359.

Localized Transmission Depreciation Reserve shall equal CTMEEEC's Localized Facilities reserve balance as recorded in FERC Account 108.

Transmission Operation and Maintenance Expense shall equal expenses as recorded in FERC Account Nos. 560, 561.5 – 561.8, 562-564 and 566-576.5 and shall exclude expenses already included in Transmission Support Expense, as described below, which are included in FERC Account Nos. 560-576.5.

Transmission Plant shall equal CTMEEEC's gross plant balance as recorded in FERC Account Nos. 350-359.

Transmission Plant Materials and Supplies shall equal CTMEEEC's balance as assigned to transmission, as recorded in FERC Account 154.

Total Plant in Service shall equal CTMEEC's total gross plant balance as recorded in FERC Account Nos. 301-399.

II. Calculation of Localized Transmission Revenue Requirements

The Localized Transmission Revenue Requirements shall equal the sum of CTMEEC's (A) Localized Return (including the Incremental Return for Post-2003 PTF Investment), (B) Localized Transmission Depreciation Expense, (C) Localized Transmission Related Amortization of Loss on Reacquired Debt, (D) Localized Transmission Related Amortization of Investment Tax Credits, (E) Localized Transmission Related Municipal Tax Expense, (F) Localized Transmission Related Payroll Tax Expense, (G) Localized Transmission Operation and Maintenance Expense, (H) Localized Transmission Related Administrative and General Expense, (I) Localized Transmission Support Expense, and (J) Localized Transmission Related Taxes and Fees Charge. The Localized Incremental Return for Localized Post-2003 PTF Investment for CTMEEC shall be calculated using the investment base components specifically identified in Section A.1 of the formula below.

A. Localized Return shall equal the product of the Localized Transmission Investment Base and the Cost of Capital Rate. To calculate the Localized Incremental Return for Localized Post-2003 PTF Investment, Localized Transmission Plant will only include Sections II.A.1.(a), (b), and (c), in the manner indicated.

1. Localized Transmission Investment Base

The Localized Transmission Investment Base will be the average balances of (a) Localized Transmission Plant, less (b) Localized Transmission Related Depreciation Reserve, plus (c) Localized Transmission Related Loss of Reacquired Debt, plus (d) Localized Transmission Prepayments, plus (e) Localized Transmission Materials and Supplies, plus (f) Localized Transmission Related Cash Working Capital.

(a) Localized Transmission Plant will equal the balance of (1) CTMEEC's investment in Localized Transmission Plant plus, (2) CTMEEC's balance of investment in General Plant multiplied by the Transmission Wages and Salaries Allocation Factor, further multiplied by the Localized Transmission Allocation Factor. In order to calculate the Localized Incremental Return for Localized Post-2003 PTF Investment, Localized Post-2003 PTF Transmission Plant shall be separately identified.

(b) Localized Transmission Related Depreciation Reserve shall equal the balance of Localized Transmission Depreciation Reserve plus the balance of Localized Transmission Related General Plant Depreciation Reserve. Localized Transmission Related General Plant Depreciation Reserve shall equal

the product of General Plant Depreciation Reserve and the Transmission Wages and Salaries Allocation Factor, further multiplied by the Localized Transmission Allocation Factor. In order to calculate the Localized Incremental Return for Localized Post-2003 PTF Investment, Localized Transmission Related Depreciation Reserve associated with Localized Post-2003 PTF Investment shall equal CTMEEC's balance of Localized Transmission Depreciation Reserve.

(c) Localized Related Loss on Reacquired Debt shall equal CTMEEC's electric balance of Total Loss on Reacquired Debt multiplied by the Total Localized Plant Allocation Factor.

(d) Localized Transmission Prepayments shall equal CTMEEC's electric balance of Prepayments multiplied by the Transmission Wages and Salaries Allocation Factor and further multiplied by the Localized Transmission Allocation Factor.

(e) Localized Transmission Materials and Supplies shall equal CTMEEC's electric balance of Transmission Plant Materials and Supplies multiplied by the Localized Transmission Allocation Factor.

(f) Localized Transmission Related Cash Working Capital shall be a 12.5% allowance (45 days/360 days) of (i) Localized Transmission Operation and Maintenance Expense, plus (ii) Localized Administrative and General Expense.

2. Cost of Capital Rate

The Cost of Capital Rate will equal (a) CTMEEC's Weighted Cost of Capital.

(a) The Weighted Cost of Capital will be calculated based upon the average capital structure and will equal the sum of:

(i) the long term debt component, which equals the product of the actual weighted average embedded cost to maturity of CTMEEC's long-term debt then outstanding and the ratio that long-term debt is to CTMEEC's total capital.

(ii) the return on equity component shall equal the product of CTMEEC's return on equity ("ROE") of 11.64% and the ratio that common equity is to CTMEEC's total capital. In order to calculate the Localized Incremental Return and Associated Taxes for Post-2003 PTF Investment, the Localized Incremental Return on Equity shall be the product of (1) CTMEEC's incremental return on equity of 1%

for transmission plant investments associated with projects included in the RSP and placed in service by December 31, 2008 or otherwise permitted in Docket Nos. ER04-157 et al., and (2) any ROE incentive adder approved by the FERC under Order No. 679 for other transmission plant investments; and (3) the ratio of that common equity to total capital. The facilities subject to FERC Docket No. EC11-31 qualify for the Localized Incremental Return on Equity.

B. Localized Transmission Depreciation Expense shall equal the sum of Depreciation Expense for Localized Transmission Plant, plus an allocation of General Plant Depreciation Expense calculated by multiplying General Plant Depreciation Expense by the Transmission Wages and Salaries Allocation Factor and further multiplied by the Localized Transmission Allocation Factor.

C. Localized Transmission Related Amortization of Loss on Reacquired Debt shall equal CTMEEC's electric Amortization of Loss on Reacquired Debt multiplied by the Total Localized Plant Allocation Factor.

D. Localized Transmission Related Amortization of Investment Tax Credits shall equal CTMEEC's electric Amortization of Investment Tax Credits multiplied by the Total Localized Plant Allocation Factor.

E. Localized Transmission Related Municipal Tax Expense shall equal CTMEEC's Total Municipal Tax Expense multiplied by the Total Localized Plant Allocation Factor.

F. Localized Transmission Related Payroll Tax Expense shall equal CTMEEC's electric Payroll Taxes expense, multiplied by the Transmission Wages and Salaries Allocation Factor, and further multiplied by the Localized Transmission Allocation Factor.

G. Localized Transmission Operation and Maintenance Expense shall equal CTMEEC's Transmission Operation and Maintenance Expense multiplied by the Localized Transmission Allocation Factor.

H. Localized Transmission Related Administrative and General Expense shall equal the sum of (1) CTMEEC's Administrative and General Expense multiplied by the Transmission Wages and Salaries Allocation Factor and further multiplied by the Localized Transmission Allocation Factor, (2) Property Insurance multiplied by the Total Localized Plant Allocation Factor, (3) Expenses included in Account 928 related to FERC Assessments multiplied by the Total Localized Plant Allocation Factor, (4) Federal

and State transmission related expenses or assessments in Account 928 multiplied by the Localized Transmission Allocation Factor, (5) specific transmission related expenses included in Account No. 930.1, multiplied by the Localized Transmission Allocation Factor, and (6) specific Localized Facility related public education expenses included in Account 426.54.

I. Transmission Support Expense shall equal the expense paid by CTMEEC's for transmission support for Localized Facilities.

J. Transmission Related Taxes and Fees Charge shall include any fee or assessment imposed by any governmental authority on transmission service provided under this Schedule 21-CTMEEC that is not specifically identified under any other section of this Schedule 21-CTMEEC, multiplied by the Localized Transmission Allocation Factor.

SCHEDULE 21-CTMEEC ATTACHMENT CTMEEC-C Creditworthiness Procedures

1. General Information

All customers taking any service under Schedule 21-CTMEEC must meet the terms of this Attachment CTMEEC-C.

2. Establishing Creditworthiness

a) Each customer that, immediately prior to the closing of the transaction reviewed in Docket No. EC11-31, is then taking service under the Schedule 21 of the predecessor owner of the facilities subject to that proceeding is deemed to be creditworthy at the time of closing, and need not re-establish its creditworthiness at that time in order to continue receiving service.

b) Unless covered by section (a) above, each customer's creditworthiness must be established before receiving transmission services from CTMEEC. A customer will be evaluated at the time that its application for transmission service is provided to CTMEEC based on the creditworthiness information required under this Attachment CTMEEC-C. CTMEEC shall conduct a credit review of each transmission customer not less than annually or upon reasonable request by the transmission customer.

c) CTMEEC will review the customer's creditworthiness information for completeness and will notify the customer if additional information is required.

d) Upon completion of a creditworthiness evaluation of a customer, CTMEEC will forward a written evaluation to the customer if it determines that Financial Assurance must be provided.

3. Financial Information

Customers requesting transmission service must submit if available the following:

a) All current rating agency reports of the customer from Standard and Poor's ("S&P"), Moody's Investors Service ("Moody's"), and/or Fitch Ratings ("Fitch").

b) A Management Discussion and Analysis ("MD&A") along with audited financial statements provided by an independent registered public accounting firm or a registered independent auditor for the three (3) most recent fiscal years, or the period of the customer's existence, if shorter than three (3) years.

4. Creditworthiness – Qualification for Unsecured Credit

a) A customer may receive unsecured credit from CTMEEC equivalent to three (3) months of the transmission charges. The customer must meet at least one of the following criteria:

(i) If rated, the customer's lowest rating from the three rating agencies on its senior unsecured long-term debt; or if the customer does not have such a rating, then one rating level below the rating then assigned to the customer's corporate credit rating, as follows:

1. a Standard and Poor's or Fitch rating of at least BBB, or

2. a Moody's rating of least Baa2.

(ii) If un-rated or if rated below BBB/Baa2, as described in 4(a)(i) above, the customer must meet all of the following creditworthiness criteria for the three (3) most recent fiscal years:

1. A Capitalization Ratio (Debt divided by the sum of shareholders' equity and Debt) of no more than 60 percent Debt, where "Debt" is defined as the sum of all long-term and short-term debt, preferred securities and capital leases. Each of which is recorded in accordance with generally accepted accounting principles;

2. Earnings before interest, taxes, depreciation and amortization ("EBITDA") in the most recent fiscal quarter divided by interest expense (ratio of EBITDA-to-interest expense of at least three (3) times); and

3. Audited Financial Statements with an unqualified auditor opinion.

b) If the customer relies on the creditworthiness of a parent company, the parent company must satisfy the ratings criteria in Section 4(a) above, and must provide to CTMEEC a written guarantee that it will be unconditionally responsible for all financial obligations associated with the customer's receipt of transmission service from CTMEEC.

c) If the customer or the customer's parent company do not qualify for unsecured credit under Sections 4(a) or (b) above, the customer can still qualify for unsecured credit equivalent to three (3) months of transmission service charges, if:

(i) the customer has, on a rolling basis, 12 consecutive months of payments to CTMEEC with no missed, late or defaults in payment; or

(ii) the customer has an executed long-term contract for the sale of the full output (energy and capacity) of its generating unit and either has executed a corresponding service transmission service agreement under Schedule 21-CTMEEC for the transmission of that output or the execution of such agreement is pending the customer's demonstration of creditworthiness.

5. Financial Assurance

If the customer does not meet the applicable requirements for unsecured credit set out in Section 4 then the customer must either:

a) pay in advance an amount equal to the lesser of the total charge for transmission service not less than five (5) days in advance of the commencement of service, in which case CTMEEC will pay to the customer interest on the amounts not yet due to CTMEEC, computed in accordance with 18 C.F.R. §35.19(a)(2)(iii) of the Commission's Regulations; or

b) obtain Financial Assurance in the form of a letter of credit or a parent guarantee equal to the equivalent of three (3) months of transmission service charges prior to receiving service.

(i) The letter of credit must be one or more irrevocable, transferable standby letters of credit issued by a United States commercial bank or a United States branch of a foreign bank provided that such customer is not an affiliate of such bank. The issuing bank must have a credit rating of at least A2 from Moody's or an A rating from S&P or Fitch, or an equivalent credit rating by another nationally recognized rating service reasonably acceptable to CTMEEC, provided that such bank shall have assets totaling not less than ten billion dollars (\$10,000,000,000). All costs of the letter of credit shall be borne by the applicant for such letter of credit. In the event of an inconsistency in the ratings by Moody's, S&P, or Fitch, a "split rating", the lowest credit rating shall apply.

(ii) If the credit rating of a bank or other financial institution issuing a letter of credit to a customer falls below the levels specified in Section 5(b)(i) above, the customer shall have three (3) business days to obtain a suitable letter of credit from another bank or other financial institution that meets the specified levels unless CTMEEC agree in writing to extend such period.

6. Notifications

Each customer must inform CTMEEC in writing within three (3) business days of any material change in its or its letter of credit issuer's financial condition, and if the customer qualifies under Section 4(b), that of its parent company. A material change in financial condition may include, without limitation, the following:

- a) change in ownership by way of a merger, acquisition, or substantial sale of assets;
- b) downgrade by a recognized major financial rating agency;
- c) placement on credit watch with negative implications by a major financial rating agency;
- d) a bankruptcy filing by the customer or parent;
- e) any action requiring the filing of a SEC Form 8-K;
- f) declaration of or acknowledgement of insolvency;
- g) report of a significant quarterly loss or decline in earnings;
- h) resignation of key officer(s); or
- i) issuance of a regulatory order and/or the filing of a lawsuit that could materially adversely impact current or future financial results.

7. Ongoing Financial Review

Each customer is required to submit to CTMEEC annually or when issued, as applicable:

- a) current rating agency reports;
- b) audited financial statements from an independent registered public accounting firm or a registered independent auditor; and
- c) SEC Forms 10-K and 8-K, promptly upon their filing.

8. Change in Creditworthiness Status

A customer who has been extended unsecured credit pursuant to Section 4, must comply with the terms of Financial Assurance in Section 5, if one or more of the following conditions apply:

- a) the customer no longer meets the applicable criteria for unsecured credit in Section 4;
- b) the customer exceeds the amount of unsecured credit extended by CTMEEC, in which case Financial Assurance equal to the amount of exceeded unsecured credit must be provided within five (5) business days; or
- c) the customer has missed two or more payments for any of the transmission services provided by CTMEEC in the last twelve (12) months.

9. Procedures for Changes in Credit Levels and Collateral Requirements

- a) CTMEEC shall issue notice to a customer of any changes to the approved credit levels and/or collateral requirements within five (5) business days after (1) receiving notification of any material changes in financial condition under Section 6 above; (2) receiving the information required for the customer's ongoing financial review listed in Section 7 above; or (3) the occurrence of any of the events leading to a change in creditworthiness requirements listed in Section 8 above.
- b) A customer may submit a written request that CTMEEC provide an explanation of the reasons for the changes in credit levels and/or collateral requirements within five (5) business days after receiving notification of the changes. CTMEEC will provide a written response within five (5) business days after receiving such a request.

10. Contesting Creditworthiness Determinations

A customer may contest CTMEEC's determination of its creditworthiness by submitting a written request for re-evaluation within 20 calendar days of being notified of the creditworthiness determination. The request should provide information supporting the basis for a re-evaluation of the customer's creditworthiness. CTMEEC will review the request and respond within 20 calendar days of receipt.

11. Process for Changing Credit Requirements

- a) In the event CTMEEC plan to revise the Schedule 21-CTMEEC requirements for credit levels or collateral requirements described in this Attachment CTMEECC, they will make a filing under Section 205 or 206 or other applicable provision of the Federal Power Act.
- b) CTMEEC shall provide written notification to ISO-NE and stakeholders of any filing described above, at least 30 days in advance of such filing.
- c) Filing notifications shall include a detailed description of the filing, including a redlined document containing revised changes(s) to this Attachment CTMEEC-C.
- d) CTMEEC shall consult with interested stakeholders upon request.
- e) Following Commission acceptance of such filing and upon the effective date, CTMEEC shall revise their Attachment CTMEEC-C and an updated version of Schedule 21-CTMEEC shall be posted to the ISO-NE web site.
- f) When CTMEEC change their credit requirements for service under Schedule 21-CTMEEC, the customer is responsible for forwarding updated financial information to CTMEEC. The customer must indicate whether the change affects its ability to meet the requirements of Attachment CTMEEC-C. In cases where the customer's credit status has changed, the customer must take the necessary steps to comply with the revised credit requirements of Attachment CTMEEC-C by the effective date of the change.

12. Suspension of Service

CTMEEC may immediately suspend service (with notification to the Commission) to a customer, and may initiate proceedings with the Commission to terminate service, if the customer does not meet the terms described in Sections 4 through 8 at any time during the term of service or if the customer's payment obligations to CTMEEC exceed the amount of unsecured or secured credit to which it is entitled under this Attachment CTMEECC. A customer is not obligated to pay for transmission service that is not provided as a result of a suspension of service.