

The VELCO logo is displayed in a bold, white, sans-serif font. It is positioned in the upper left corner of the slide, set against a background image of a Vermont landscape with rolling hills and power lines.

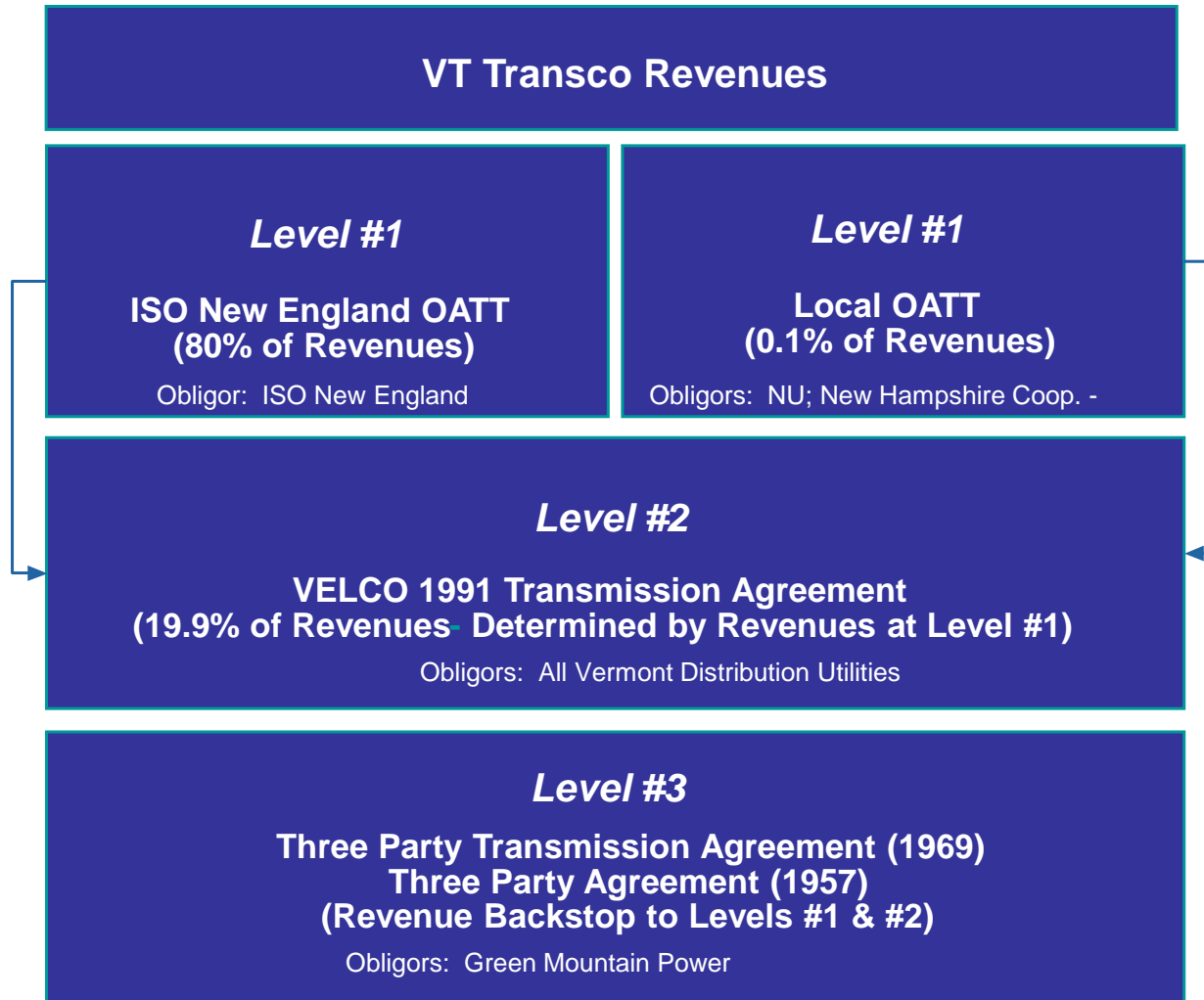
VERMONT'S TRANSMISSION RELIABILITY RESOURCE

VT Transco – RNS Revenue

VELCO Board of Directors
Meeting

August 7, 2014

VT Transco Major Tariff Structure



ISO New England OATT – RNS (Regional Network Service)

- Approximately 80% of VT Transco's revenues
- ISO Tariff is a formula rate:
 - The New England TOs submit their Pooled Transmission Facilities (PTF) Annual Transmission Revenue Requirement (ATRR)
 - ROE of 11.64% for existing transmission pending final FERC decision on complaint
 - Incentive ROE on Regional System Plan(RSP) PTF
 - 100 basis points for in-service by 12/31/08 for PTF Investment Post-2003
- VT Transco receives monthly RNS revenues equal to the percentage of its ATRR for PTF in relation to pooled revenue requirement of all New England TOs

ISO New England OATT

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- Updated Annually
- Effective June 1
- Reflects
 - Previous Calendar year data – source FERC Form 1

 - Forecasted RNS revenue requirement
 - Product of expected PTF additions and the PTO's carrying charge

 - Annual true-up
 - Difference between prior year's RNS revenue requirements (including forecast) and current year RNS revenue requirements reflecting actual costs
 - Annual true-up & interest reflected in the RNS revenue requirements effective for the next rate year

ISO New England OATT

(Previous Calendar Year, Forecast and Annual True-up)

VT TRANSCO Revenue Requirement for Rates 6/1/14 – 5/31/15

Previous Calendar Year data	136,098,132
Forecasted Transmission Revenue Requirements	5,210,237
Annual True-up	<u>9,174,252</u>
Annual Revenue Requirement Total =	150,482,621

ISO New England OATT – Influences on RNS Revenue

Influence on VT Transco Revenue Received through RNS

- Load in New England which is influenced by weather, economy, etc. impacts amount of revenue received by ISO which impacts the revenue received by VT Transco

Influences on VT Transco Revenue Requirement

- Pooled Transmission Facility (PTF) %
- Debt / Equity Ratio
- Operating costs

Summary of RNS Rate Change

	<u>(\$ / kW-year)</u>	
RNS Rate at 6/1/13	\$ 85.32	
2014 Forecast	\$ 7.89	} \$ 4.48
True-ups (a)	(\$ 0.20)	
Load Impact	<u>(\$ 3.21)</u>	
RNS Rate at 6/1/14	\$89.80	

The primary driver of the 6/1/14 RNS Rate increase is the 2014 forecast.

(a) 2013 annual true-up (\$1.27) + variance between 2012 and 2013 true-ups \$1.07 = (\$0.20)

June 1, 2014 RNS Annual Transmission Revenue Requirements (“ATRR”)

(Columns (B), (C) and (D) in Millions of \$)

	(A)	(B)	(C)	(D) = (C) - (B)	(E)=(D)/Ln 11, Col. (C)
	PTO	ATRR 06/01/2013	ATRR 06/01/2014	ATRR Change Incr./ (Decr.)	RNS Rate Change Incr./ (Decr.)
1	CMP	\$ 220.6	\$ 251.6	\$ 31.0	\$ 1.11
	CTMEEC	8.2	9.3	1.1	\$ 0.03
2	EMERA	47.7	51.3	3.6	\$ 0.09
3	NGRID	298.3	346.5	48.2	\$ 1.79
4	NHT	14.1	19.1	5.0	\$ 0.21
5	NU	681.2	668.4	(12.8)	\$ (1.78)
6	NSTAR	174.3	240.5	66.2	\$ 2.87
7	UI	130.6	116.2	(14.4)	\$ (0.91)
8	VT Transco	123.4	150.5	27.1	\$ 1.09
9	All Other PTOs	24.1	24.3	0.2	\$ (0.02)
10	Total Impact	\$ 1,722.5	\$ 1,877.7	\$ 155.2	\$ 4.48
11	Average 12CP RNS Load (kW)	20,178,343	20,910,580	732,237	

* VT Transco is 8.015% of Total RNS ATRR vs last year at 7.164% of Total RNS ATRR

June 1, 2014 RNS Rates Regional Forecast Summary

	(A)	(B)	(C)	(D)=(C)/Ln 12
	PTO	2014 Projected PTF Adds (Including CWIP)	Forecasted Transmission RR	6/1/14 RNS Rate Impact (\$/kW-year)
1	CMP	\$ 127.8	\$ 22.0	\$ 1.05
2	CTMEEC	0.1	-	-
3	EMERA	6.1	0.9	0.04
4	NGRID	364.9	54.7	2.62
5	NHT	1.9	0.4	0.02
6	NU	383.3	59.7	2.85
7	NSTAR	89.9	12.5	0.60
8	UI	15.0	2.9	0.14
9	VT Transco	28.0	5.2	0.25
10	All Other PTOs	5.4	0.7	0.04
11	Total Impact	\$ 1,022.4	\$ 159.0	\$ 7.61
12	2013 Average 12CP RNS Load (kW)			20,910,580

June 1, 2014 RNS Rates Annual True-up Summary

(Columns (B) through (F) in Millions of \$)							
	(A)	(B)	(C)	(D) = (C)-(B)	(E)	(F)	(G)=(F)/Ln 12
	PTO	RNS RR '12 Test Year '13 Forecast (As Billed)	2013 Actual RR '12 Test Year '13 Forecast	Difference (over)/Under collection	Interest on Difference	Annual True-up And Associated Interest	6/1/14 RNS Rate Impact (\$/kW-year)
1	CMP	\$ 222.8	\$ 226.1	\$ 3.3	\$ 0.1	\$ 3.4	\$ 0.16
2	CTMEEC	8.1	8.0	(0.1)	-	(0.1)	-
3	EMERA	51.6	51.0	(0.6)	-	(0.6)	(0.03)
4	NGRID	307.3	299.7	(7.6)	(0.3)	(7.9)	(0.38)
5	NHT	13.2	19.4	6.2	0.2	6.4	0.30
6	NU	686.7	648.3	(38.4)	(1.3)	(39.6)	(1.90)
7	NSTAR	198.6	213.1	14.5	0.5	15.0	0.71
8	UI	126.4	120.0	(6.4)	(0.2)	(6.7)	(0.32)
9	VT Transco	127.2	136.1	8.9	0.3	9.2	0.44
10	All Other PTOs	18.7	20.2	1.6	0.1	1.6	0.07
11	Total Impact	\$ 1,760.6	\$ 1,741.9	\$ (18.7)	\$ (0.6)	\$ (19.3)	\$ (0.93)
12	2013 Average 12CP RNS Load (kW)						20,910,580

ISO New England OATT

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RNS Rates June 1, 1997 – June 1, 2014

	Pre-97	Post-96	Total
06/01/97	14.25	-	14.25
06/01/98	15.01	0.56	15.57
06/01/99	14.56	0.80	15.36
06/01/00	13.80	1.08	14.88
06/01/01	13.13	1.73	14.86
06/01/02	12.62	2.52	15.14
06/01/03	12.18	3.42	15.60
06/01/04	12.48	4.33	16.81
06/01/05	13.31	5.57	18.88
06/01/06	13.38	12.93	26.31
06/01/07	12.94	14.96	27.90
06/01/08	14.21	29.64	43.85
06/01/09	14.29	45.66	59.95
06/01/10	15.26	49.57	64.83
06/01/11	13.28	50.59	63.87
06/01/12	14.54	60.71	75.25
06/01/13	16.26	69.06	85.32
06/01/14	16.46	73.34	89.80

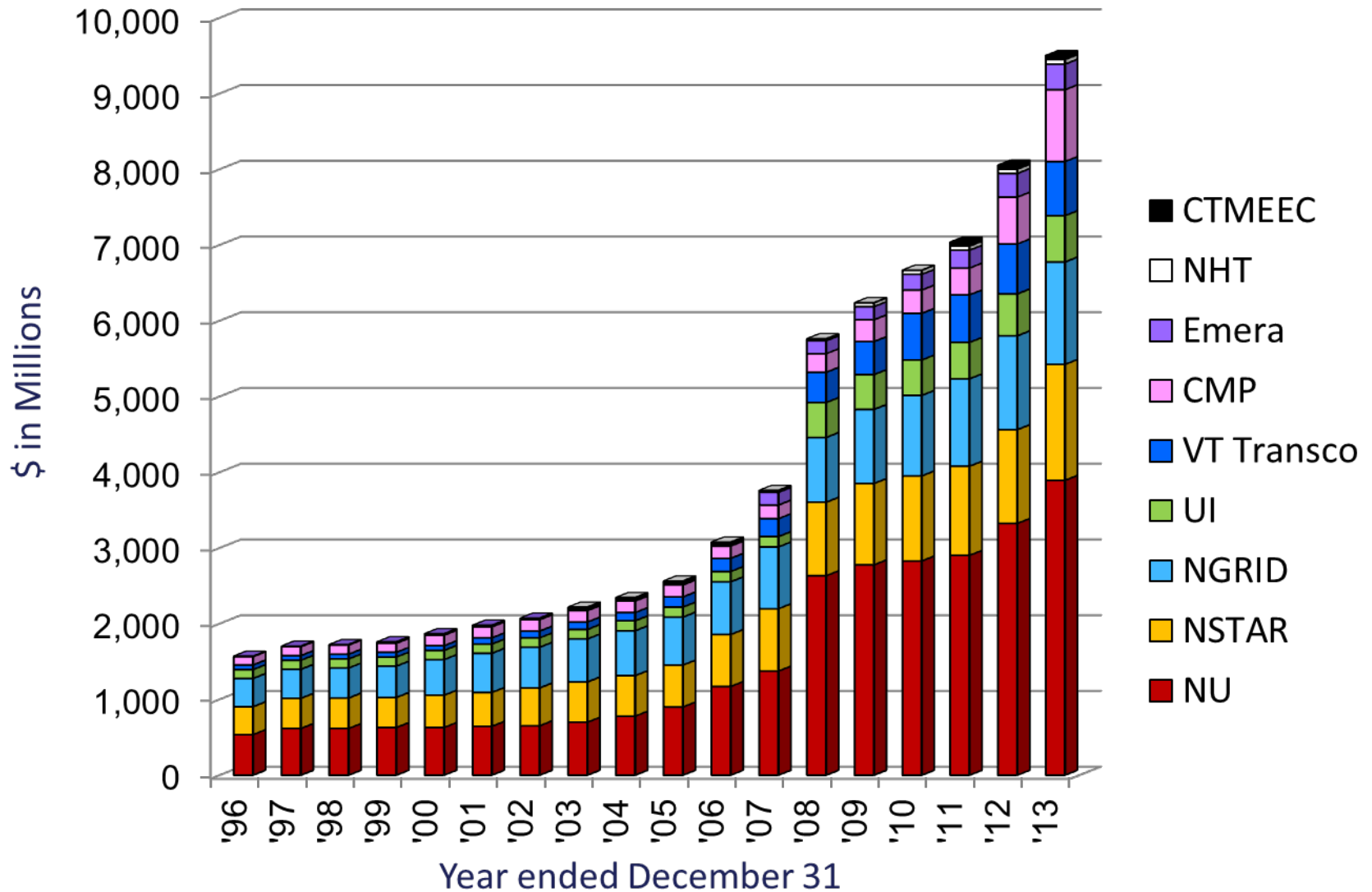
ISO New England OATT

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PTF Investment in New England

Calendar Year Ending:	Total	CMP	CTMEEC	Emera Maine	NGRID	NHT	NU	NSTAR	UI	VT Transco
12/31/96	1,569.8	110.3	-	4.1	372.9	-	535.9	368.4	117.0	61.2
12/31/97	1,702.8	117.5	-	6.2	383.2	-	616.9	397.9	119.3	61.8
12/31/98	1,723.4	120.1	-	6.3	396.4	-	617.1	401.5	119.9	62.0
12/31/99	1,759.1	119.4	-	16.9	413.6	-	629.4	396.9	120.1	62.8
12/31/00	1,866.8	138.5	-	18.6	470.5	-	630.1	425.8	121.2	62.1
12/31/01	1,977.9	145.5	-	19.3	516.7	-	644.8	447.7	121.9	82.0
12/31/02	2,072.9	150.7	-	19.3	537.8	-	652.2	499.4	124.2	89.3
12/31/03	2,217.2	151.3	-	19.7	568.2	24.0	699.8	531.0	125.6	97.6
12/31/04	2,344.2	152.6	-	20.2	592.5	24.0	779.6	534.8	131.8	108.7
12/31/05	2,562.8	158.9	-	25.9	633.5	24.2	900.1	553.4	132.8	133.9
12/31/06	3,075.9	162.6	-	26.1	695.8	24.5	1,170.7	686.9	135.6	173.6
12/31/07	3,759.2	179.4	-	168.2	816.2	24.4	1,374.8	823.3	136.5	236.4
12/31/08	5,761.0	245.8	-	170.1	855.0	25.0	2,633.5	971.0	461.7	398.9
12/31/09	6,237.6	287.9	-	173.7	977.8	50.3	2,777.4	1,074.6	459.3	436.6
12/31/10	6,666.6	307.5	-	206.7	1,063.9	54.1	2,828.3	1,122.7	467.6	615.8
12/31/11	7,037.5	353.9	51.3	235.3	1,153.7	54.4	2,902.6	1,177.1	481.5	627.7
12/31/12	8,051.4	619.0	51.3	311.9	1,236.7	57.4	3,324.3	1,237.9	553.5	659.4
12/31/13	9,050.1	948.5	51.3	338.2	1352.6	60.8	3893.5	1530.6	389.5	713.9

PTF Investment (In Millions of \$)



RNS RATES – FIVE YEAR FORECAST

ISO-NE Rates Working Group

2015 - 2018 Forecast - Disclaimer

The 2015-2018 forecast herein provides an indicative RNS rate trend; it should be used for illustrative purposes only.

The estimated data utilized by the PTO AC to develop this forecast of RNS rates is based upon estimated capital additions provided to the Committee by all the New England Transmission Owners. Estimates for 2015 capital additions will be finalized during the normal course of update to the RNS rate effective June 1, 2015 and will reflect more current information.

The PTO AC acknowledges that this 2015-2018 forecast is based on a number of assumptions and variables including, among others, estimated project need, design, scope, labor & materials costs, inflation, site & permitting approvals, transmission in-service dates, estimated carrying charges & coincident peak network loads. It is therefore expected that such estimates and assumptions will change over time as more current data become available.

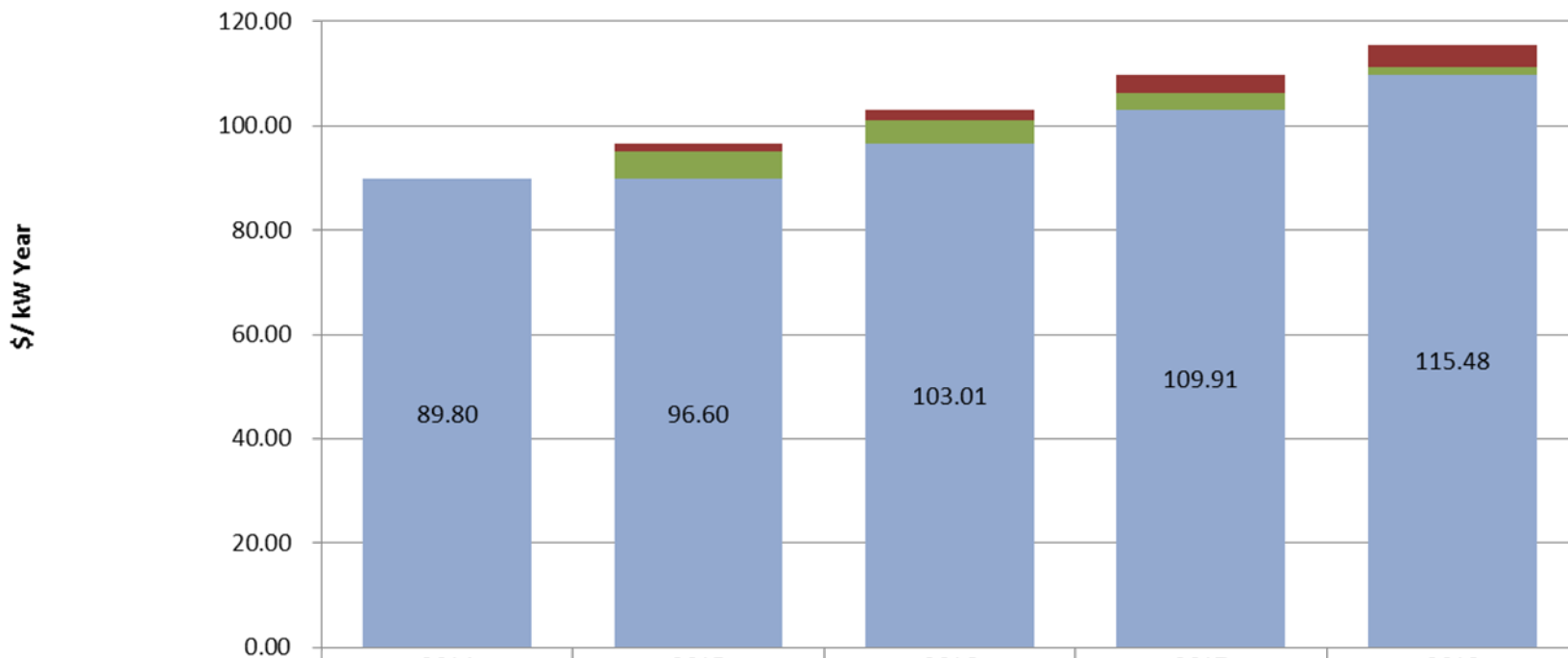
In addition, the 2015-2018 forecast reflects gross costs and does not include assumptions pertaining to savings (e.g., associated with congestion, unlocked capacity, etc.) or prior year true-up adjustments.

2015 - 2018 Forecast - Summary

(A)		(B)	(C)	(D)	(E)
		2015	2016	2017	2018
(1)	Estimated Additions In-Service and CWIP (\$M)	880	834	843	738
(2)	Forecasted Revenue Requirement (\$M)	143	134	144	116
(3)	Estimated RNS Rate Impact (\$/kW-Yr)	7	6	7	5
(4)	Estimated RNS Rate Forecast (\$/kW-Yr)	97	103	110	115
(5)	Estimated RNS Rate Forecast (\$/kWh)	0.020	0.022	0.023	0.024
	Assumes a 53.9% Load Factor				

Forecast is preliminary and for illustrative purposes only. Estimates are consistent with the April 2014 RSP and do not reflect revised ISO forecasts. Figures may be off slightly due to rounding.

New England RNS Rates Forecast



	2014	2015	2016	2017	2018
Other PTF		1.48	1.85	3.59	4.24
RSP- Proposed, Planned, UC (net of CWIP)		5.32	4.56	3.31	1.33
Prior Year Rate	89.80	89.80	96.60	103.01	109.91

Total RNS Rate Effective June 1	89.80	96.60	103.01	109.91	115.48
\$/kWh (assumes a 53.9% load factor)	.019	.020	.022	.023	.024

Forecast is preliminary and for illustrative purposes only. Estimates are consistent with the April 2014 RSP and do not reflect revised ISO forecasts. Figures may be off slightly due to rounding.