

Northern Maine Transmission Procurement Voluntary Agreement - Model Term Sheet

[DATE]

PROVISION REQUIRED	DESCRIPTION OF PROVISION
Mechanism for Cost Recovery	<p>Cost allocation and recovery provisions will be set forth in a new schedule to the ISO-NE OATT (e.g., Attachment T) and will be consistent with the provisions in this Term Sheet. This will include load / billing determinant-related terms.</p> <p>The project revenue requirement will be calculated utilizing the Settled Formula Rate (ISO-NE OATT Attachment F) on a proposed new worksheet / attachment using the existing gross plant allocator model to assign costs to a separate wholesale rate.</p> <p>The capital additions of the Project shall be added to rate base when placed in service and recovered over the depreciable life of the capital additions in accordance with FERC-approved depreciation rates in Appendix D to Attachment F.</p>
State Support	<p>The Transmission Developer will make all filings with FERC that are necessary and appropriate to implement the agreement between the Transmission Developer and the Coordinating States regarding incentives, cost recovery, cost management, and other relevant provisions for the Project as described herein.</p> <p>After review and concurrence with the filing(s) to be made by the Transmission Developer, the Coordinating States will allow the Transmission Developer to represent that the Coordinating States support the Transmission Developer filing(s), and the Coordinating States will file supportive comments.</p> <p>The Coordinating States consent to the Transmission Developer including a copy of this term sheet as part of any or all FERC filings related to the Project.</p>
Cost Allocation	<p>The Coordinating States consent to the following cost allocation: the revenue requirement will be allocated across load in each Coordinating State in proportion to the percentage of total generation procured by each Coordinating State's utilities. For example, if State A procures 40% of the generation interconnecting to this transmission line, State A will pay 40% of the costs associated with this transmission line.</p>
Recovery Period	<p>The useful life of transmission facilities shall be determined using the FERC-approved depreciation rates per Appendix D to Attachment F. Expenses shall be recovered for the duration the Project is in service consistent with the provisions of this Term Sheet.</p>

**Government
Funding**

Any payments or awards made by the U.S. DOE or other Federal or State Agencies and received by the Transmission Developer for this Project will be treated as a credit against project costs, as reimbursed, net of tax impact. Any remaining project costs will be recovered under this new Transmission wholesale rate using a new rate schedule based upon OATT Attachment F, as described above.

For purposes of the Project Budget Modifications and Cost Management provisions, *infra*, any payments, credits, or awards made by or available through the U.S. or any State government and received by the Transmission Developer for this Project will be treated as a credit against the Final Project Budget.

[Bidders should complete this section with a proposed ROE. Bidders may propose an ROE equal to or lower than 10.57%, which is the full FERC approved ROE excluding the RTO bonus adder.]

The agreed ROE is [____ %].

Base ROE

Any change in the approved New England base ROE would result in a corresponding change to the ROE allowed for the Project if the resulting ROE would be less than the ROE agreed to here.

The Transmission Developer shall be responsible for providing the analysis to support its base ROE.

Commencing on January 15, 2027, and annually no later than January 15 thereafter, and ceasing once the project is placed in service, the Transmission Developer will provide a draft report to each of the Coordinating States that will include the Transmission Developer's updated actual and projected project costs ("Actual Project Costs" and "Projected Project Costs," respectively).

The report should include updates of all information required in Section 12 of Appendix D (Transmission Proposal Requirements) attached to the Request for Proposals for which this Project was selected.

Cost Transparency

The report should also include a variance analysis of the ongoing Actual Project Costs and Projected Project Costs compared to the project costs in either the proposal for the Transmission Component (the Proposal Cost Estimate) or, once applicable, the Final Project Budget, as may be modified in the Project Budget Modifications section above.

The report should also include an assessment of the Transmission Developer's performance in containing project costs.

The Transmission Developer will provide funding to hire a consultant to review the contents of this report and will respond to questions from the Coordinating States regarding the contents of the report in a manner (form and timing) similar to the Attachment F Protocols. All reasonable Transmission Developer costs associated with this effort shall be recoverable as an expense.

The finalized project budget (the “Final Project Budget”), from which cost variances and the Cost Management section, *infra*, will be measured, shall be based upon the Transmission Developer’s estimated capital costs included in a report (the “Final Project Budget Report”) to be provided by the Transmission Developer no later than three (3) months after either (1) the passing of the appeal deadlines for siting and permitting approval for the Transmission Developer’s project or (2) any appeals have been finally adjudicated. The Transmission Developer shall provide this report regardless of whether a report is otherwise due under the annual reporting schedule described below (see Cost Transparency, *infra*).

Project Budget Modifications

The Final Project Budget may be modified after provision of the Final Project Budget Report to account for cost changes that arise from: (1) Force Majeure or (2) Change in Laws that result in either (a) a delay of at least six months or (b) an increase in project cost estimate of at least 1%.

The Transmission Developer will present any proposed modifications to the Final Project Budget, an explanation for those proposed budget modifications, and supporting documentation to the Coordinating States as soon as reasonably practicable. The Coordinating States will review any proposed budget modifications and may, in their sole discretion, deny the inclusion of the proposed modification in the Final Project Budget.

Incentives

*[This provision should be completed by the bidder to the extent it intends to seek FERC approval of performance incentives in addition to the abandoned plant incentive described *infra*. Any proposed performance incentive should be accompanied by an explanation for why such incentive is appropriate and beneficial to ratepayers. The Coordinating States will not support any request to FERC for performance incentives unless they are specifically identified as a redline to this Model Term Sheet and adequately explained and justified in the proposal.]*

Model Provision:

The TO intends to seek FERC approval of [insert performance incentive]. The Coordinating States will support this effort.

Abandonment/Cancelled Plant Costs

The Transmission Developer may pursue an abandoned plant incentive at FERC, which, if granted, may allow it to recover 100% of prudently incurred project costs, inclusive of any development costs, investment in cancelled plant, and ISO-NE deposits and/or withdrawal penalties, if their respective project is cancelled, terminated, or abandoned due to the Coordinating States exercising their right to terminate the Project in accordance with the Project Termination provision, *infra*.

**Project
Termination¹**

If Actual or Projected Project Costs exceed the Proposal Cost Estimate, the Coordinating States shall have the right to terminate the Project, subject to the voting procedure set forth below and the Transmission Developer recovering all costs prudently incurred prior to termination and approved by FERC.

The termination right shall accrue at the time of and any time within three months after any of the following: (1) the end of the annual reporting cycle, as described in the Cost Transparency section, *infra*, (2) the completion of the 2026 Cluster Study; (3) any termination of the LTTP RFP or selected LTTU, as described in a separate section *infra*; (4) receipt by the Transmission Developer of a final determination for all siting and permitting required for the Project; and (5) submission by the Transmission Developer of a proposed cost modifications as outlined in the Project Budget Modifications section, *supra*. Except for the termination right accruing under "(1)" above, these termination rights will expire once the project is placed into service. The termination right under "(1)" shall expire 24 months after the Transmission Developer receives a Certificate of Public Convenience and Necessity (CPCN) for the Project from the Maine Public Utilities Commission.

Once the terms of this Agreement are approved by FERC, any decision to terminate must be made by a majority vote of the Coordinating States. In the event a vote to terminate passes this threshold, any Coordinating State voting against termination shall have the option to assume the obligations of those Coordinating States voting in favor of termination. If such option is exercised, the Project shall continue under the terms of this Term Sheet and the remaining Coordinating States will promptly seek amendment of the Cost Allocation approved by FERC. If the Coordinating States voting against termination do not elect to assume the responsibilities of this Agreement, the Project may be terminated in accordance with this section.

[This provision should be completed by the bidder and be consistent with its Coordination Agreement with the Generation Component. All bids must include a projected COD and a disincentive for exceeding the projected COD.]

**Commercial
Operation Date**

The Project will achieve commercial operation no later than _____, 203[]. The Transmission Developer shall provide the Coordinating States with written notice of the achievement of commercial operation within seven (7) days after achievement.

If the Project fails to achieve the projected commercial operation date [bidder must insert proposed ROE reduction for COD exceedance periods or alternative disincentive for exceeding the projected COD²].

¹ The milestones on which the termination right accrues should be consistent with the Coordination Agreement and the financing needs of the Generation Component. To the extent that any portion of this provision conflicts with that goal, this conflict should be clearly explained in the Proposal.

² Bidders may also include a provision that excludes from this penalty any delays in COD that are outside of the Transmission Developer's control, such as regulatory or permitting delays. Any such exclusion must be consistent with the terms of the Coordination Agreement with the Generation Component.

Bidders may elect to either (1) adopt the below cost management provision or (2) to make a bid more competitive, propose a provision that offers ratepayers even stronger protection against cost overruns. Any deviation from the below provision must include clear and detailed support for why it provides a stronger incentive for the Transmission Developer to avoid cost overruns. As stated in Section 3.3.1.3 of the RFP, any proposed modification to the model provision will be reviewed by the Coordinating States. If the Coordinating States determine the model provision is more beneficial to ratepayers than the proposed modification, the proposed modification will be set aside in accordance with the process set forth in Section 3.3.1.3 of the RFP.

Model Provision:

The Transmission Developer will be allowed to earn an ROE of [____ %] up to an amount equal to the Initial Over-ride Dead Band. The Initial Over-ride Dead Band shall be calculated by multiplying the Final Project Budget by 1.05 (i.e., increased by 5%). A second incremental band shall be calculated by adding 15% of the Final Project Budget. Six additional incremental bands shall be calculated by adding 10% of the Final Project Budget to each preceding incremental band.

Cost Management

To control costs, if Actual Project Costs exceed the Initial Over-ride Dead Band, the ROE for that increment of cost exceedance will be reduced by 65 basis points. The ROE will continue to be reduced by 65 basis points for each incremental 10% cost overrun up to a 161% exceedance in Actual Project Costs above the Final Project Budget, at which point ROE on incremental costs will be fixed at 7.17% (herein an “Incremental Band”). This further reduction of ROE will only be applied to the increment of cost within that Incremental Band.

In addition, if a Transmission Developer’s Actual Project Costs are less than the Final Project Budget, that Transmission Developer will be allowed to earn a total return amount that is equivalent to the return amount that Transmission Developer would have been entitled to if the Actual Project costs had been equal to the Final Project Budget.

Illustration³:

Illustrative Project Cost Tranches (as % of Final Project Budget and 10.57% ROE):

80%-89%:	13.21% - 11.74% ROE
90%-99%:	11.74% - 10.57% ROE
100%-105%:	10.57% ROE
105%-120%:	9.92% ROE
121%-130%:	9.27% ROE
131%-140%:	8.62% ROE
141%-150%:	7.97% ROE
151%-160%:	7.32% ROE
161%+:	7.17% ROE

³ If Bidder proposes a lower ROE, Cost Management provisions would be applied to the lower ROE.

Bidders may opt to include the following or a similar provision in order to make its bid more competitive. Any provision relating to transmission outages should be consistent with the Coordination Agreement with the Generation Component.

Optional Model Provision:

The maximum duration of individual and cumulative annual transmission outages (expressed in hours) included in the Coordination Agreement submitted with a Transmission Component will be incorporated into the VA and related filings with FERC. If actual outages exceed the duration of outages agreed to in the Coordination Agreement, the ROE for the year in which actual outages exceed agreed upon outages will be reduced as follows:

24-120 hours: 0.10% ROE reduction
121-240 hours: 0.20% ROE reduction
241-360 hours: 0.30% ROE reduction
361-480 hours: 0.40% ROE reduction
More than 480 hours: 0.50% ROE reduction

Nothing in this section should be construed to conflict with any provision in the OATT or ISO-NE's TOA. In the event of any conflict, the OATT or TOA control.

Transmission Outages

The Coordinating States and the Transmission Developer to coordinate and collaborate to seek commitment from ISO-NE to act as billing agent for multistate cost allocation.

Billing

Upon termination of ISO-NE's LTTP RFP or the project selected under the LTTP RFP (i.e., the Longer-Term Transmission Upgrade or LTTU), the Coordinating States may elect to (1) terminate the project in accordance with the termination right set forth in the termination section, *supra*; (2) enter into renegotiations with the Transmission Developer; or (3) continue with the terms of this Agreement. Within 180 days of notice of the termination of the LTTP RFP/LTTU, the Coordinating States must provide written notice of their election to the Transmission Developer.

Effect of Termination of LTTP RFP or LTTU

**Effect of this Proposed
Term Sheet**

This Term Sheet should not be considered a binding offer to enter into a settlement or any other agreement on the matters described herein. Any final agreement on terms will require final review and approval by the Coordinating States.
