

# Memorandum

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**To:** Gordon Van Welie, ISO New England  
Robert Ethier, ISO New England

**CC:** Paul J. Hibbard, Chairman, MA Department of Public Utilities  
Joe Staszowski, Northeast Utilities,  
Economic Study Process Stakeholder List

**From:** Sharon Reishus, Tom Getz, Elia Germani, Jim Volz and David O'Brien

**Date:** 8/11/2008

**Re:** Economic Studies Working Group

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Dear Gordon and Bob,

As you know, two of New England's state regulatory commissions have offered their views on the progress of the Economic Studies Working Group. We are writing to you to provide the views of the Maine Public Utilities Commission, the New Hampshire Public Utilities Commission, the Rhode Island Public Utilities Commission, the Vermont Public Service Board and the Vermont Department of Public Service.

We agree with many of the observations made in the letters of both the Massachusetts DPU and the Connecticut DPUC. In fact, the Draft Scope of Work which is currently before the ESGW in draft form, which we support, mirrors many of the concerns raised by both agencies.

A common theme of the Massachusetts and Connecticut letters is that there should be some attempt at a "beneficiaries pay" approach when it comes to cost allocations for Market Efficiency Transmission Upgrades (METU). While many of us have advocated this approach to transmission cost allocation in the past, we worry that creation of a distinction between how costs are allocated based on project classification can create additional problems since most transmission projects have both reliability and economic aspects to them. Nevertheless, because the line between reliability upgrades and market efficiency upgrades can be a gray one, we are prepared to explore a different cost allocation. Furthermore, we agree that all projects should be subject to stricter cost controls and we are committed to pursuing that critical goal.

We do not agree with our colleagues, however, that there should be a suspension of work on the application now before the ISO.<sup>1</sup> We agree with the ISO's interpretation that there is an obligation to process the application before it according to the current tariff until that tariff is changed. ISO's responsibility is to operate in accord with the tariff and we expect it will discharge its responsibilities appropriately. At the same time, we agree, consistent with the intentions of the ESWG, that the METU application process merits greater attention and further development.

Finally, we would like to point out that we all must be willing to work together to address current problems such as diminishing fuel supplies, rapidly rising fuel prices and environmental degradation. New England has demonstrated its ability to work together when faced with this type of problem in the past. It shared the cost of developing nuclear and large oil fired power plants, it shared the cost of developing the 345 kV system to join them together, and it developed an entity (first NEPOOL and then ISO New England) to coordinate joint dispatch and administer tariffs. We hope the region can once again come together and find common cause.

Please do not hesitate to contact us if you have any questions.

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<sup>1</sup> Since the Maine Power Connection (MPC) project is now before the Maine PUC, these comments should not be taken as a position of the Maine PUC on the merits of that project.