



November 21, 2014

Stephen J. Rourke
Vice President, System Planning
ISO New England Inc.
1 Sullivan Rd,
Holyoke, MA 01040

Re: Greater Boston Solutions Study Project Selection

Dear Steve:

Recently, ISO New England Inc. ("ISO-NE") staff presented the findings of its consultant, Electrical Consultants, Inc. ("ECI"), addressing costs of the two proposed solutions to the Greater Boston Solutions Study—New Hampshire Transmission, LLC's ("NHT") 68-mile underground/undersea HVDC project known as SeaLink, and the alternating current plan developed by Northeast Utilities and National Grid known as the AC Plan. On behalf of NHT, I write to address certain aspects of the ECI report, to request that ISO-NE disclose the criteria it plans to consider in making the Greater Boston decision, and to suggest that ISO-NE solicit cost containment proposals and consider any such proposals in the final evaluation of solutions.

The time and effort that ISO-NE staff and ECI put into analyzing the costs of the projects has aided the stakeholder discussions by providing some information on the expected costs, risks, and permitting required for each project. However, as NHT outlined at the Planning Advisory Committee ("PAC") meeting this week, there are several significant issues relating to cost and schedule that should be resolved before ISO-NE makes its selection:

- **Issue #1 – Lack of Transparency** - NHT believes that the ISO-NE project selection process should be fully transparent and is concerned that the process is falling short of that standard. All material provided to either ISO-NE or ECI that discusses costs and routes should be released to the PAC. In particular, ISO-NE should require the distribution of the PP4, Attachment D templates for each project and detailed route maps that show the full extent of the right of way ("ROW") reconfiguration/potential expansion to all participants in the process. NHT has already provided all this information to the PAC and, in the spirit of an open and transparent competitive process, we ask that ISO-NE require the same of the AC Plan's proponents.¹
- **Issue #2 – Unrealistic AC Plan Cost Estimate** - ECI's estimates for the AC Plan appear to be *far below* the actual costs incurred to complete recent comparable projects in New England. For example, ECI estimated that the Scobie-Tewksbury line (a new 345 kV line with extensive ROW reconfiguration) would cost \$4.2 million/mile. However, the averages from the Greater Springfield Reliability Project, which included several upgrades similar to the proposed Scobie-Tewksbury line that are already in Regional

¹ We note that relevant CEII protections are reasonable.

Network Service rates, shows \$10.3 million/mile for similar work.² That difference is significant when multiplied over the 25 miles of the Scobie-Tewksbury route. No explanation has been given regarding the disparity between actual evidence of construction costs and ECI's or the transmission owners' estimates. As I discuss in more detail below, NHT recommends that ISO-NE address the concerns around the cost estimates by providing parties an opportunity to present a binding cost estimate, or a cost estimate subject to some form of cost containment, and then take these proposals into account in selecting the preferred solution.

- **Issue #3 – Constructability of the AC Plan** - Both ISO-NE and ECI stated at the November PAC meeting that they assumed the projects were constructible as presented. Therefore, the constructability of the AC Plan has not been evaluated. Without doing so, it is unclear whether the AC Plan may require a wider ROW, impact more homes, require more ROW reconfiguration than currently disclosed, and require extended outages. All of these factors relate directly to the cost and schedule of the AC Plan. Given the urgency of the Greater Boston reliability needs, NHT believes ISO-NE must take into account the constructability of projects and the speed in which they are placed into service.
- **Issue #4 – Lack of Consideration of True Cost Impacts** - NHT believes that all costs that show up on a customer's bill should be taken into account when comparing projects. As NHT and many stakeholders have already shared with ISO-NE, costs such as congestion related to outages and the value associated with earlier in-service dates should be included in ISO-NE's analysis to measure the full impact to customers from these projects.³ NHT's analysis shows that these factors would amount to hundreds of millions of dollars—far more than what even ECI currently estimated the cost gap between the projects to be.

Unless these points are resolved, a realistic comparison of the relative costs of each project is not achievable. With hundreds of millions of dollars at stake, it is important to establish a reasonable basis for making a selection between the two competing proposals.

In addition to addressing the issues outlined above, NHT believes it is important for ISO-NE to make clear their official position on two issues in advance of the next PAC meeting in December: (1) the criteria ISO-NE plans to apply in making the Greater Boston decision; and (2) ISO-NE's position on cost containment.

ISO-NE has invited entities to provide guidance to ISO-NE on the criteria it should consider in its project selection for discussion at the December PAC meeting. NHT sees this as a helpful way to solicit more feedback from members of the PAC.⁴ However, it remains unclear to NHT which *specific criteria* ISO-NE plans to take into consideration in making its decision or the

² See NHT Presentation to the PAC, November 19, 2014 for more details.

³ See letters from Governor Patrick, Governor Hassan, U.S. Senators Ayotte and Shaheen and Attorney General Coakley as examples. Letters found at: <http://www.sealinkcable.com/content/community/stakeholder.shtml>

⁴ NHT understands the ISO-NE has received many letters from stakeholders on this topic as well.

Re: Greater Boston Solutions Study Project Selection

Page 3

relative weight of such criteria. NHT requests that ISO-NE specify, in writing in advance of the December PAC meeting, which criteria ISO-NE is presently considering applying in making its decision on project selection to address the Greater Boston Study. This will help stakeholders provide ISO-NE with specific feedback at the December PAC meeting. NHT further recommends that ISO-NE consider additional feedback from the December PAC meeting and consider modifying the selection criteria based on that feedback.

With respect to cost estimates, NHT recognizes that assessing the validity and accuracy of transmission project cost estimates is challenging. Indeed, transmission project cost estimates are viewed by some in the region with skepticism, given the track record of cost overruns on prior projects. For this reason, NHT believes that customers would be best served in this case by having ISO-NE make its project selection based in part on cost estimates that are subject to some form of cost containment. **NHT therefore requests that NHT, Northeast Utilities, and National Grid be provided an opportunity to provide a binding cost estimate, or a cost estimate subject to some form of cost containment.** ISO-NE should then take these proposals into account in selecting the preferred solution. NHT believes it would be helpful to stakeholders for ISO-NE to respond to this request by outlining its position on cost containment and how cost containment will be factored into the Greater Boston Study decision in advance of the December PAC meeting.

Given the debate over cost estimates in this case, NHT believes that including cost containment, if proposed, in the evaluation will bolster the credibility of the estimates and, accordingly, ISO-NE's ultimate project selection. In addition, NHT has spoken with stakeholders and regulators in the region who are supportive of cost containment based on their past experience of cost overruns on transmission projects in New England. Should an entity propose cost containment in some form, ISO-NE has a unique opportunity to take a significant step towards addressing these concerns by evaluating the projects in the context of cost containment proposals.

Sincerely,



Matthew S. Valle
President, New Hampshire Transmission, LLC

Cc: Gordon Van Welie
Raymond Hepper
Vamsi Chadalavada
New England States Committee on Electricity