

July 14, 2006

**By Electronic & First-Class Mail**

Carissa Sedlacek  
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ISO-New England  
1 Sullivan Road  
Holyoke, MA 01040-2841

Re: **TCA Application #NU-04-TCA-04, Dated: January 12, 2005**

Dear Ms. Sedlacek:

This letter concerns the above-captioned matter --- specifically, the ISO-New England (“ISO-NE”) draft transmission cost allocation letter issued June 15, 2006 (the “Draft Letter”). The Draft Letter concerns The Connecticut Light and Power Company (“CL&P”)’s Bethel-Norwalk 345-kV transmission project in Southwest Connecticut.

The Connecticut Office of Consumer Counsel (“Connecticut OCC” or “OCC”) and the Department of Public Utility Control (“CT-DPUC”) are providing these joint comments on the Draft Letter in response to ISO-NE’s general invitation.

The Connecticut OCC is the statutory advocate for Connecticut ratepayers in utility matters, pursuant to Connecticut General Statutes § 16-2a. OCC was a party to the Connecticut Siting Council administrative proceeding which certificated this CL&P transmission project. Further, OCC is an end-user NEPOOL participant and regularly takes part in many NEPOOL activities. OCC participated in the stakeholder processes associated with ISO-NE’s development of the Draft Letter.

The CT-DPUC is Connecticut’s state commission charged with regulating electric companies and setting retail electricity rates for all electricity used within the state. The CT DPUC is charged with ensuring that electric rates in Connecticut are “sufficient, but no more than sufficient, to allow public service companies to cover their operating and capital costs, to attract needed capital and to maintain their financial integrity, and yet provide appropriate protection to the relevant public interests”.

In CL&P's Revised Application for the Phase I Project, CL&P seeks a determination that \$354.8 million of the Project's estimated costs constitute Pool-Supported PTF costs and \$2.4 million of the Project's estimated cost constitutes Non-PTF costs or Localized Costs. In its Draft Letter, ISO-NE proposes to determine that \$237.3 million of the total estimated costs for the Phase I Project qualifies as Pool-Supported PTF costs and the total estimated Localized Costs are \$119.9 million.

The Draft Letter, and the months of consultation and review which led up to it, demonstrate that ISO-NE has given careful and thorough attention to the many complex issues inherent in reaching an appropriate cost allocation determination for CL&P's Bethel-Norwalk transmission project. Nonetheless, OCC and the DPUC believe that the Draft Letter features two important shortcomings, each of which is discussed more specifically below.

### **First Concern: CL&P's Comments**

CL&P has shared with OCC and the DPUC a copy of the written comments on the Draft Letter that CL&P is filing today. We have reviewed CL&P's comments closely and believe that the CL&P comments are incisive and well-considered. OCC and the DPUC endorse CL&P's comments, and we urge ISO-NE to revise the Draft Letter in the manner CL&P proposes.

In particular, we concur with CL&P's refutation of the Draft Letter's assertion that CL&P should have used the undeveloped Super 7 Highway corridor when it conceived of this project and presented the project to CSC for certification. This theoretically-available path for high voltage transmission actually was completely unavailable to CL&P, due to a pre-existing state law and to the public position of the relevant state agency, the Connecticut Department of Transportation. The statute in question had been enacted long before the Bethel-Norwalk transmission project was conceived, and is not specifically focused on transmission project siting.

Connecticut General Statutes § 13a-85b(a) states that, "the Commissioner of Transportation shall not sell, or use in any manner that is incompatible with transportation purposes, the existing right-of-way acquired for potential use as the Route 7 limited access highway from Danbury to Norwalk." Pursuant to this statute, CL&P reasonably considered the impracticability of using such right-of-way as a potential route without a change in state law or the express approval of the relevant state agency. Neither of these options presents a timely or logical alternative meriting serious consideration. For ISO-NE's Draft letter to judge otherwise is to establish unprecedented hurdles for 12C Applicants endeavoring to alleviate transmission constraints in their areas.

Further, we concur with CL&P's observation that the Draft Letter is seriously inconsistent --- in that the Draft Letter (a) treats all of the undeveloped Super 7 Highway corridor land as actually available for transmission line siting and (b) also denies CL&P any consideration for the "delay costs" that clearly would attend such use of the Super 7 Highway corridor. OCC and the DPUC agree with CL&P that this inconsistency needs to be resolved before ISO-NE reaches its final determination respecting these cost allocations.

### **Second Concern: Choice of Baseline Case**

Cost allocations for this CL&P transmission project of course are to be determined in accordance with Schedule 12C of ISO-NE's Open Access Transmission Tariff ("OATT-12C") and ISO-NE Planning Procedure No. 4 ("PP-4"). The most critical determination for ISO-NE to make under OATT-12C and PP-4 is the choice of a (hypothetical) baseline case against which the costs of the actual project will be evaluated.

The Draft Letter uses a construct that it labels "Alternative 5a" as its baseline case. We respectfully ask ISO-NE to reconsider this baseline case designation. On balance, we believe that the facts developed during the course of the stakeholder/consultation process more reasonably support the use of what the Draft Letter designates as "Alternative 3" as the baseline case.

Over the last eighteen months, ISO-NE has examined and explored numerous alternative constructs in order to identify an OATT-12C/PP-4 baseline case for this Bethel-Norwalk project. This is just as it should have done. However, in the end, ISO-NE's proposed choice of Alternative 5a for the baseline case is unwarranted. Contrary to the Draft Letter's remark (at p. 29) that Alternative 5a reflects "only a few particularized changes" from Alternative 3, these two (hypothetical) versions of the project are actually quite different. Further, the facts developed through the stakeholder processes of recent months show that Alternative 3 represents a more accurate and faithful implementation of the OATT-12C/PP-4 standards, than does Alternative 5a.<sup>1</sup>

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<sup>1</sup> The OCC is concerned by the Draft Letter's (pp. 22-23) account of the June 14, 2005 Reliability Committee ("RC") meeting. The Draft Letter faults CL&P for having supported Alternative 3 in a straw vote at that meeting. However, the most important lesson of that particular RC meeting is that stakeholders across New England gave Alternative 3 far more support than was offered to other alternatives (ones that more closely resembled Alternative 5a).

OCC and the DPUC recognize that any RC recommendations in this context do not bind ISO-NE. However, ISO-NE has given this RC stakeholder process serious respect and consideration during the cost allocations review of the Bethel-Norwalk project. ISO-NE should, therefore, continue to do so now by treating Alternative 3 as the baseline case for cost allocations for the Bethel-Norwalk transmission project.

Finally, we are reminded that in 2001, ISO-NE identified southwest Connecticut's (SWCT) import interface as the most heavily constrained area in New England.<sup>2</sup> The message was heard in Connecticut as a result of RTEP01 and subsequent RTEPs that work needed to be done in SWCT to ensure reliability for SWCT and for its impact on the entire New England region. Thus, in 2001 CL&P initiated the siting of the Bethel-Norwalk and Middletown-Norwalk projects. FERC further supported this estimation and went so far as to conduct technical meetings before the General Assembly in Connecticut to draw attention to the need to advance the Phase I Project. In 2004-2005 CL&P worked with ISO-NE to improve its model accuracy, thereby increasing Connecticut imports by 100MW. When construction is completed in Phase I the SWCT 345 kV Loop is expected to increase import capacity into SWCT where it is so acutely needed and will improve reliability in the region as well as enable the connection of new generation to the grid. As such, not only Connecticut customers but the New England region as a whole will receive a significant benefit from the CL&P Phase I Project.

### **Conclusion**

In sum, the OCC and the DPUC offer two important points for ISO-NE's consideration at this time. First, ISO-NE should revise the Draft Letter in a manner consistent with CL&P's comments (of even date with these OCC & DPUC comments). Second, ISO-NE should reconsider its provisional designation of Alternative 5A as the baseline case.

If ISO-NE reconsiders CL&P's position, as described in its July 14, 2006 letter and follows these recommendations, we believe that the final cost allocation determinations for the Bethel-Norwalk transmission project will be more consistent with the requirements and priorities of OATT-12C and PP-4. Further, those final cost allocations, if so revised, should provide ISO-NE and all stakeholders with a reasonable

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<sup>2</sup> See, Regional Transmission Expansion Plan (RTEP01), September 28, 2001.

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model for the cost allocation determinations to be made with respect to other major transmission projects that will come before ISO-NE in the near future.

Very truly yours,

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