



July 14, 2006

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

Dear Ms. Sedlacek:

The United Illuminating Company (“UI”) herein provides comments to the June 15, 2006 Draft Letter Determination (“Draft Decision”) issued by ISO New England Inc. (“ISO”) regarding the revised Transmission Cost Allocation (“TCA”) application dated January 12, 2005, as revised February 3, 2006, and submitted by The Connecticut Light and Power Company (“CL&P”). The TCA application submitted by CL&P to ISO pertains to the Bethel-Norwalk, Connecticut 345 kV transmission facility construction project (“BN Project” or “Project”).

The Draft Decision raises important issues that relate to the proper recovery of costs associated with the construction of critical transmission facilities in New England. UI’s comments are intended to address certain principles of cost allocation so that the BN Project costs that are ultimately determined to be reasonable are allocated appropriately on a region-wide or local basis.

UI does not specifically endorse the individual costs incurred by CL&P to construct the BN Project and requests that ISO continue to review all of CL&P’s specific costs for reasonableness before approving any costs for regional recovery.

UI provides the following comments:

- A. It should not be acceptable for a Transmission Owner to delay a project significantly later than needed solely in order to pursue a lower cost hypothetical standard.**
1. CL&P, and other Transmission Owners, are charged with solving reliability problems that are time sensitive. It would be irresponsible for a utility to ignore local constraints related to the routing and design of a project. This action would cause *uncorrected* reliability problems to continue during the delay that would result from trying to obtain permits for locally unacceptable and impractical solutions to siting issues.
  2. It is Good Utility Practice in the planning and routing of a project to respond reasonably to local concerns about the siting of a project, to use existing right-of-way as much as possible, to minimize the need to procure new land rights, and to minimize the taking of property, thereby minimizing delay associated with securing necessary land rights to construct a project. *Any delay of a project would not represent a reasonable alternative once the ISO has determined that the project is needed for critical time-sensitive reliability purposes.* Although CL&P’s original

proposal to the Connecticut Siting Council (“CSC”) in 2001 included an alternative very similar to Alternative 5a (including similar versions of Segment 1 and Segment 6), it does not appear that Alternative 5a was feasible and practical at the time CL&P needed to execute the BN Project to meet critical reliability needs (2005-2006), because Alternative 5a would have taken significantly longer to build. Accordingly, hypothetical alternatives such as 5a should not be the basis for determining exclusion of costs from regionalization, after the fact.

**B. Inevitable delay costs that are reasonably substantiated should be included in project costs and allocated on a region-wide basis.**

1. ISO has recognized that the development and construction of critically needed transmission projects, such as the BN Project, will, as a matter of course, encounter inevitable delays as the result of, for example, the need to acquire by eminent domain properties and rights of way (“ROW”) and to comply with other requirements such as those that may be mandated by applicable Federal laws and regulations. UI believes, as ISO’s Draft Decision provides, that the costs resulting from these legitimate and unavoidable delays should be included as project costs and allocated on a region-wide basis. In addition, UI believes, as ISO has recognized in the Draft Decision, that costs resulting from such project delays or incurred to avoid such delays should be included as project costs and allocated on a region-wide basis to the extent that such costs are reasonably substantiated by the applicant in its TCA. In this case, ISO excluded CL&P’s delay costs from the BN Project costs because the cost estimates were based on “unsupported speculation.” Draft Decision, p. 31.
2. ISO’s position that CL&P has not demonstrated that it would likely have experienced delay if Alternative 5a had been used as the preferred alternative at the outset of this Project (Draft Decision, p. 31) is an issue that requires further investigation and review. Examples include, but are not limited to the following:
  - It appears that Bethel Bypass #2 (in Segment 1) included in Alternative 5a would have been particularly difficult to build in a timely fashion. This bypass proposal would have disturbed wetlands, which could have required consultation with the US Army Corps of Engineers, the federal agency responsible for regulating wetland disturbance under the US Clean Water Act. Any resulting delay and conditions would not have been the result solely of state and local concerns, but would have included a federal component. All of the delay resulting from this and similar issues could have rendered the Bethel Bypass #2 infeasible and impractical, and these types of delay issues should be further reviewed, before omitting the related costs.

**C. It was improper to exclude spare equipment costs from regional recovery.**

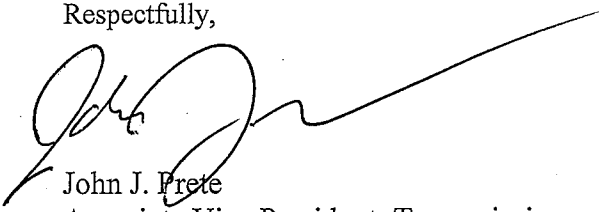
1. Although CL&P excluded their spare equipment from regional cost recovery, and ISO did not object to the omission; this is not appropriate. The spare equipment is PTF-related, needed for reliability, and does not provide an exclusively local benefit. The spare equipment provides the same regional reliability benefit as the rest of the PTF assets. In its order in *New England Power Pool*, 105 FERC ¶ 61,317, P 22 (2003) (“*Fitchburg Order*”), the Federal Energy Regulatory Commission required that the costs of spare equipment that only can be used at PTF facilities “be included as PTF plant and included in rates to PTF customers.” *Id.* Accordingly, Transmission Owners currently are permitted to include the costs of spare PTF equipment in PTF plant and to recover those costs in the RNS rate. In the *Fitchburg Order*, the Commission further concluded that “[a]llocating these costs to non-PTF customers would violate our well-established principle that rates should reflect costs incurred in serving each class of customer.” *Id.* Thus, the allocation of the costs of spare PTF equipment to non-PTF customers would be contrary to the Commission’s *Fitchburg Order*.

**D. Several errors and omissions in the Draft Decision and submittals to ISO should be corrected and/or clarified.**

1. There appears to be an error in Table 1 (page 3 of 48) of the ISO Draft Decision. There is an entry for \$4.0 million that is labeled "Shunt reactor & assoc. equipment," but it is not included in any of the subtotals or the total for the "ISO Final Determination of Local Costs."
2. There is \$1.7M in ROW costs for the Transition stations for the Proposed Project Costs that is not included in the "Subtotal Line Direct Costs". (This first appears in the "B-N Breakdown of Costs" submitted by CL&P on 01/11/06 and then again in ISO Table 1).
3. Environmental costs related to construction of the Bethel Bypass # 2 appear to have been omitted from the cost associated with Alternative 5a.
4. The "B-N Breakdown of Costs" spreadsheet submitted by CL&P on 01/11/06 has \$1.4M in ROW costs for Segment 3 of the Proposed Project while Alternative 5a has \$1.5M in ROW costs. The ISO Draft decision states that there were no changes to Section 3 between the Proposed Project Costs and Alternative 5a. This \$0.1M difference in ROW costs for the reportedly identical segments is not explained anywhere.

UI appreciates the opportunity to provide the foregoing comments. Please contact me if there are any questions regarding these comments, or if ISO would like further elaboration on any of the matters discussed herein by UI.

Respectfully,



John J. Prete  
Associate Vice President, Transmission