

New England States Committee on Electricity

January 21, 2014

Via electronic mail

Mr. Gordon van Welie, President and CEO
ISO New England, Inc.
One Sullivan Road
Holyoke, MA 01040

Re: Request for ISO-NE technical support and assistance with tariff filings related to electric and natural gas infrastructure in New England

Dear Mr. van Welie:

The New England Governors recently expressed their collective perspective about energy infrastructure diversification in a statement entitled the *New England Governors' Commitment to Regional Cooperation on Energy Infrastructure Issues*, dated December 2013. The New England States Committee on Electricity (NESCOE) is pleased to begin furthering the Governors' common interests in cooperation with ISO-NE and stakeholders, such as the New England Power Pool (NEPOOL). To that end, NESCOE requests that ISO-NE take all necessary and appropriate action to accomplish the following:

1. **New Electric Transmission Infrastructure.** In furtherance of the New England States' (the States) energy and environmental policy requirements and other statutory objectives, the New England States, through NESCOE, have agreed that one or more requests for proposals will be issued to advance the development of transmission infrastructure that would enable delivery of at least 1200 MW and as much as 3600 MW of clean energy into the New England electric system from no and/or low carbon emissions resources. NESCOE is in the process of developing the specific method to facilitate infrastructure development, including but not limited to the products to be procured. As is generally the case with state solicitations, whether and to what extent States decide to move forward with one or more proposals will depend on their judgments as to proposed pricing and other consumer implications.

Specific infrastructure projects inevitably present some variation in benefits and costs when evaluated on a state-by-state basis; however, the States expect that the diverse energy infrastructure contemplated by the Governors will provide broad-based consumer benefits across New England's integrated energy marketplace. Through this effort, then, the States

will seek a portfolio of projects that produce region-wide benefits and that support an appropriate allocation of costs based on these benefits. The States agree that the costs of transmission infrastructure would be recovered through the ISO-NE tariff or through merchant project(s) in a manner that ensures that the benefits and costs of transmission investments are shared appropriately among the New England States.

To assist in these efforts, NESCOE is requesting that ISO-NE provide to the States (i) technical electrical system planning and related support; and (ii) support in the development and filing of any tariff changes needed to advance the States' objectives, including, as necessary, working together with States and transmission owners with responsibility for cost allocation filings with the Federal Energy Regulatory Commission (FERC).

- 2. Increased Natural Gas Capacity.** The approval by FERC of a tariff for the recovery of the cost of firm natural gas pipeline capacity, in a manner that is effective to achieve the construction of new, or expansion of existing, pipelines. Specifically, the additional capacity shall be capable of delivering natural gas from one or more of the "hubs" at the Ramapo, Wright or similar facility at prices reflecting no or minimal "basis differential" relative to Henry Hub, in amounts sufficient in aggregate to achieve, when taken together with firm commitments by other market participants, an increase in the amount of firm pipeline capacity into New England of 1000 mmcf/day above 2013 levels or, 600mmcf/day beyond what has already been announced for the AIM and CT expansion projects. The New England States preliminarily agree, through NESCOE, that recovery of the net cost of any such procurement of firm pipeline capacity be collected through the Regional Network Services rate shared appropriately among the New England States. States are in the process of discussing appropriate cost allocation. NESCOE requests that all possible efforts be made to secure approval of the tariff as expeditiously as possible and with the objective of allowing commitments to be made that would permit the new pipeline capacity to be available no later than the winter of 2017/18. NESCOE does not have a single preferred mechanism for securing pipeline capacity under the requested tariff, but the New England States agree that they will work with ISO-NE and NEPOOL participants to develop and support, and take whatever steps are necessary and appropriate to facilitate, a structure that will ensure that the capacity obtained with the support of the postulated ISO-NE tariff will be made available in a manner that primarily benefits electricity customers in the ISO-NE market.

NESCOE appreciates ISO-NE's technical assistance and related support and looks forward to continuing discussions with ISO-NE and NEPOOL about means to execute the New England States' shared objectives as expeditiously as possible.

Sincerely,

/s/ Ann G. Berwick

Ann G. Berwick

President, NESCOE

Chair, Massachusetts Department of Public Utilities

/s/ Katie S. Dykes
Katie S. Dykes
Deputy Commissioner for Energy
Connecticut Department of Energy and Environmental Protection

/s/ Thomas L. Welch
Thomas L. Welch
Chairman, Public Utilities Commission
State of Maine

/s/ Robert R. Scott
Robert R. Scott
Commissioner, Public Utilities Commission
State of New Hampshire

/s/ Margaret Curran
Margaret Curran
Chairperson, Public Utilities Commission
State of Rhode Island

/s/ Christopher Recchia
Christopher Recchia
Commissioner, Department of Public Service
State of Vermont