EVERSOURCE
ENERGY

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Dear ISO New England Inc., NEPOOL Participants, and Stakeholders:

Thank you for the opportunity to comment following the completion of the *Pathways Study: Evaluation of Pathways to a Future Grid*. While Eversource is generally supportive of the objectives of the *Pathways* study, conflicting, unresolved issues are present and therefore it is premature for Eversource to support a specific Pathway at this time.

- **The Status Quo is Unsustainable:** Clean energy laws require that Electric Distribution Companies (EDCs) hold competitive solicitations to facilitate the financing of new clean energy resources. While EDC balance sheets and attractive credit ratings enable the financing of these clean energy projects at lower costs, the resulting power purchase agreement (PPAs) place significant long-term financial obligations on the EDCs. This approach to incentivizing development of new clean energy resources is not sustainable for the long-term financial health of the EDCs absent compensation to the EDCs for the use of their balance sheets.

- **Alternative Pathways Must be Able to Support Financing:** A clean energy project developed absent a PPA with its associated firm revenues increases the risk profile for the project developer. For example, a "merchant" cost of capital financing could increase the cost of offshore wind by approximately 15%, which would then flow directly through to customers in the form of higher electric bills. Eversource believes that additional analysis demonstrating an ability to facilitate financing absent a PPA is necessary before adopting an alternative Pathway. The study did not quantitatively examine the increased cost of merchant projects versus PPA sponsored projects, instead relying on the general economic principal that raising prices will eventually cause new projects to become financeable.

- **State Sponsored Projects Deliver More Than Clean Energy**: States have a strong desire to couple clean energy development with economic development and job creation. The states' desire to pursue these goals and how they would translate into resource selection particularly under an ISO/FERC administered process was not addressed in the study.

- **Concern over Higher Prices and Duplicative Subsidies:** A key risk is that an alternative Pathway will add costs in the form of a carbon price while maintaining current subsidies such as Renewable Portfolio Standards and existing PPAs. If this is the outcome, New England states are at risk of having to revert to PPAs in addition to maintaining other subsidies to achieve decarbonization laws. Under these circumstances, electric customers would be left paying higher prices for duplicative clean energy development mechanisms.

Thank you for the opportunity to comment and we look forward continued dialogue on this important initiative for New England market participants and stakeholders.

Sincerely,

James G. Daly
Vice President, Energy Supply