



**Northeast
Utilities System**

107 Selden Street, Berlin, CT 06037

Northeast Utilities Service Company
P.O. Box 270
Hartford, CT 06141-0270
(860) 665-5883
Fax (860) 665-4853
Internet: thibdlj@nu.com

August 3, 2007

Lisa J. Thibdaue
Vice President - Regulatory and
Government Affairs

Ms. Gretchen K. Deans
Director of Administration
The Connecticut Economic Resource Center, Inc.
805 Brook St, Bldg 4
Rocky Hill, CT 06067

Dear Ms. Deans:

Northeast Utilities is pleased to provide its comments on the Connecticut Energy Advisory Board's Request for Written Comment issued on July 6, 2007.

We are also sending a hardcopy of this document today via US Mail.

If you have any questions concerning our comments, please feel free to contact either myself, Paula Taupier (665-3753), or Chris Bernard (665-5967).

Sincerely,

Lisa J. Thibdaue

RESPONSE OF NORTHEAST UTILITIES TO THE CONNECTICUT ENERGY ADVISORY BOARD'S REQUEST FOR WRITTEN COMMENT

Background

The Connecticut Energy Advisory Board (CEAB) is responsible for issuing Requests for Proposals (RFP) to solicit energy solutions and/or alternatives to meet identified needs for certain energy resources and facilities in Connecticut.

Two primary objectives of the CEAB in either RFP process are: 1) to provide the marketplace with sufficient notice and opportunity to submit viable alternatives proposals; and, 2) to maximize efficiency for potential project sponsors.¹

Northeast Utilities (NU) appreciates the opportunity to provide the CEAB with comments about issuing a proactive request for proposal (RFP) for the electric system needs which have resulted in a set of projects collectively called the New England East-West Solution (NEEWS).

As an initial matter, NU applauds the fact that CEAB is not simply issuing a proactive RFP as its enabling statute allows it to do.² CEAB correctly recognizes that the landscape has changed from when it was empowered to issue RFPs, and accordingly, is moving forward in a thoughtful fashion.

NU's Recommendation to CEAB – Proactive RFP

As will be outlined below, recent legislative changes lead NU to recommend that CEAB hold off issuing a proactive RFP for the needs solved by NEEWS, or any other need, until it becomes clear that issuing proactive RFPs will result in tangible benefits to Connecticut electric customers. As will be explained below, NU believes CEAB's responsibilities have undergone significant legislative changes this year and that these changes will provide CEAB with a more productive role in Connecticut's energy future than afforded previously.

Reactive RFPs

Before this legislative session, CEAB was required to issue reactive RFPs whenever an application was filed with the Connecticut Siting Council (CSC). CEAB has since issued three reactive RFPs associated with new substations, none of which received responses. Wisely, the state legislature, with CEAB member endorsement, recast CEAB's reactive RFP responsibilities to: (a) eliminate any RFP requirement for substations and switchyards;³ (b) allow the CEAB to opt out of wasteful reactive RFPs by a two-thirds vote;⁴ and (c) exempt certain facilities from reactive RFPs if they are identified by the CSC as facilities "required for the reliability of electric supply to critical national defense and homeland security infrastructure".⁵

¹ Request for Written Comment d. July 6, 2007, p.1

² Public Act 03-140

³ Section 55, PA 07-242 amends Conn. Gen. Stat. §16-50m(a) (2) to read: "On or after December 1, 2004, the filing of an application pursuant to subdivision (1) of this subsection shall initiate the request-for-proposal process, except for an application for a facility described in subdivision (4)...". That references is to "electric substations and switchyards" at or above 69 kV.

⁴ Section 53, PA 07-242

⁵ Sections 8, 54, 55, PA 07- 242.

NU fully supports these responsibility changes since they provide CEAB with flexibility for those applications where alternatives are not feasible, and equally important, they signal to CEAB which facilities the state believes alternatives can not and should not be considered.

Proactive RFPs

NU believes three other processes, two of which stem from legislative action since CEAB's reconstitution, should be completed before the CEAB determines whether to issue a proactive RFP for the electric system needs which have resulted in the NEEWS' projects. These processes have the potential to either render an RFP redundant and thus unnecessary, or in the alternative to provide additional data and project definition that will enable the CEAB to better define the need that competing proposals must address and the projects to which they will be compared.

- 1) Public Act 07-242, AAC Electricity and Energy Efficiency, has positioned CEAB in a critical role with respect to a new comprehensive resource planning process that has the power of law behind it to create a "Resource Plan" (Plan) that will result in actual commitments to create resources for the state's electric customers.⁶ In contrast, the RFP process can result only in a report being filed with the CSC. Moreover, the comprehensive resource planning process is better adapted to developing the Connecticut components of a solution to multiple inter-related reliability problems that require reliability improvements in three states. This process enables the CEAB to consult with the entity responsible for regional transmission planning⁷ in the review and evaluation of the Plan. The RFP process, on the other hand, includes no mechanism for evaluating how particular resources proposed by developers for Connecticut will function together with the solution elements in other states to address the regional need. Depending on the outcome of this process, the CEAB could determine that the need and alternatives for meeting it had been fully developed and evaluated. Alternatively, the CEAB would have established a clear context for evaluation of alternatives to the Connecticut NEEWS' projects, to the extent that they had been incorporated into the Plan.
- 2) Public Act 05-01, AAC Energy Independence, called for the Department of Public Utility Control (Department) to initiate a process to secure capacity resources for Connecticut. That process is only now nearing completion. The Department has identified almost 800 megawatts (MWs) of capacity resources from peaking generation, baseload generation, and demand resource projects. CL&P and UI are poised to receive approval from the Department later this month for their respective contracts, most of which have fifteen year terms.

Unlike a CEAB proactive RFP for alternatives which would result only in a report being filed with the CSC, the Department was empowered to both issue an RFP, and award actual contracts. There is no reason to believe that an RFP issued at this time would elicit any generation or demand side proposals that were not put forward in response to the Department's RFP. On the other hand, the Plan will presumably take this development into account and evaluate how, if at all, the addition of this capacity will impact the need for the

⁶ Section 51, PA 07-242

⁷ Section 51(e), PA 07-242

Connecticut NEEWS' projects, again either obviating the need for a proactive RFP or providing a relevant context for the evaluation of alternatives to the NEEWS' projects.

- 3) ISO-NE's Regional System Planning (RSP) process, like CEAB's RFP process, "provide(s) the marketplace with sufficient notice and opportunity to submit viable alternative proposals."⁸ ISO-NE's RSP process is conducted, with broad stakeholder input, on a yearly basis to analyze and identify system-wide needs in order for the market to react with proposals to solve the identified system needs. The need that will be addressed by NEEWS, and the outlines of the NEEWS plan (then called the Southern New England Reinforcement Plan, or SNETR) were identified in ISO-NE's 2005⁹ and 2006¹⁰ RSP, and were presented by ISO-NE to market participants and stakeholders in December, 2006.¹¹ Moreover, a Draft Report describing this need has been posted on the ISO-NE website since August 7, 2006.¹²

It is clear that the ISO-NE reports and related events have created a widespread awareness of the NEEWS' projects and the needs that have given rise to it. The potential impact of the NEEWS' projects on Connecticut's resource needs, including the need for new generation, was assessed by the CSC in its 2006 Forecast of Loads and Resources.¹³ The elements of the NEEWS' projects were identified to the CSC by CL&P in its March, 2007 Forecast of Loads and Resources;¹⁴ and the CEAB, in its 2007 Energy Plan, recommended that the Department and the CEAB should "continue to explore and evaluate" the project.¹⁵ Thus, as a means of providing the marketplace with notice of the NEEWS projects, a pro-active RFP would be simply redundant. However, at this point, there is little else that a proactive RFP could do. On the other hand, after the aforementioned Plan has been adopted, there will be a more concrete context for evaluating alternatives, if any are solicited and proposed.

In summary, NU believes that CEAB should not issue a proactive RFP for the reasons stated above. In addition, the CEAB has many other important legislatively-mandated initiatives at this time. NU recognizes that the time and effort of the CEAB Staff and its consultants may be more efficiently devoted to work on the comprehensive plan efforts rather than to develop, issue and evaluate response to an RFP which may well not lead to any alternatives being identified.

⁸ CEAB Request for Written Comment, d. July 6, 2007, p.1

⁹ ISO-NE, Regional System Plan 2005, (Oct. 20, 2005) App. A, pp. 1-5

¹⁰ ISO-NE, Regional System Plan 2006 (Oct. 26, 2006), pp. 92-92

¹¹ See, Memorandum, CEAB SNETR Subcommittee to ISO-NE re: Feedback on SNETR Presentation, Jan. 15, 2007 (Subcommittee Memo)

¹² ISO-NE, *Southern New England Reliability Needs Analysis*

¹³ Connecticut Siting Council, *Review of the Ten Year Forecast of Connecticut Electric Loads and Resources 2006-1015*, (Nov. 14, 2006) Table 3

¹⁴ The Connecticut Light and Power Company's 2007 Forecast of Loads and Resources, March 1, 2007 at 27, 28.

¹⁵ CEAB, 2007 Energy Plan for Connecticut, Feb. 6, 2007, p. 20