



**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

September 21, 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 response to the Connecticut Energy Advisory Board's request for additional information regarding whether it should issue a proactive request for proposals issued on September 11, 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

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**RESPONSE OF NORTHEAST UTILITIES
TO THE CONNECTICUT ENERGY ADVISORY BOARD'S
REQUEST FOR COMMENTS FOLLOW UP QUESTION**

September 21, 2007

Northeast Utilities ("NU") appreciates the opportunity to respond to the Connecticut Energy Advisory Board's ("CEAB") September 11, 2007 request for additional information regarding whether it should issue a proactive request for proposals ("proactive RFP") for the needs associated with the New England East West Solution ("NEEWS"). This response is a follow up to NU's August 3, 2007 response to CEAB's original July 27, 2007 request for comment.

CEAB asks the utilities to "review the market and other developments identified in the comments and identify those, if any, that were assumed in the course of establishing the need for NEEWS" and further, "to the extent there are other factors, market developments or changes in law that are relevant to the need for NEEWS that were not assumed or previously considered in the NEEWS need determination, please specifically identify and include such information."

NU would like to first unequivocally state that NEEWS is required to meet the reliability needs of Connecticut and the region, based on what we know today. In addition, NU must respectfully defer a response to CEAB's question to the entity in charge of regional planning, the Independent System Operator of New England ("ISO-NE"). As CEAB is aware, ISO-NE develops the Regional System Plan ("RSP") for New England, and updates its assumptions on system, resource, and legislative changes annually. The review and comment process is open to all stakeholders and the 2007 RSP included meetings throughout the year, culminating in a September 6, 2007 public meeting to review the third draft of the 2007 RSP. While this report is still in draft form and is marked "do not cite or quote", it can be stated that the NEEWS project is still contained in the report as a needed project based on the latest assumptions which have been updated throughout 2007. Interested stakeholders were allowed unrestricted opportunity to comment on these assumptions throughout the process.

The implementation of Public Act 05-01, through the Department of Public Utility Control's ("DPUC") RFP, resulted in Connecticut awarding capacity contracts-for-differences to three generation units (Kleen Energy, Waterside Power, and Waterbury Generation) and one energy efficiency program (Ameresco) totaling 787 MWs. Much work remains to site, finance, build and interconnect these projects.

In addition, the DPUC has rendered decisions approving approximately 180 MWs of emergency generator and combined heat and power ("CHP") projects in CL&P's service territory, draft decisions are pending on an additional 8 MWs, and proceedings are ongoing for approximately 27 MWs of projects. Less than 1 MW of these facilities are in-service today and it is unknown how many will move forward due to siting, financial, fuel, and technical issues.

Connecticut has also awarded 15 MWs of long-term renewable contracts in the Connecticut Clean Energy Fund "Project 100" procurement RFP. The second round of this procurement process is ongoing, with the selection of renewable projects totaling more than 170 MWs. It is uncertain which projects will receive final DPUC approval and

how many projects will actually move forward to completion. If selected, some of these projects could provide additional capacity that would not be under contract. As a result, approximately 200 MWs of renewable capacity could be realized from these proposed projects. Of course, technical, fuel supply, financial and contractual issues remain with many of these projects.

NU can not predict how much, if any, new generation capacity will ultimately be awarded in the implementation of Section 50 of Public Act 07-242, which requires utilities, and allows others, to submit peaking generation proposals. If any projects are awarded, that DPUC determination will not be known until mid-to-late 2008.

NU believes that ISO-NE has included approximately 500 MWs of new Connecticut generation projects in their NEEWS transmission reliability studies conducted to date. Our understanding is that in any future studies, ISO-NE will only include units that clear in the Forward Capacity Market. If this is the case, it is our belief that none of the units mentioned above would be included in any new analyses before the Forward Capacity Auction concludes in February 2008. In addition, there is no guarantee that any Connecticut-based generating units will clear in the February 2008 Forward Capacity Auction. From a transmission study perspective, this is appropriate as ISO-NE is responsible to study system reliability, and it cannot rely on generating units that have not committed to be in-service through the ISO-NE process. Transmission projects take years to plan, site, and build. Connecticut's electric system reliability would be put at risk if proposed generation projects were allowed to delay needed transmission facilities.

In closing, NU believes CEAB should consider the following observations when evaluating the need and timing of a proactive RFP for the needs addressed by NEEWS:

- 1) The RSP assumes that no existing generation will retire. In Connecticut, 3,900 MWs of generation are currently over thirty years old, and a substantial fraction of that, 1,100 MWs, is over forty years old. Many of these units are inefficient and struggle to meet environmental requirements, today. In the future, it is likely that environmental standards will become more stringent, and consequently, retirements of aging generating units will impact system reliability and advance the need for NEEWS.
- 2) Connecticut has five generating facilities with output of over 350 MWs and two units over 850 MWs. These units are large compared to Connecticut's import capacity. If any of them require a prolonged, unplanned outage, having sufficient transmission import capacity will be critical to allowing the state to import economic replacement power.
- 3) Relative to its load, Connecticut has the lowest transmission import capacity of any state in New England and is therefore the most dependent upon local capacity, and therefore the most vulnerable to reliability-must-run ("RMR") payments. Even with an increased import capacity attributable to NEEWS, the state's import capacity will still be the lowest in New England. Lower transmission import capacity could increase the likelihood Connecticut would be a separate capacity zone in future forward capacity auctions and increase capacity prices for Connecticut. In addition, NEEWS would reduce the likelihood that Connecticut units would receive RMR treatment in the future.