

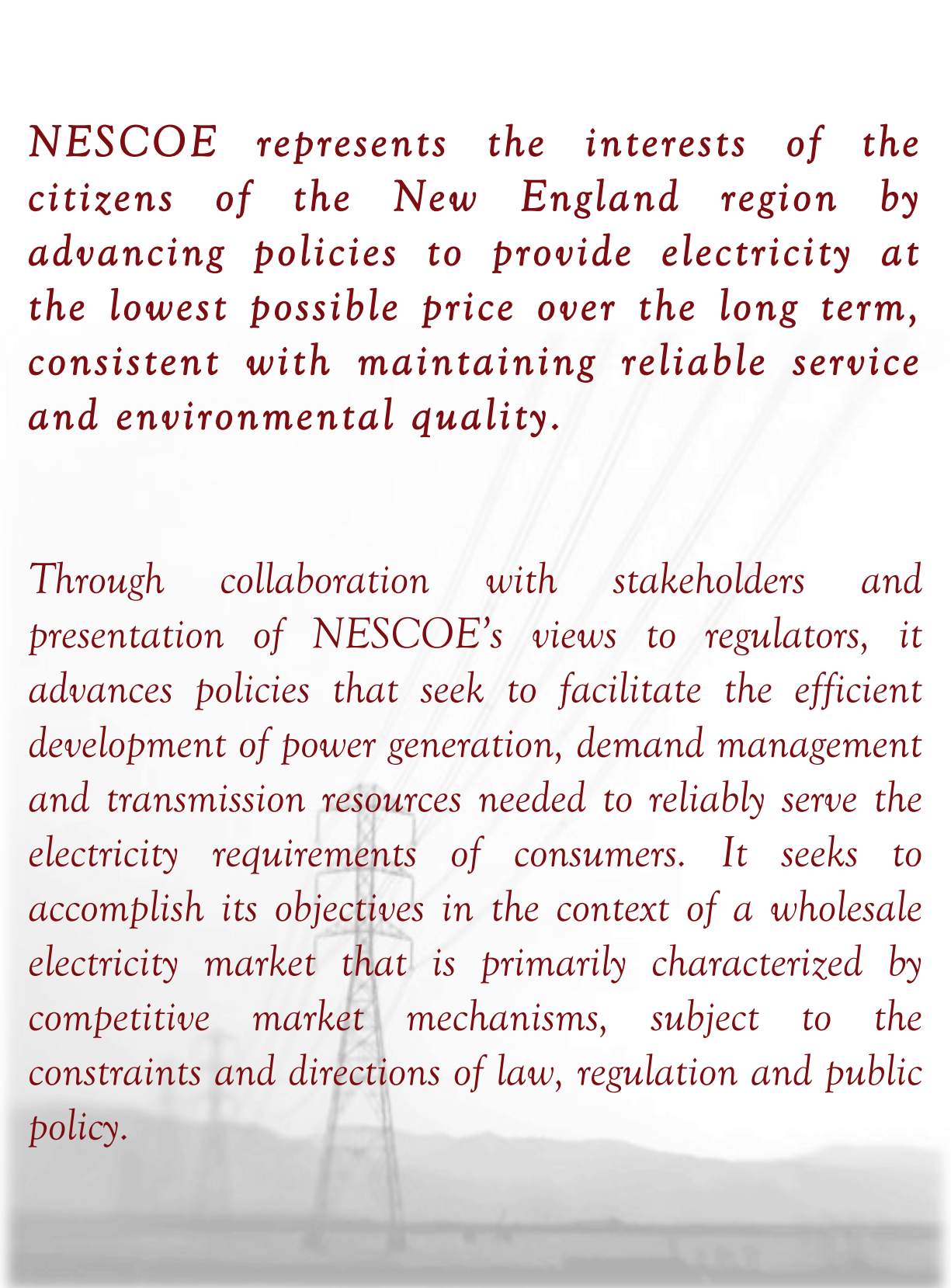
# 2010 Report to the New England Governors

New England States Committee on Electricity



Representing the Collective Interests of the Six New England States

[www.nescoc.com](http://www.nescoc.com)



*NESCOE represents the interests of the citizens of the New England region by advancing policies to provide electricity at the lowest possible price over the long term, consistent with maintaining reliable service and environmental quality.*

*Through collaboration with stakeholders and presentation of NESCOE's views to regulators, it advances policies that seek to facilitate the efficient development of power generation, demand management and transmission resources needed to reliably serve the electricity requirements of consumers. It seeks to accomplish its objectives in the context of a wholesale electricity market that is primarily characterized by competitive market mechanisms, subject to the constraints and directions of law, regulation and public policy.*

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## Message from the President

On behalf of the NESCOE Managers, I am pleased to present the **2010 Report to the New England Governors**. The Report summarizes NESCOE's work in furtherance of its objectives in 2010 and priority matters on the horizon.

The Managers have followed a deliberate and considered process in growing NESCOE, selecting the right personnel, notably its Executive Director, Heather Hunt, and working with her to build a diverse team of solid professionals, both full time employees and part time consultants, with broad experience in the energy industry. This approach has served the organization well in establishing a strong foundation for effective regional advocacy while balancing the ultimate costs to consumers.

NESCOE has been correspondingly judicious in selecting subject matter areas of involvement, seeking to monitor a wide area of topics and weighing in to affect policy debates where short-term and long-term strategic value is most likely. Similarly, NESCOE has worked closely with representatives of the six states' Governors' offices and utility regulatory bodies, as well as the New England Conference of Public Utility Commissioners, to leverage resources to the greatest combined effect. These efforts have benefitted as well from close coordination with New England's Independent System Operator, NEPOOL, transmission owners, generators, end users, consumer advocates and a variety of non-governmental organizations.

Thank you for your continuing support for this important undertaking.

**Thomas B. Getz**

Chairman, New Hampshire Public Utilities Commission  
President, NESCOE



## SECTION I: GOVERNANCE



NESCOE is directed by Managers who represent the six New England states. Each NESCOE Manager is appointed by his or her respective Governor. Regardless of the number of individuals each Governor appoints as a NESCOE Manager, each New England state has one undivided vote in arriving at NESCOE determinations. NESCOE makes policy determinations with a majority vote (i.e., a numerical majority of the states) and a majority weighted to reflect relative electric load of each state within the region's overall load. To date, all NESCOE determinations have been unanimous, reflecting the region's efforts to achieve consensus on matters of regional electricity policy.

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NESCOE Managers generally conduct business by regular monthly and supplemental conference calls and/or meetings. New Hampshire's Thomas Getz, NESCOE's President, oversees NESCOE's day-to-day operations.

In addition, representatives from various New England Governors' offices contribute their diverse expertise on a regular basis to NESCOE matters. NESCOE appreciates the contributions these perspectives provide to its policy determinations.

## 2010 NESCOE MANAGERS

### STATE OF CONNECTICUT

**Kevin M. DelGobbo**, Chairman, Department of Public Utility Control

Kevin M. DelGobbo was appointed by Governor M. Jodi Rell as Commissioner of the Connecticut Public Utility Control Authority in January 2009. He was subsequently elected by the Authority to serve as Chairman and assumed that role on July 1, 2009

As Commissioner, he specializes in Electric Industry issues. Commissioner DelGobbo serves on the National Association of Regulatory Utility Commissioners (NARUC) committees on Electricity and International Relations. He is a member of the Connecticut Energy Advisory Board, serves on the Board of Advisors for the CT Institute for Sustainable Energy, the Board of Managers of NESCOE and as Chairman of the Electric Vehicles Infrastructure Council.

Commissioner DelGobbo served in the Connecticut House of Representatives from 1997 to 2008 where he earned bi-partisan respect for his knowledge on Energy and State Budget issues. DelGobbo held a variety of committee assignments during his tenure including the Finance, Public Safety and Regulation Review committees as well as serving as the Ranking member of both the Energy and Appropriations Committees. He also served on the Finance Advisory Council, Medicaid Managed Care Council and the Connecticut Hospitals Task Force.

As a legislator, DelGobbo played a key role in the development of significant state initiatives in the Energy, Telecommunications, and Water industries. In 2005, DelGobbo was a principal co-author of the State's "Energy Independence Act." He was a member of Governor Rell's working group to develop her "Energy Vision" policy for the state. DelGobbo also co-authored 2008 legislation to dramatically transform the state's long-term care system to provide seniors and others with disabilities an opportunity to receive in-home care.

**John A. Mengacci**, Undersecretary, Connecticut Office of Policy and Management<sup>1</sup>  
(curriculum vitae unavailable)

### STATE OF MAINE

**John Cashman**, Chairman, Public Utilities Commission (as of July 2010)<sup>2</sup>

Jack Cashman was appointed to serve as a Commissioner on the Maine Public

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<sup>1</sup> As of 2011, John Mengacci is no longer a NESCOE Manager.

<sup>2</sup> In early 2010, Maine's NESCOE Manager was Sharon M. Reishus.

Utilities Commission in August 2008. At the time of his nomination, Commissioner Cashman was the Senior Economic Adviser to Governor John Baldacci. He served as the Commissioner of the Department of Economic and Community Development from 2003 to 2007. Commissioner Cashman has previously been involved in commercial insurance and real estate sales and real estate development. He also served in the Maine House of Representatives from 1982 to 1992 and the Old Town City Council from 1977 to 1983. He received a Bachelor of Arts Degree, Public Administration from the University of Maine, Orono in 1973.

## COMMONWEALTH OF MASSACHUSETTS

**Ann Berwick**, Chairman, Department of Public Utilities (as of June 2010)<sup>3</sup>

Ann Berwick was appointed Chair of the Department of Public Utilities by Governor Deval Patrick in June, 2010. Prior to that, Chairman Berwick was the Commonwealth's Undersecretary for Energy and also served as Acting Chair of the Energy Facility Siting Board. As Undersecretary, Chairman Berwick was a key participant in the development of the Green Communities Act, the Patrick Administration's signature energy legislation, and worked closely on its implementation with the state's Department of Energy Resources and Department of Public Utilities. Chairman Berwick worked with those agencies on a range of issues, including the introduction of a more progressive building code and the development of renewable resources in the Commonwealth.

Before serving in the Patrick Administration Chairman Berwick was a senior consultant at M.J. Bradley & Associates in Concord, Massachusetts. In that role she advised non-profit organizations and electric distribution and generating companies on a wide range of issues, including environmental science; pollution control technology; and developments in state and federal energy and environmental law, regulation, and policy.

Chairman Berwick served as Chief of the Environmental Protection Division in the Massachusetts Attorney General's Office from 1991 to 1996, where she exercised joint oversight of the Massachusetts Environmental Strike Force. From 1996 to 1997 she worked in the Alaska Attorney General's Office, where she participated in litigation before the Ninth Circuit Court of Appeals and the U.S. Supreme Court. She has also been a legal services attorney, and a partner in the litigation department at the Boston law firm Goulston & Storrs.

Chairman Berwick holds a B.A. from Radcliffe College and a J.D. from the University of Wisconsin Law School.

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<sup>3</sup> In early 2010, Massachusetts' NESCOE Manager was Paul J. Hibbard

## STATE OF NEW HAMPSHIRE

**Thomas B. Getz**, Chairman, Public Utilities Commission (*NESCOE President*)

Thomas B. Getz was appointed Chairman on October 11, 2001 and reappointed June 13, 2007. His current term ends on July 1, 2013. In addition to his duties as Chairman of the Commission, he serves as Chairman of the Nuclear Decommissioning Finance Committee and Vice-Chair of the Site Evaluation Committee. He is a member of the Telecommunications Planning and Development Advisory Committee and the Advisory Council on Emergency Preparedness and Security. He also serves on the Board of Directors of NARUC and is President of NESCOE.

Chairman Getz graduated from Holy Cross College with a Bachelor of Arts in Political Science. He holds a Juris Doctor Degree from Franklin Pierce Law Center and a Master's Degree in Public Administration from the University of New Hampshire. He previously served as Executive Director of the Commission and in the US Army as an Interrogator for Military Intelligence, 9th Infantry Division.

## STATE OF RHODE ISLAND

**Elia Germani**, Chairman, Public Utilities Commission (*NESCOE Treasurer*)

Chairman Germani was appointed to the R.I. Public Utilities Commission by Governor Lincoln Almond in May 2000 and reappointed to a six-year term in March 2001. He was reappointed to an additional six-year term commencing March 2007 by Governor Donald Carcieri.

Chairman Germani was General Counsel for Blue Cross and Blue Shield of Rhode Island for 18 years. He also was a partner in the law firm of Tillinghast, Collins & Graham and served as attorney and assistant secretary of the Narragansett Electric Company.

Chairman Germani earned his Juris Doctor from Harvard University Law School and a B.A. magna cum laude from the University of Rhode Island. He serves as chairman of the R.I. Energy Facility Siting Board and has been a member of the Board of Governors of Higher Education and the Board of Regents for Elementary and Secondary Education. He currently serves as a member of the Directors of Justice Assistance, which is a non-profit criminal justice agency, and as a member of the Board of Governors of the Providence Boys & Girls Club.



## STATE OF VERMONT

*David O'Brien*, Commissioner, Public Service Commission (*NESCOE Vice President*)<sup>4</sup>

David O'Brien served as the Commissioner of the Vermont Department of Public Service from January of 2003 through January 2011. Before that, he served as Executive Director of the Rutland Economic Development Corporation (REDC), a private non-profit development organization charged with retaining and attracting investment in Rutland County, Vermont. REDC developed industrial property for resale and development as well as a small business commercial loan fund. Earlier in his career, he worked as a commercial banker, first as a commercial lender and then as a Commercial Credit Manager.

He holds a Bachelor of Science degree in accounting from the University of Bridgeport and a Master of Arts degree in Finance from Fairfield University.

## SECTION II: STAFF & CONSULTANTS



In 2010, NESCOE made important progress toward developing the organization to its expected steady state. Its staff and technical consultants bring a cross-section of New England experience to analysis presented to Managers for consideration.

NESCOE's Executive Director is *Heather Hunt*. She assumed her position in January 2009. Previously, Heather had a regulatory law practice, was Director, State Government Affairs at United Technologies Corporation and a Group Director, then Vice President, Regulatory at Southern Connecticut Gas. Earlier, she was a Public Utility Commissioner in Maine and Connecticut and was on the legal staff of a Connecticut Governor. Heather has a Bachelor of Arts in Politics from Fairfield University and a J.D. from Western New England College School of Law.

*Allison Smith* joined NESCOE in 2010 as an Analyst. Previously, Allison was with

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<sup>4</sup> As of 2011, David O'Brien is no longer a NESCOE Manager.

Anbaric Transmission as a Development Associate. Before that she was with Synapse Energy Economics as a Research Associate. Allison has a Bachelor of Arts in Environmental Studies from Dartmouth College and a Master of Studies in Environmental Law from Vermont Law School.

Most recently, **Jeff Bentz**, CPA was named NESCOE's Director of Analysis. Previously, Jeff was with a New England generating facility, MASSPOWER, for nearly twenty years. Jeff served in progressive positions with MASSPOWER and was ultimately its General Manager. Earlier in his career Jeff was with Arthur Andersen and Company. Jeff has a Bachelor of Science degree in Accounting from Central Connecticut State University.

NESCOE has retained consultants to provide technical analysis in the areas of system planning and expansion and resource adequacy. **Waine Whittier**, of Vienna Ventures, Inc. of Maine and **George Smith** P.E., of Vermont, both of whom are electrical engineers with substantial planning, transmission and engineering experience in New England, support NESCOE with technical analysis. **Ray Coxe**, President of Mosaic Energy Insights, Inc., of Massachusetts, advises NESCOE on mechanisms to facilitate development of the region's cost-effective renewable resources, such as the recent Request for Information from renewable developers and transmission owners to inform future decisions about the potential for coordinated procurement.

NESCOE has used **Harvey Reiter** of the law firm of Stinson Morrison Hecker, LLP on certain energy and organizational matters since its formation.

In late 2010, NESCOE retained the legal services of **Elizabeth Grisaru** of the law firm of Whiteman, Osterman and Hanna, LLP to assist with regulatory and other matters. Her previous experience includes work in state government and at the New York Independent System Operator.

### SECTION III: COORDINATION WITH REGIONAL STATE ENTITIES



To ensure coordination and communication by and between state entities in the New England region, throughout 2010 NESCOE participated in New England Conference of Public Utility Commissioners' (NECPUC) bi-weekly staff conference calls; NECPUC's monthly conference calls with ISO New England Inc. (ISO-NE) staff; and, NECPUC monthly conference calls with the Federal Energy Regulatory Commission (FERC) staff. NESCOE also attended several meetings in 2010 with NECPUC Commissioners and ISO-NE's Board of Directors, as well as NECPUC's Annual Symposium.

NESCOE coordinated with the New England Governors Conference (NEGC) on substantive matters throughout 2010. For example, NESCOE presented at the 2010 Conference of the New England Governors' Conference/Eastern Canadian Premiers and attended the NEGC's 2010 Northeastern International Committee on Energy (NICE) meeting(s). NEGC also monitored the work of NESCOE's Renewable Procurement Work Group that contributed to the 2010 *Report to the New England Governors on Coordinated Renewable Procurement*.

In addition to regularly scheduled interactions, NECPUC, NEGC and NESCOE staff also communicates informally on a regular basis about subject matters under discussion by each of these organizations. Such regular formal and informal communications ensures coordinated policy positions where appropriate and protects against duplication of efforts on subject matters of mutual interest. NESCOE expresses its appreciation to William Nugent, NECPUC's Executive Director and to John Shea, NEGC's Executive Director, for their continuing efforts that make effective coordination possible.

## SECTION IV: 2010 ACTIVITY, FOCUS AREAS & ACCOMPLISHMENTS

### *Regional Stakeholder Meeting Participation*



NESCOE participated in regional stakeholder meetings throughout 2010. This included regular participation in NEPOOL's Participants, Reliability, Transmission and Power Supply Planning Committee meetings. NESCOE also participated in ISO-NE's Planning Advisory Committee (PAC) and Consumer Liaison Group meetings. NESCOE appreciates ISO-NE allowing it to provide stakeholders with periodic updates about certain NESCOE activities at PAC meetings. Together, those committees held approximately seventy-five (75) meetings in 2010. In 2011, NESCOE will continue to attend these committee meetings as well as NEPOOL's Markets Committee, with a focus on issues that have implications on system planning and expansion and resource adequacy.

*NESCOE participated in approximately 75 regional stakeholder meetings in 2010.*

NESCOE also participated in various NEPOOL working groups convened for the purpose of determining whether the region's stakeholders would express a collective viewpoint to FERC on rulemakings and, if so, to reach consensus on the region's perspective. NESCOE appreciates NEPOOL welcoming its participation in such Work Groups. They enable NESCOE to understand diverse stakeholder perspectives as NESCOE shapes its views.

With respect to interregional coordination, NESCOE participated from time to time as issues warranted in the Inter-area Planning Stakeholder Advisory Committee meetings; the Northeast Power Coordinating Committee Government Relations Committee meetings; and, the NEGC Northeast International Committee on Energy meetings.

In addition to meeting participation, to increase regular communication about NESCOE's priorities to stakeholders in 2011, NESCOE will post on its website periodic summaries of work completed during the prior month(s) and near-term substantive priorities.

### *Comments to Regulators, Agencies and ISO-NE*



Throughout 2010, NESCOE presented written comments to federal regulators, agencies and ISO-NE representing the region's collective point of view on matters related to resource adequacy and system planning and expansion that could affect New England consumers.

For example, NESCOE presented to the FERC New England's perspective in response to the FERC's *Notice of Proposed Rulemaking on Transmission Planning and Cost Allocation* (Transmission NOPR). In the Transmission NOPR, FERC proposed potential fundamental changes to transmission planning to meet public policy objectives, such as renewable portfolio standards, and to allocating the costs of facilities located in other regions. With regard to the latter proposal, NESCOE has a particularly strong interest in making sure New England consumers are not involuntarily allocated costs to support transmission in other regions that New England consumers do not need to meet reliability or public policy objectives. In 2011, NESCOE will work with ISO-NE and New England stakeholders to implement any changes to New England's planning process and cost allocation that may be necessary following FERC's issuance of a final order in the Transmission NOPR proceeding.

Another example of NESCOE comments on issues of system planning and expansion with significant consumer implications were those submitted to ISO-NE on its Draft 2010 Regional System Plan (RSP). Specifically, NESCOE requested that future RSPs



more comprehensively and clearly specify the characteristics of the physical solutions that can meet needs defined in ISO-NE needs assessments, as required by ISO-NE's planning process Attachment K (i.e., Attachment K of ISO-NE's Tariff). Fuller analysis in this area will better inform policy-makers about various solutions that can meet consumer needs and provide important information to market participants.

NESCOE also requested that ISO-NE adjust its load forecast to reflect current ratepayer-funded state energy efficiency programs and their current scheduled ramp up. To this end, in 2011, NESCOE will work with ISO-NE and stakeholders to collect data and develop a methodology to account for energy efficiency program savings in planning. Resolution of this issue will help ensure energy savings that result from ratepayer-funded energy efficiency programs are appropriately recognized in ISO-NE's planning process, which identifies, for example, whether and when ratepayer-funded transmission facilities may be needed.



A representative sample of other NESCOE comments is as follows:

- **FERC's Consideration of ISO-NE's Approach to Installed Capacity Requirements.** NESCOE filed comments with the FERC on ISO-NE's proposed Installed Capacity Requirement and related values used in the final Forward Capacity Market reconfiguration auction and emphasized the need for ISO-NE to provide analysis of a range of alternatives together with a detailed explanation of reliability needs, estimated emergency events, and cost implications of options. *January 2010.*
- **Northeast Coordinated System Plan:** NESCOE provided comments to ISO-NE on various issues relating to the Draft *Northeast Coordinated System Plan*. *April 2010.*
- **North American Electric Reliability Corporation Matters Before FERC:** NESCOE filed comments in two FERC dockets pertaining to NERC-related matters, including a "100kV proposal" and a "Single Contingency Proposal", both of which presented resource adequacy and system planning issues with consumer cost implications. *May 2010.*
- **FERC Cost Allocation Matters:** NESCOE filed comments with FERC requesting

that any cost allocation methodology approved for Southwest Power Pool be expressly limited to that region, *May 2010*. NESCOE also filed with FERC a protest concerning an involuntary interregional cost-allocation proposal advanced by a Regional Transmission Operator in another part of the country that New England would consider adverse to its ratepayers if applied to the Northeast. *November 2010*.

- **National Renewable Energy Laboratory’s Interconnection-Wide Wind Development Analysis:** NESCOE analyzed the National Renewable Energy Laboratory’s (NREL) Eastern Wind Integration and Transmission Study (EWITS) and met with NREL representatives. NESCOE communicated concerns about EWITS to the PAC and later to NREL. NESCOE explained why, despite EWITS’ substantial data, it is not in its current form a study policy-makers can rely upon to inform policy decisions. NESCOE also identified what would be needed in such a study to enable that study to guide policy options. For example, NESCOE recommended that EWITS provide a comparative assessment of reaching carbon and renewable goals through regionally-focused renewable, efficiency, and distributed generation development if its point is to help policy-makers sort through the most cost-effective, technically feasible way to meet clean energy goals. *May 2010*.
- **Assumptions for ISO-NE’s 2010 Economic Study, *New England Power System 2030*:** NESCOE submitted comments on ISO-NE’s preliminary draft assumptions for the *2030 New England Power System*, including recommended modifications to the scenarios, energy efficiency assumptions and preliminary estimates of non-wind renewable development in New England in the year 2030. *July 2010*.
- **U.S. Department of Energy (DOE) Congestion Report:** NESCOE filed comments with the U.S. DOE on its Draft 2009 Congestion Report, which removed New England as a Congestion Area of Concern and found that “[T]he region [New England] has shown that it can permit, site, finance, cost-allocate and build new generation and transmission, while encouraging new demand-side resources as well.” DOE Report at 58. NESCOE briefly discussed a planning issue that warranted clarification and transmission related to renewable development. *June 2010*.

## *Presentations*



In response to requests from various organizations in the Northeast, NESCOE made several presentations in 2010. NESCOE appreciates the opportunity presentations offer to share information about current issues and to receive stakeholder feedback.

A representative sample of 2010 presentations is as follows:

- *Boston Bar Association, Eastern Interconnection Planning, June 2010*
- *NEPOOL Participants Committee Summer Meeting, State Conversation About Coordinated Renewable Procurement, June 2010*
- *New England Governors/Eastern Canadian Premiers Annual Conference, Coordinated Renewable Energy Procurement, July 2010*
- *DOE-supported New England Wind Energy Education Project's Webinar No. 1, May 2010*
- *Northeast Energy & Commerce Association, NESCOE, April 2010*
- *Energy Bar Association, Northeast Chapter, Wind Development, PJM, NYISO and ISO-NE, February 2010*

## *Transmission Siting*



In 2009, the *New England Governors' Renewable Energy Blueprint* identified that one potential mechanism to facilitate development of the region's renewable resources is coordinated siting of interstate transmission facilities. A comprehensive review of state siting laws indicate that the states' distinct substantive and procedural statutory siting requirements prescribe in large part the way in which siting review processes must proceed in each state. However, the same laws, to varying degrees, present opportunity for interstate coordination. To the extent siting approvals can be coordinated within the bounds of state law, interstate transmission projects that emerge as cost-effective ways to deliver renewable

or low carbon power to consumers could be sited more quickly than would otherwise occur. NESCOE will continue work in this area in the year ahead in coordination with state siting authorities and transmission owners and developers as appropriate.

Separately, in 2010, the National Center for Interstate Compacts, a policy program of the Council of State Governments (CSG), created a National Advisory Panel to examine the potential for interstate compacts on siting interstate transmission lines. CSG invited NESCOE to be on the Panel. NESCOE generally expressed the view that siting processes and challenges are diverse across the country. Hence, solutions to challenges may be most amenable to regional approaches. NESCOE also offered that time spent on coordination of siting interstate facilities may be more effectively dedicated to coordinating processes within current law, as identified in the *Blueprint*, rather than on developing a compact, which has significant legal, practical and political barriers. NESCOE also provided the New England states' perspective on CSG's white paper on siting compacts.

### *Facilitating Development of the Region's Cost-Effective Renewable Resources*



In 2009, the New England Governors adopted the *New England Governors' Renewable Energy Blueprint (Blueprint)*. The *Blueprint* and associated technical analysis conducted by ISO-NE, referred to as the *Renewable Development Scenario Analysis*, showed that developing far less than New England's maximum renewable resource potential would enable New England to meet its renewable energy goals and that more aggressive development of generation resources - with corresponding transmission infrastructure investment - would enable New England to export clean power to its neighbors. The data also showed that in-region development of renewables and access to renewable energy from neighboring systems appears possible with significantly less capital investment for transmission infrastructure than would be required to import an

equivalent quantity of power from more remote, out-of-region sources on new, high-voltage transmission lines.

In 2009, the New England Governors directed continued work on potential means to facilitate development of cost-effective renewable energy resources located in and proximate to New England. In mid-2010, NESCOE submitted to the Governors a *Report to the Governors on Coordinated Renewable Power Procurement* (the Report). NESCOE presented the Report to the New England Governors' Conference, Inc./Eastern Canadian Premiers' July 12, 2010 Annual Meeting. NESCOE also presented the Report to FERC staff.

To assist in the consideration of next steps, in the summer of 2010, NESCOE solicited stakeholder comments on the Report. In the fall of 2010, renewable developers, transmission companies, ISO-NE and others provided valuable input.

In November 2010, NESCOE announced its intent to issue a Request for Information (RFI) to help identify the renewable energy resources within New England and neighboring regions that have the greatest potential for helping New England meet its renewable energy goals at the lowest overall, or "all-in", delivered cost of electricity. The RFI was designed to gather information relating to both renewable energy generation projects and associated transmission projects that may be necessary to deliver the output of those projects to load within New England. The RFI solicited information from new generation projects in New England, Québec, the Maritimes and New York whose output would be: 1) deliverable to New England

***ISO-NE's Renewable Development Scenario Analysis shows:***

- 1. Developing far less than New England's maximum renewable resource potential would enable New England to meet its renewable energy goals. More aggressive development of generation resources - with corresponding transmission infrastructure investment - would enable New England to export clean power to its neighbors.*
- 2. In-region development of renewables and access to renewable energy from neighboring systems appears possible with significantly less capital investment for transmission infrastructure than would be required to import an equivalent quantity of power from more remote, out-of-region sources on new, high-voltage transmission lines.*



consumers; 2) able to be placed into service in 2016; and, 3) qualify to meet Renewable Portfolio Standards in five New England States (Connecticut, Maine, Massachusetts, New Hampshire and Rhode Island) and renewable energy goals in Vermont.

In broad terms, the objectives of the RFI were as follows:

- Identify individual renewable projects, or logical groupings of such projects, for which a targeted coordinated renewables procurement process could meaningfully facilitate commercial operation;
- Provide the basis to identify conceptual transmission designs that could efficiently integrate some or all of the candidate generation projects, with input from ISO-NE and the regional Transmission Owners;
- Broadly estimate the contribution that identified projects, or groups of projects, could make towards meeting the region's renewable energy goals; and,
- Obtain key non-financial information regarding such projects to allow further analysis and inform decisions.

NESCOE issued the RFI in December 2010, held an informational session for potential respondents in January 2011 in connection with a PAC meeting. The information provided in response to the RFI in early 2011 will help inform future steps, which may include: no further action; further technical analysis of potential clusters of renewable projects and associated transmission required to move it load; and/or, further consideration a coordinated Request for Proposals to help meet New England's renewable energy and environmental goals in the most cost-effective manner. NESCOE will continue to consider whether and how to facilitate development of the region's cost-effective renewable resources. In addition, NESCOE will communicate the region's direction to federal officials and others who are examining the potential to build transmission to move power from renewable and coal resources located in distant parts of the country to the East Coast and allocate costs for such infrastructure to East Coast consumers.

## *Installed Capacity Requirements and Tie Benefit Assumptions*



In 2010, NESCOE participated in a regional stakeholder process as requested by NEPOOL and formalized by FERC to address a series of issues related to tie benefits.

In short, tie benefits from neighboring Control Areas reduce the Installed Capacity Requirement and the amount of capacity New England consumers have to purchase to meet the New England resource adequacy criterion. The stakeholder process addressed the use of “as is” versus “at criterion” modeling assumptions for the third annual reconfiguration auction tie benefits calculation and continued discussion on a series of other tie benefit-related issues.

NESCOE and other stakeholders developed an alternative to the proposal advocated by ISO-NE. The alternative proposal would have calculated tie benefits for the third annual reconfiguration auction using “as is” modeling assumptions about system conditions in neighboring Control Areas, and apply an upper limit fixed at a specific megawatt amount of tie benefits. The interest in an alternative proposal was to address reliability issues in a way that considered consumer costs more so than ISO-NE’s preferred approach. While the alternative proposal had stronger stakeholder support than did ISO-NE’s proposal, it was nevertheless short of support required to achieve “jump ball” status before the FERC (i.e., legal status equivalent to ISO-NE’s proposal). NESCOE will continue work on tie benefit-related issues in 2011 that would satisfy reliability goals in way that considers consumer costs, including review of ISO-NE’s tie benefit cost analysis that ISO-NE did not present to states and stakeholders during the 2010 stakeholder process.

## *Eastern Interconnection Planning*



Throughout 2010, the New England states and stakeholders engaged in significant and resource intense activity related to an interconnection-wide review of existing regional transmission plans and other analysis that will ultimately result in the development of three transmission build-out scenarios reflecting various policy options.

The DOE provided federal funds to two entities to support studies of transmission development scenarios for the country's three interconnection networks. New England is part of the Eastern Connection, which extends from the foot of the Rocky Mountains to the Atlantic seaboard. First, DOE funded the Eastern Interconnection Planning Collaborative (EIPC), which supports transmission planners' work with diverse stakeholder groups, such as generators, transmission owners and developers, environmental advocates and end users. Second, DOE funded the Eastern Interconnection States' Planning Council (EISPC), which facilitates thirty-nine states' coordination to enable collective state input to the EIPC process. The EISPC will, among other matters: assist in the development of a reference case against which to compare future transmission development scenarios; define some of the EIPC macroeconomic future scenarios and provide input on others; and, identify one of three transmission build-out scenarios while providing input on others.

New England's public utility commissioners and representatives appointed by the Governors, many of whom are NESCOE Managers, represent New England's interest in EISPC. In broad terms, the New England states' goals are to obtain objective data about potential policy options that could inform New England's planning process and to ensure that the ultimate analysis fully reflects resources in and around New England that could meet the region's energy and environmental goals cost-effectively. For purposes of EISPC,

New England and New York are one region. This has presented a valuable opportunity for increased communication about planning with New York public officials and stakeholders.

In 2010, NESCOE assisted the region’s analysis and coordination in advance of EISPC decision points including, for example, identification of the “futures” most important to New England consumers and challenges to the proposed “baseline infrastructure” against which the “futures” will be evaluated. NESCOE also worked closely with NEPOOL to coordinate the northeastern states’ and stakeholders’ perspectives as appropriate. Close coordination between states and stakeholders is important to region’s ability to ensure New England’s interests are fully considered. NESCOE will continue this work in 2011.

The EIPC process provides an important opportunity to obtain objective data about cost-effective resource development. If the assumptions and analysis are not properly structured, however, it could also present the risk that New England consumers are asked to pay for transmission to reach distant resources, including coal and wind, the region does not need to meet its energy and environmental goals.

### *2010 Economic Study: 2030 Power System Study*



In April 2010, NESCOE requested that ISO-NE conduct a study of New England’s power system twenty (20) years into the future (*2030 Power System Study*) and presented that request to the PAC. NESCOE also proposed assumptions for the analysis to ISO-NE and the PAC, including for example, assumptions about the expected level of non-wind renewable resource development and energy efficiency program investment impacts over a 20-year period.

The purpose of the *2030 Power System Study* is to forecast reliability, cost, and policy compliance outcomes that would be expected for New England’s power system over a 20-year period under assumptions that reflect status quo market and reliability constructs.

In addition, NESCOE requested two additional studies related to: 1) market-sourced replacement or repowering of existing carbon-heavy traditional generating resources (i.e., coal- and oil-fired) that could be approaching the end of their useful economic lives; and, 2) replacement of the same through the competitive procurement of additional renewable resources for New England electricity consumers from New England and neighboring Canadian provinces.

The analyses will assist the New England states in meeting the Governors’ goals to pursue power system evolution in a way that minimizes consumer costs while responding to energy and environmental challenges. In addition, the analyses will address key power system issues related to the possible turnover of New England electricity infrastructure over a 20-year period. Further, the analyses will provide an important baseline for comparing New England’s future to EIPC’s “futures” analyses. As noted, the EIPC “futures”, transmission expansion scenarios and the baseline infrastructure against which “futures” will be assessed are being developed through an interconnection-wide stakeholder process. Accordingly, they may not accurately reflect New England’s perspectives on regulatory and market structures or the New England states’ energy and environmental objectives. The *2030 Power System Study* should provide valuable data for New England against which to assess the EIPC future scenarios and assist New England policy makers assess policy options that are in New England consumers’ best interest.

In 2011, NESCOE will evaluate the study results and consider potential means to resolve challenges, if any, the study forecasts over a 20-year period if the region’s older coal and oil-fired resources are replaced with: natural gas-fired combined cycle units; renewable resources within New England; and/or imports from Canada. This resource adequacy and system planning evaluation will also necessarily consider: 1) the potential resource



adequacy impacts of proposed regulations by the U.S. Environmental Protection Agency; and, 2) ISO-NE's *New England Wind Integration Study*, issued in December 2010, which indicates that if there is significant penetration of wind generation in New England the region may need additional reserves and regulation capacity.

## SECTION V: PRIORITIES FOR 2011 AND 2012



In the year ahead, NESCOE will continue the day-to-day work it performed in 2010. This includes but is not limited to active participation in regional stakeholder meetings and regular communications with federal agencies and ISO-NE about the New England states' collective point of view on matters relating to resource adequacy and system planning and expansion. In addition, NESCOE expects to focus much of its substantive efforts in 2011 and 2012 in the following areas:

- Review and provide input on ISO-NE's plans and planning processes, including but not limited to Regional System Plans, forecasting and needs assessments and planning processes related to potential retirements; and, evaluate anticipated analysis from ISO-NE that more specifically identifies the physical characteristics of physical solutions that may satisfy identified system needs, pursuant to Attachment K.
- With ISO-NE and stakeholders, participate in the implementation of changes, if any are required, to New England's transmission planning processes and interregional cost allocation that may result from a FERC order issued in connection with its 2010 Transmission and Cost Allocation NOPR.
- Assess the results of the 2030 *Power System Study*, concerning the potential replacement of New England's older coal-and oil-fired resources with: natural

gas fired units; renewable resources; and/or Canadian imports; work with stakeholders and ISO-NE to understand the implications of the study results and in light of those, consider potential solutions that may be necessary for the region to continue to provide consumers with reliable service at the lowest possible cost over the long-term. This resource adequacy and system planning evaluation will necessarily include an assessment of the potential implications of: proposed regulations by the U.S. Environmental Protection Agency; ISO-NE's *New England Wind Integration Study*, issued in December 2010, which indicates that if there is significant penetration of wind generation in New England the region may need additional reserves and regulation capacity; and, ISO-NE's planning processes in relation to potential power plant retirements. Based on that assessment and discussions with ISO-NE and stakeholders, consider potential actions to address issues in a way that provides reliable service and maintains environmental quality at the lowest possible cost over the long-term.

- With the goal of obtaining objective data from interconnection-wide macroeconomic studies and expansion studies in order to inform regional planning in New England, continue to: 1) facilitate coordination and substantive input of the New England states in EISPC activities; and, 2) facilitate, with NEPOOL, coordination of the regions' activities and positions as appropriate in EIPC.
- Continue to monitor transmission owners' project cost<sup>5</sup> estimates as identified during the planning process and compare them to their actual costs to encourage cost estimates to be as close to actual costs as reasonably possible; monitor transmission incentives awarded by FERC and encourage FERC to

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<sup>5</sup> The description of transmission projects in the 2010 Regional System Plan includes 189 projects at a total cost of approximately \$5 billion. On the basis of these costs, the Regional Network Service transmission rate is expected to grow from \$64.83/kilowatt-year (kW-year) in 2010 to \$110.07/kW-year in 2014, an increase of almost 70%.

award bonus incentives on a case by case only when determined to be a necessary prerequisite to transmission investment.

- With ISO-NE and stakeholders, develop and/or assist in the development of a methodology to appropriately reflect savings achieved from consumer investments in energy efficiency in ISO-NE's load forecast, which informs ISO-NE's plans that identify whether and when new ratepayer-funded transmission facilities are needed. This will include review of energy efficiency data resulting from state energy efficiency programs to inform the development of a methodology appropriate to use in regional planning over the long-term.
- Continue to consider means to facilitate development of renewable resources in and around the region able meet the region's energy and environmental objectives most cost-effectively within mechanisms available under current law, such as regionally coordinated procurement.
- With state siting authorities and transmission owner and developers as appropriate, work on developing efficient and practical mechanisms available under current law to coordinate siting of interstate transmission facilities as identified in the *Blueprint*.
- Review and provide input on ISO-NE's Installed Capacity Requirement value recommendation and consider modifications to the region's approach to tie benefits that have consumer cost implications and warrant continued work following the 2010 stakeholder process. This includes, among other issues, review of ISO-NE's tie benefit cost analysis not considered by states and stakeholders during the 2010 tie benefit stakeholder process.
- Assess ISO-NE's approach, adopted in 2010, to providing states and stakeholders with quantitative and qualitative analysis on major initiatives that

will affect the bulk power system, with a focus on ensuring the consumer cost implications of proposed initiatives, and alternatives as appropriate, are understood and considered in decision-making.

- The range of issues discussed above suggest that the characteristics of New England’s electric system could change significantly in the years ahead: emissions regulations could influence the availability of coal and oil- fired generating units; Renewable Portfolio Standards may increase the level of renewable resources in the region’s generation mix; energy efficiency, demand resources, and distributed generation advances could alter load profiles; and, electric vehicles, heat pumps, and other new technologies might require new resources to meet load growth.



These challenges also present opportunities. Controllable transmission devices may offer increased flexibility in the use of the transmission system and end device electronic controls may offer flexibility for controlling customer loads. Effective application of a “smart grid” may capitalize on opportunities by allowing load to begin to perform some of the functions historically provided by generating resources. For example, dispatch operations might control generation and load might be dispatched to match non-controllable base load and renewable resources.

NESCOE will collect existing information and analysis (or if needed, conduct or collaborate on analysis) about the potential consumer benefits that smart grid might provide. Such analysis is important to inform policy makers’ decisions about system planning and the adequacy of the region’s resources. For example, policy makers would benefit from understanding the extent of the value to consumers associated with:

- dynamically shifting load from peak hours to off-peak hours;
- load that can respond to ten-minute and thirty-minute reserve requirements;
- load that can be controlled by a smart grid that could adapt to the output from intermittent resources (e.g., wind);
- quick responses controlled by a smart grid to increase the size of the single largest loss of source that could be tolerated by the electric system; and,
- a grid that can accommodate the penetration of electric vehicles for both charging and using vehicles as an energy storage mechanism.



## **VI. 2010 EXPENDITURES**

In 2010, NESCOE's spending, set forth below, increased over that in 2009 commensurate with its increasing substantive activity. As in its first years of operation, in 2010 NESCOE continued to grow at a measured pace mindful that incremental steps tend to be well-informed steps and that unspent funds reduce future collections.

An independent audit of NESCOE's books, as a subsidiary of the New England Governors' Conference, Inc., for the year-end June 30, 2010 is underway. An independent audit of NESCOE's books for the year-end June 30, 2009 was completed and presented to the Board of Directors of the New England Governor Conference and to NESCOE in May 2010. The independent auditor opined that NEGC and NESCOE's consolidated financial statements presented fairly, in all material respects, the financial position of NEGC and NESCOE as of June 30, 2009, and the changes in its net assets and cash flows for the year then ended, was in conformity with accounting principles generally accepted in the United States of America. Pursuant to prior audit recommendations, and consistent with communications with NEPOOL, ISO-NE and the New England Governors, NESCOE applied for separate legal status from the NEGC. Among other advantages, this change will enable NESCOE's annual audit to align with its calendar budget year in future years.

**NESCOE, LLC**  
**Statement of Spending**  
**Calendar Year 2010**

<b>Direct Expenses, Consulting</b>	
Technical Consulting	<u>184,438.75</u>
<b>Employment and Benefits</b>	
Salaries and Wages	183,192.16
Payroll Taxes	10,999.78
Employment and Benefits - Other	<u>2,033.77</u>
	<u>196,225.71</u>
<b>General and Administrative</b>	
Business Registration Fees	2,350.00
Dues and Subscriptions	11,055.00
Filing Fees	50.00
Insurance	1,574.00
Office Expenses	211.99
On Line Computer Services	419.76
Postage and Delivery	102.61
Printing and Copying	21.19
Professional Services	27,308.32
Recruiting Expenses	427.00
Supplies	305.86
Telephone, Telecommunications	4,987.93
Travel and Meetings	<u>35,086.94</u>
	<u>83,900.60</u>
<b>Capital Expenditures</b>	
Equipment Purchases	<u>3,975.26</u>
<b>Total Expenses</b>	<u><u>468,540.32</u></u>

## VII. BUDGETS 2011, 2012

NESCOE's 2011 budget, which is within the five (5) year pro-forma, was presented to and affirmed by NEPOOL in August 2010. At that time, NESCOE also presented a preliminary 2012 budget to NEPOOL. The 2011 budget was then submitted to and approved by the FERC.

<b>NESCOE Pro Forma Budget</b>		
<b>2011 2012</b>		
	<b>2011</b>	<b>2012</b>
<b>Salaries and Wages</b>		
Salaries	750,000	800,000
Payroll Taxes	75,000	80,000
Health and Other Benefits	187,500	200,000
Retirement §401(k)	22,500	24,000
	<u>1,035,000</u>	<u>1,104,000</u>
<b>Total, Salaries and Wages</b>		
	<b>1,035,000</b>	<b>1,104,000</b>
<b>Direct Expenses - Consulting</b>		
Technical Analysis	400,000	440,000
Legal (FERC)	100,000	120,000
	<u>500,000</u>	<u>560,000</u>
<b>Total, Direct Expenses, Consulting</b>		
	<b>500,000</b>	<b>560,000</b>
<b>General and Administrative</b>		
Office and Administrative Expenses	41,100	42,800
Professional Services	70,500	63,500
Travel and Lodging	100,000	150,000
	<u>211,600</u>	<u>256,300</u>
<b>Total General and Administrative</b>		
	<b>211,600</b>	<b>256,300</b>
<b>Capital Expend. &amp; Contingencies</b>		
Computer Equipment, etc.	16,000	5,000
Contingencies	197,000	214,000
	<u>213,000</u>	<u>219,000</u>
<b>Capital Expend. &amp; Contingencies</b>		
	<b>213,000</b>	<b>219,000</b>
<b>TOTAL EXPENSES</b>	<u><b>1,959,600</b></u>	<u><b>2,139,300</b></u>
<b>BUDGET</b>	<b>1,970,000</b>	<b>2,140,000</b>

## For More Information

**Web Site:** [www.NESCOE.com](http://www.NESCOE.com)

**E-mail:** [HeatherHunt@nescoe.com](mailto:HeatherHunt@nescoe.com)  
[Communications@nescoe.com](mailto:Communications@nescoe.com)

**Office Phone:** 203-380-1477

**Mobile Phone:** 203-610-7153

**Facebook:** <http://www.facebook.com/pages/New-England-States-Committee-on-Electricity/100576639985710>