



**Northeast
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September 13, 2010

Lisa J. Thibdaue
Vice President – Rates & Regulatory

Heather Hunt
Executive Director
New England States Committee on Electricity
coomunications@nescoe.com

Re: Report to the New England Governors on Coordinated Renewable Procurement

Dear Ms. Hunt,

The electric distribution companies (“EDCs”) of Northeast Utilities (The Connecticut Light and Power Company (“CL&P”), Western Massachusetts Electric Company (“WMECO”), and Public Service Company of New Hampshire (“PSNH”), collectively, “the Companies”) are pleased to submit comments on the New England States Committee on Electricity’s (“NESCOE”), *Report to the New England Governors on Coordinated Renewable Procurement* (“Report”) dated July 12, 2010.

The Companies agree with NESCOE regarding the numerous challenges of regional procurement, and in particular, commend NESCOE for identifying as a “prerequisite”, the cooperation of the region’s EDCs.¹ The Companies experience and responsibilities in procuring renewable energy throughout New England make them uniquely positioned to assist in consideration of regional renewable procurement.

We believe that the benefits of a “coordinated or joint renewable power procurement” outlined in the Report may be an option to “stimulate the market for renewable resources in New England; and, provide value to renewable power developers by creating larger revenue streams than might be possible through single-state procurement”². However, the Companies share the region’s concern regarding costs for renewable power. The Companies also believe that a regional RFP should not be pursued above all other procurement possibilities.

¹ Slide 14, NESCOE July 12, 2010 presentation, *Coordinated Renewable Procurement*, New England Governors & Eastern Canadian Premiers 34th Conference.

² Page 8, Report to the New England Governors on Coordinated Renewable Procurement

Regarding the Report's recommendations:

Recommendation 1: Develop a model regional request for proposal ("RFP") for renewable resources

The Companies would be interested in exploring the concept of a "common solicitation instrument that requests consistent information from bidders and under materially similar terms and conditions should result in uniform baseline information from bidders to enable a coordinated bid evaluation process."³ The Companies acknowledge the challenge of creating terms and conditions agreeable to every state while simultaneously accommodating for requirements unique to particular states. For example, one challenge with entering into long-term contracts for renewable energy arises from regulatory and legislative uncertainty, as well as state statutory differences, surrounding renewable power requirements and even the definition of what qualifies as renewable. As noted in the Report, currently each state has developed its own standards for what is classified as renewable energy. The markets for renewable energy credits ("RECs") also vary from state to state. We believe the first order of business is the development of a consistent definition of renewable energy, as opposed to the Report's recommendation to begin defining contracting requirements. Furthermore, long-term contracts with EDCs need to include consideration for future changes in renewable standards due to the adoption of a federal renewable standard, or from similar state actions. For example, Massachusetts is currently in the process of modifying its definition of Class I renewable portfolio standard ("RPS") for biomass facilities, and the Connecticut Energy Advisory Board just issued an RFP for a consultant to investigate that state's RPS.

Solicitations are complex and time consuming. The Companies urge NESCOE not to jump in too far or too fast. The Companies believe that bidders will need to understand the entire process from solicitation to regulatory approval before they undertake responding to a solicitation.

Recommendation 2 & 3: Coordinate regional RFP and bid evaluation processes through a New England Renewable Procurement Team

The Report describes a Procurement Team consisting of the EDCs that procure power and those state entities that administer RFPs directly. While the Companies would need to conduct a legal analysis on whether or not there are any potential antitrust issues prior to a regional procurement, the Companies are receptive to participating in a Procurement Team and contribute their experience in power procurement.

Recommendation 4: Form State RFP Coordinating Liaison Council

The Companies understand the proposed State RFP Coordinating Council ("Council") would consist of state entities "other than the regulatory authorities that review and approve proposed contracts", and would provide state perspective to the Procurement Team and to bidders in the early phases of the RFP process. The Companies are concerned that such a Council could unduly hinder the Procurement

³ Page 16, Report to the New England Governors on Coordinated Renewable Procurement

Team's activities. Only one group should be empowered to make decisions about procurement, to avoid adding confusion and unnecessary duplication of efforts in the process..

NU EDC's Experiences in Other Long-term Contracting Programs:

The Companies caution that any regional procurement should be made on a voluntary rather than mandatory basis. Mandatory contracting tends to raise prices because sellers know that the buyer does not have the option of rejecting all offers, even if they are uneconomic.

The Companies have had experiences with various long-term contracting processes in Connecticut, Massachusetts and New Hampshire. In New Hampshire, PSNH has had a positive experience with long-term contracting where it voluntarily entered into two long-term contracts that provide mutual benefits to the buyer, seller, and customers. This has proved to be efficient and productive for both PSNH and the renewable providers.

CL&P has worked with the Connecticut long-term renewable contract program, known as "Project 150", which is a legislatively mandated program to build and operate one-hundred and fifty megawatts of renewable generating capacity in Connecticut. To date, thirteen projects have been approved, even though every project is projected to result in over-market costs to customers, and despite long-term contracts with CL&P, no projects have moved forward, primarily due to financing difficulties.

In Massachusetts, Section 83 of Chapter 169 of the Acts of 2008 requires investor-owned EDCs to solicit proposals from renewable energy developers for the purpose of entering into cost-effective long-term contracts. The EDCs, including WMECO, are currently in the process of soliciting bids to comply with this requirement. Two substantial legal challenges have surfaced around Massachusetts' process regarding utility interactions in bid awards and the requirement for projects to be located in-state.

Financial Implications of Long-Term Contracts for EDCs

In addition, the EDCs are concerned with the potential adverse financial impacts on the buyer under long-term contracts. Accounting rules governing long-term contractual commitments include: (i) the need to disclose projected payments under these contracts, (ii) under certain circumstances, the need to record a capital lease or a derivative or to consolidate the supplier on the EDC's balance sheets. Absent legislative and regulatory protections, requiring EDCs to procure long-term power under contracts could require on-balance-sheet accounting treatment or create a risk that rating agencies would impute the present value of these purchases as debt during their next credit review of the EDCs. The presence of additional debt at the EDC through accounting guidance or rating agency imputation would likely place downward pressure on the EDCs' financial ratios and credit ratings that would potentially affect the EDCs' ability to meet bond covenants and raise new capital for

infrastructure improvements, and which as a result could raise customer rates over the long-run.

The Companies note that any solicitation should also consider deliverability issues and whether or not there is transmission available to move the renewable energy to load.

In conclusion, with the above-mentioned concerns, the Companies stand ready to participate with NESCOE in its investigation of the merits of regional renewable energy procurement.

Cordially,



Lisa J. Thibdaue
As Agent for CL&P, WMECO, and PSNH



**Northeast
Utilities**

One NSTAR Way
Westwood, MA 02090

August 30, 2012

Heather Hunt
Executive Director
New England States Committee on Electricity
NESCO
4 Bellows Road
Westborough, MA 01581

RE: Coordinated Competitive Renewable Procurement Draft Work Plan, August 10, 2012

Dear Ms. Hunt,

The electric distribution companies of Northeast Utilities (“NU”) [NSTAR, CL&P, WMECO, and PSNH], collectively, “the Companies”) are pleased to submit comments on the *NESCOE Coordinated Competitive Renewable Power Procurement Draft Work Plan* (“Draft Work Plan”) dated August 10, 2012. The Companies have a strong track record supportive of the development of renewable power. We believe that, properly structured, there would be benefits to a “coordinated or joint renewable power procurement” as outlined in the Draft Work Plan in order to advance the development of renewable resources in New England. However, we are concerned about the cost impact to customers and believe that a regional RFP should not be pursued above all other procurement possibilities. Additionally, if EDCs are asked to execute contracts with renewable projects, we should be involved in developing the contracts from the outset.

The Companies have substantial experience with various long-term renewable contracting programs across three of the New England States, and we are currently counterparties to or committed to executing contracts with approximately 800 MW of renewable projects, as described below:

The programs in Connecticut include:

- “LREC/ZREC” program, which is a program for the purchase of RECS from facilities with low or zero emissions for a 15 year period. The first round of this procurement process is currently nearing completion, with five additional rounds expected over the next five years. The total capacity of the projects supported by these contracts is estimated to be about 200 MWs of mostly solar power.
- “Section 127”, which includes two contracts with 10 MW of solar facilities that are currently under review with PURA.
- “Project 150”, which is a contracting program that resulted in thirteen PURA-approved contracts with the developers of over 150 MWs of renewable generating capacity.

The programs in Massachusetts include:

- Green Communities Act (2008) Section 83 program, through with WMECO and NSTAR have successfully entered into a total of four contracts with Iberdrola, First Wind and Noble Power totaling 146 MWs for four on land wind farms currently under construction that have been approved by the DPU and an contract with Cape Wind for 129 MW of off shore wind currently under DPU review.
- Under the “NSTAR Green” program which gives Basic Service customers the option of purchasing up to 100% of their power from wind resources, NSTAR entered into two long term wind contracts with Iberdrola and TransCanada totaling 60 MWs have been approved by the DPU.
- NSTAR is currently soliciting the first 5 MW of a 10 MW solar RFP pursuant to the NU/NSTAR merger agreement.
- Section 83A (2012) extends EDC’s obligations to procure renewable energy from 3% to 7% of load under long term contracts will result in further renewable energy development.

The programs in New Hampshire include:

- Chapter 362-F” established the New Hampshire Renewable Portfolio Standard (RPS) in 2007. Section 9 provides for EDCs to enter into multi-year Purchase Power Agreements (PPA) that are determined to be in the public interest. Under that statute, PSNH has successfully entered into long-term contracts with Iberdrola and Laidlaw Berlin Biopower, LLC for 24 MWs of wind power and 65 MWs of biomass power.

The Companies feel the scope of the Draft Work Plan is appropriate and the schedule to complete the Draft Work Plan appears to be adequate. We have specific comments to the Draft Work Plan as follows:

1. Section III(A)(3) – Communications with Electric Distribution Companies (pg. 8):
This Section states, “For those states that conclude participation on the procurement team (PT) is appropriate and/or necessary, communicate with and obtain agreement from respective EDCs to participate in coordinated procurement.” The Companies believe that in the states where we operate, based on the relationship and experience we have developed, it is necessary and appropriate for the Companies to participate on the PT.
2. Section III(B)(3) – Identification of preferred products(pg. 10):
To evaluate the information submitted by project developers, an understanding of transmission upgrades required to integrate these projects into the system and/or congestion created by these projects is required. ISO and local transmission owners will need to be consulted and information obtained so the study team can evaluate the submitted projects. Depending on the responses to the solicitation, an ISO Public Policy Transmission Study may need to be requested. These studies may impact the timing in the Section V (A) – Activity Matrix.
3. Section V(B)(2) – Create Procurement Team (pg 14):
The Companies welcome NESCOE’s comment that EDC participation on the procurement team is critical. EDC participation will allow the NESCOE procurement to

be informed by the substantial experience that they bring to the process. This EDC experience will increase the likelihood that:

- (a) The RFP results in the selection of cost effective projects from bidders who are likely to move forward with project development.
- (b) Any resulting contract would strike the correct balance of terms acceptable to projects and acceptable to the EDCs and their customers.

4. Section IV. Formation of State Legal Subteam & Threshold Legal Issues That May Influence Procurement Design (pg. 10).

The Companies agree that in advance of commencing a coordinated competitive procurement process the state's should form a Legal Subteam with experience in power procurement and knowledge of state statutory, regulatory and/or procedural requirements. The Companies strongly suggest that the Legal Subteam have representation from the EDCs to ensure that the unique EDC concerns are adequately represented.

The Companies would like to refer you of our September 13, 2010 comment letter to NESCOE on the *Report to the New England Governors on Coordinated Renewable Procurement*, dated July 12, 2010 which are attached. These comments remain relevant to the current discussion, and we expect will be among the "Open Issues" that the Procurement Team and the Legal subteam will address.

The Companies continue to be concerned with:

1. Financial Implications to the EDCs: The Companies believe that there is a need for remuneration payments similar to those used in Green Communities Act contracting program in Massachusetts to help mitigate the financial impacts of long term contracts on EDC balance sheets which can increase in the cost of borrowing, particularly as the volume for such contracts grows.
2. Renewable Contract Structure: The structure of the contract can also have financial implications such as mark to market accounting which drives earnings volatility, lease accounting, variable interest entity, and other provision that need to be managed in order to minimize financial impacts.
3. Cost Recovery Provisions: The Companies require contracts with reliable and transparent cost recovery provisions to assure that the total cost and benefits are incorporated into rates.
4. Anti-trust Issues: Coordinated procurements can result in anti-trust concerns. For example, anti-trust concerns were raised in the MA Green Communities Act RFPs for long term PPAs. We were able to resolve these in a satisfactory manner without jeopardizing the success of the solicitation.

Based on the issues discussed above, the Companies strongly believe that they need to be an integral part of the procurement process. EDC representation should include business representatives on the procurement team with deep experienced in all commercial aspects of

soliciting, negotiating and contracting as well as appropriate legal representation on the subteam.

In conclusion, the Companies wish to be significantly engaged in the process of facilitating the implementation of a Work Plan in accordance with the language of the New England Governors' Conference, Inc. resolution, which states: "Whereas the New England Governors continue to be interested in exploring the potential for joint or separate, but coordinated competitive procurement of renewable resources as a means to identify those able to serve customers at the lowest overall delivered cost".

If you have any questions regarding the comments in this letter, please feel free to contact me at 781-441-8258.

Sincerely,

A handwritten signature in black ink, appearing to read "James G. Daly". The signature is fluid and cursive, with a large initial "J" and "D".

James G. Daly
Vice President, Energy Supply
Northeast Utilities
As Agent for CL&P, NSTAR, PSNH and WMECO

Attachment: Northeast Utilities Companies, September 2010 Letters to NESCOE on the *Report to the New England Governors on Coordinated Renewable Procurement, dated July 12, 2010.*



One NSTAR Way, Westwood, Massachusetts 02090-9230

Ellen K. Angley
Vice President
Energy Supply & Supply Chain Management

Via e-mail to: communications@nescoe.com

Ms. Heather Hunt
Executive Director
New England States Committee on Electricity

Re: Report to the New England Governors on Coordinated Procurement

Dear Ms. Hunt,

I appreciate the efforts by NESCOE to promote the development of renewable generation and the opportunity to comment on the July 12th, 2010 Report to the New England Governors (Report).

NSTAR supports the need for regional cooperation to achieve environmental goals through increased renewable generation and the need to coordinate these activities with national developments in the areas of transmission policy. The Report correctly points out the complexity of such an undertaking involving multi state procurements. We, nonetheless, think it worthwhile to engage stakeholders in identifying possible solutions. We appreciate the Report identifying the important role electric distribution companies (EDC) can play in achieving those goals.

The following are some high level comments that NSTAR is prepared to further developed in the context of the stakeholder process identified in the Report.

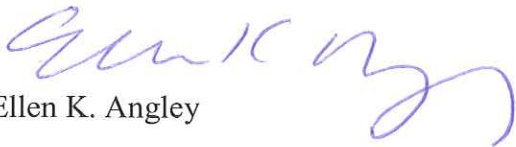
1. Customers: From the customer's perspective the most important driver should be broad based, least cost and competitive so that renewable development does not burden customers unduly.
2. Long term Purchase Power Agreements (PPA): The Report deals extensively with the use of PPAs by Electric Distribution Companies (EDC's) as a vehicle to develop renewable generation. Before we decide that PPA's are the preferred vehicle to project development, we need to consider the development of transmission which can be an enabler for projects and can mitigate the need for or the structures of PPA's. For example, greater access to markets through the provision of transmission can reduce the need for PPA's.
3. PPA Terms: Standardized terms for such PPA's can be complex between multiple states, EDC's and developers but are not insurmountable. Such standardized terms can be used as a starting point for EDC's and developers' negotiations. However, allowing PPA's tailored to meet the developer and EDC needs on a case by case basis has a greater chance of success.
4. Electric Distribution Companies: The fundamental driver for the EDC's is how such PPA's effect their cost of capital through balance sheets impacts. Rating agency perspectives on

how PPA's are taken into account when formulating credit ratings have developed considerably since EDC's last entered into long term PPA's. Carefully constructing PPA's to minimize balance sheet impacts so that there is a balance of risk and reward between customers, shareholders and developers is an important element for success. The stakeholder process needs to address these issues in more detail and recognize that not all states or EDC's will have the same perspective, so one size may not fit all. Flexibility needs to be built into the process to accommodate these differences.

5. Transmission: Transmission is a key enabler for the development of renewable generation, particularly on the scale as identified in the Report. States with the most ambitious renewable programs such as CA and TX have adopted a coordinated approach to the development and funding of transmission for renewable energy. Whether transmission is bundled with the generation or provided as a separate service with separate funding is an issue that needs further discussion and could be developed within the stakeholder process. That process also needs to take into consideration evolving FERC policies regarding the development of transmission and regional solutions that emerge in response to regional policies.

Thanks again for the opportunity to comment and we look forward to developing these concepts further within the structures identified in the Report or any alternative structures you deem appropriate.

Sincerely,



Ellen K. Angley