

The United Illuminating Company
157 Church Street
P.O. Box 1564
New Haven, CT 06506-0901
203.499.2032 Fax: 203.499.3664
Email: Anthony.marone@uinet.com

Anthony Marone
Vice President Client Services and External Relations



September 10, 2010

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 Renewable Procurement

Dear Ms. Hunt,

Thank you for the “Initial Input Opportunity” related to your recent Report to the New England Governors on Coordinated Renewable Procurement. The United Illuminating Company (UI) shares many of the same concerns and recognizes many of the same challenges that NESCOE outlined in its recent report. We are hopeful that your report and the Governors response will lead to a robust stakeholder discussion of many issues including the four recommendations contained in the report; and result in some actionable, cost-effective processes related to these complex issues.

UI and some of the other Electric Distribution Companies (EDCs) in the region already have extensive experience in procuring renewable power and may be able to provide useful insights and suggestions as the process progresses. For example UI, along with The Connecticut Light and Power Company (CL&P) have been involved in the Project 150 program in Connecticut.

UI encourages NESCOE and the Governors to proceed cautiously as they contemplate coordinated procurement; and to consider the following suggestions.

- Avoid Mandates. In general, UI is hopeful that any resulting regional procurement process will be voluntary for EDCs, because this will provide beneficial flexibility which in turn may reduce customer costs over the long run.
- Allow Tailored PPA Terms. While it may be helpful to identify some “best practices” related to PPA terms, UI discourages the establishment mandated standardized terms. Allowing EDCs and renewable developers to tailor PPA terms to individual circumstances/projects may result in the development of more renewable resources at lower costs to customers.
- Consider Financial Impacts. Impacts on EDCs’ balance sheets need to be fully understood and carefully considered. The accounting rules that apply to the buyers of Power Purchase Agreements (PPAs) are rather involved. Under certain circumstances, PPAs can impact: an EDC's credit rating, its cost of capital, its ability to raise capital for critical capital improvements, and ultimately customer costs.

- Accommodate New Transmission. New transmission is a key enabler of larger scale, cost-effective renewable resources. It is critical that the timing of solicitations and any resulting PPAs allow for the development of new transmission in order to capture economies of scale for renewable resources – especially wind energy from remote locations.

We look forward to participating in the discussion of the proposals outlined in NESCOE's recent report and appreciate this opportunity to provide initial input.

Sincerely,

Anthony Marone