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04333-0001

JOHN ELIAS BALDACCI

GOVERNOR

January 22, 2009

Gordon van Welie  
President and CEO  
ISO New England Inc.  
One Sullivan Road  
Holyoke, MA 01040-2841

Dear Mr. Van Welie:

I write to you to request the assistance of the Independent System Operator of New England (ISO-NE) in examining ways by which the New England region can achieve multiple state and federal policy objectives. The New England governors expect President Obama will make early and significant efforts to transform energy and environmental policy. These efforts are likely to be combined with federal funding for infrastructure investment. At the same time, New England's electric transmission system is on the verge of significant changes that will facilitate policies such as energy independence and environmental improvement that the new Administration may find desirable.

As you know, our region has a long history of working together to accomplish energy policy objectives. The New England Governor's Conference Power Planning Committee was involved in the early developments of the New England Power Pool and in the creation of your organization, ISO-NE. The Power Planning Committee now works closely with ISO-NE on multiple issues of energy security and energy policy and our joint efforts have resulted in numerous accomplishments. In addition, New England's utility regulators through the New England Conference of Public Utility Commissioners (NECPUC) have worked with the ISO-NE in the development of wholesale electric markets. Finally, the New England Governors and Eastern Canadian Premiers have joined together through several Resolutions to pursue more coordinated development of our energy industry infrastructures.

Recently, the New England states have adopted significant changes to our energy policies and our energy infrastructure;

- Each of the New England states has joined the Regional Greenhouse Gas Initiative (RGGI) – a first of its kind effort to cap and trade greenhouse gases.
- Five of six of our states have restructured their electric industries to permit competitive retail access to customers. Each of these has adopted a Renewable Portfolio Standard (RPS) that call for significantly increased amounts of renewable energy to be included in the supply portfolios of providers.
- Each of our states has enacted statutes or developed rules requiring us to pursue all cost effective energy before adding new generation.
- ISO-NE has implemented a Forward Capacity Market (FCM) that acquires new generating capacity through competitive bidding. ISO-NE's FCM auction is the first such market in the world that treats Demand Reduction on a par with new generation.
- The ISO-NE has instituted the Regional System Planning (RSP) process, which develops and implements transmission plans for the region's electric utilities that includes all sectors of the power industry, environmental interests, and government agency participation.



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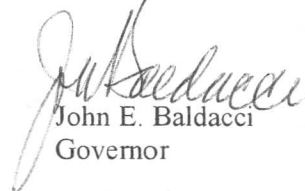
- Many studies have been conducted to identify the location and potential for development of renewable energy sources such as wind energy, biomass development, and tidal power, both in New England and in the Canadian Provinces.
- New England has also instituted a unique transmission funding program that allows regional cost sharing for large transmission projects. This has enabled substantial improvements to our utility infrastructure through transmission construction, which has been a problem in other parts of the country.

This list demonstrates New England's ability to develop and implement energy policies that lead the nation. Even more, we have consistently demonstrated our ability as a region to translate our innovative policy objectives to steel-in-the-ground energy project development.

What we now need, is regional vision for how we can jointly pursue the development of transmission projects designed to transport renewable energy from remote locations (on and off shore) to load centers where the power will be consumed. I write to you to suggest that ISO-NE develop such a vision in a single document that identifies the most significant sources of potential energy development, the expected means for how those resources may be most effectively integrated into our power grid, and the estimated cost of those projects. This would be founded on the unique attributes and goals of each state currently being prepared for the New England Governor's upcoming meeting in February, 2009. It would also translate the policy objectives of the New England Governors and eastern Canadian premiers into projects that advance integrating those sources into our power grid.

It is my hope that the preparation of such a document, which summarizes and condenses the multiple studies that have already been completed, could demonstrate to President Obama's Administration our efforts to become more energy independent, our strong regional identity and our commitment to improving our environment. The document should identify for the new Administration problems which we have not been able to solve on our own, but which could be solved readily with federal investment. We hope our track record thus far, combined with the fact that much work has already been done, will persuade the new Administration that New England is ready to join with it to advance our national interests.

Sincerely,



John E. Baldacci  
Governor

cc: Senator Olympia Snow  
 Senator Susan Collins  
 Congressman Michael Michaud  
 Congresswoman Chellie Pingree  
 Governor John Lynch, New Hampshire  
 Governor Deval Patrick, Massachusetts  
 Governor Donald Carcieri, Rhode Island  
 Governor M. Jodi Rell, Connecticut  
 Governor Jim Douglas, Vermont  
 John Kerry, Director, Governor's Office of Energy Independence & Security  
 John Shea, Director of Policy & Programs, New England Governors' Conference, Inc.  
 Karin Tilberg, Governor's Office, Senior Policy Advisor