



JOHN ELIAS BALDACCI

Governor

STATE OF MAINE
OFFICE OF THE GOVERNOR
1 STATE HOUSE STATION
AUGUSTA, MAINE
04333-0001

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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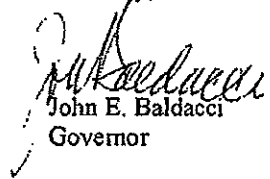
- Many studies have been conducted to identify the location and potential for development of renewable energy sources such as wind energy, biomass development, and tidal power, both in New England and in the Canadian Provinces.
- New England has also instituted a unique transmission funding program that 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

ISO new england

February 2, 2009

The Honorable John Baldacci
Governor
State of Maine
1 State House Station
Augusta, ME 04333

Dear Governor Baldacci:

I am writing in response to your January 22 request that ISO New England support the New England Governors in the development of a regional vision for the New England electric system. As you know, the six-state system has been built over several decades as a regional grid based on the benefits and efficiencies achieved by sharing in the integration and use of electric infrastructure. In this regard, it also makes sense to have a regional approach to the development of renewable power that can take into account the individual opportunities and goals of each state -- while maximizing the overall benefit.

ISO New England would be pleased to assist in this effort. As your letter mentioned, the policy foundation that will guide this regional vision has largely been established through various regional organizations such as the New England Governors' Conference, the New England Conference of Public Utilities Commissioners and the newly created New England States Committee On Electricity (NESCOE) -- as well as at the state level where each of the six New England states has established, and are in the process of implementing, aggressive policies for the development and use of renewable power and demand resources.

The region has made great progress with regard to assuring resource adequacy and addressing transmission projects required to ensure power system reliability. Also, we are pleased with the strong response by demand resources in the regional Forward Capacity Market. However, we do face certain realities in New England that challenge our energy future and we agree that a comprehensive plan to enable the integration of renewable and carbon-free energy resources will be a critical element in successfully meeting these challenges in the future.

As the regional transmission organization, we would like to suggest that the appropriate role for ISO New England would be to provide a transmission planning service for the New England Governors focused on the integration of renewable and carbon-free energy resources into the power grid. In this regard, the ISO's role would be to assist the New England States, with the support of the region's Transmission Owners as needed, in the development of a long-term plan for the New England transmission system that incorporates the unique attributes and goals of each state and the possibility of additional renewable or carbon-free electricity imports from neighboring regions.

The ISO can also provide analysis of the performance and impact of various projects on the reliability and economics of the power system, similar to the 'Scenario Analysis' work we undertook in 2007. Last year ISO New England received authority from the Federal Energy Regulatory Commission

The Honorable John Baldacci
February 2, 2009
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(FERC) to conduct studies of the power system to identify transmission projects that might provide economic benefits to the region. In fact, some of the preliminary study work may serve to inform the proposed plan.

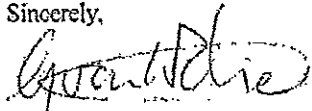
In our view, two important principles are necessary to be successful in the creation and implementation of the long-term vision and plan you describe in your letter.

- First, in order to recognize the long-term nature of these developments, the plan should have a time horizon significantly beyond the current Regional System Plan (RSP). (The RSP is focused on ensuring reliability of the regional power grid within a ten-year timeframe, in accordance with the North American Electric Reliability Corporation (NERC) standards and as mandated by Congress in the Energy Policy Act of 2005).
- Second, since this plan will be addressing long-term economic and environmental goals, the states should have decisional control over the rate of implementation of the identified transmission projects, so that the investments remain consistent with the outcomes desired by the states.

The success of any project such as this depends on ensuring a clear understanding of its objectives and requirements. It would be very helpful to meet with the New England Governors to discuss and decide the scope, process and timeframe for the development of such a plan. Additionally, it would be helpful if the ISO could be present for the meeting of the New England Governors taking place on February 22 to hear the deliberations on this topic first hand.

The creation of a long-term transmission plan, which builds upon the foundation we have created in the Regional System Plan, will be important for New England's energy future, and ISO New England stands ready to support the New England Governors in this regard.

Sincerely,



Gordon van Welie
President and Chief Executive Officer

cc:

Senator Olympia Snowe
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 and Programs, New England Governors' Conference, Inc.
Karin Tilberg, Governor's Office, Senior Policy Advisor

For Immediate Release:
February 2, 2009

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New England Governors to Present Regional Power Development Vision to Federal Government

Boston, MA – The Governors of the six New England states came together today under the auspices of the New England Governors' Conference, Inc. (NEGC) to outline a unified vision for a partnership with the federal government to help develop the regional power resources and infrastructure that will support their shared goal of cost-effective, low-carbon and secure energy for the region's citizens.

During a conference call this afternoon, the Governors agreed to urge congressional leaders and President Obama to work cooperatively with the New England states to develop a regional-federal partnership on energy issues, including improved and expanded transmission capacity and renewable energy development.

"All of New England will work together to make our case to the federal government," Maine Governor John E. Baldacci, chairman of the NEGC, said. "On our own, each of our states can make a compelling case for federal support to develop clean energy and transmission capacity. Together, we make an unbeatable team."

The American Recovery and Reinvestment Bill of 2009, which is being debated in Congress now, includes energy-related funding that could make it possible for the region to enhance transmission and renewable energy projects.

"We need to make sure President Obama and Congress understand the incredible progress that has been made in New England to secure America's energy future," Governor Baldacci said. "With an active federal partner, we can create thousands of jobs in the Northeast, reduce our dependency on foreign oil and boost our regional economy."

With the assistance and support of the Independent System Operator – New England, Inc. (ISO-NE, Inc.), the Governors will create a blueprint for developing regional energy resources and overcoming transmission barriers that will enhance the energy independence of the region. This process builds on the long history of regional cooperation in the region, dating back to Colonial days, and the leadership and proven success demonstrated by the region on energy, climate, environmental and other issues.

The Governors will meet on Feb. 22, 2009 during the National Governors' Association meeting in Washington, D.C., to further discuss these issues.

The New England Governors' Conference, Inc. was founded in 1937 to coordinate regional approaches to a wide variety of policies issues, including economic development, trade, energy, environment, health care, transportation, agriculture, education, conservation and border security. The Conference is a non-partisan, non-profit organization whose Board of Directors consists of the six New England Governors. The 2009 members of the NEGC are Governor John E. Baldacci (Maine - Chair), Governor Deval L. Patrick (Massachusetts - Vice Chair), Governor M. Jodi Rell (Connecticut), Governor John Lynch (New Hampshire), Governor Donald L. Carcieri (Rhode Island), and Governor James H. Douglas (Vermont).