

Comments of Mary J. Healey,

Office of Consumer Counsel,

State of Connecticut

OCC has been actively involved in resolving the issues on today's agenda. We are members of NEPOOL, in the End-User Sector. We were a party to the Phase One transmission line case at the Connecticut Siting Council, and are a party in the Council's presently pending Phase Two transmission docket. Both lines are to be built in Southwestern Connecticut, an area with recognized electric reliability problems.

In Connecticut's new transmission line case, the question of placing much of the line underground has been front and center, including by virtue of a new state law on point (Public Act 04-246). However, undergrounding this line raises at least two important issues. One is reliability, and the other is cost.

- **Reliability**. In the state docket, ISO New England has said that the amount of undergrounding the utilities proposed¹ would degrade reliability. In recent weeks, ISO has been engaged in a concerted effort to resolve this issue by modeling many different line configurations. In effect, ISO has been carrying out a dress rehearsal of the so-called “18.4”² review process it carries out after state siting authorities complete their work.

The ISO group (the so-called “ROC Committee”) issued its most recent report only last Friday. The planners have ruled out some of the options to increase undergrounding (for instance, extensive use of STATCOM units).

However, the final results of this work are not yet in, and are not expected for some weeks.

¹ This would be some 24 miles within the 69 miles of the Phase Two project.

² This refers to the paragraph in the NEPOOL Agreement where this procedure is spelled out. When the new “RTO” status for ISO New England is made final, these numbers will change as well.

- Cost is the second big issue that undergrounding this transmission line raises. The applicants estimate that the Phase Two line they initially proposed will cost \$604 Million to build (in 2003 dollars). Preliminary estimates suggest that extensive underground construction would at least double this figure.

ISO New England and NEPOOL already have in place a cost allocation procedure, sometimes called the “15.5” process. There are several points about this process important to keep in mind.

- First, if the Phase Two line ends up featuring substantial underground construction, this procedure is likely to reject New England-wide socialization of most of the incremental costs.
- Second, meeting the December 2007 [“placed-in-service”] deadline that FERC announced in its

December 2003 order is not likely to change this result. By its own terms, this FERC announcement never reached so far as to guarantee socialization for all costs of either the Phase One or the Phase Two projects.³

- Aside. There are reasons to believe that December 2007 is not a “drop-dead” date to achieve New England-wide socialization for otherwise eligible costs. If FERC believes that a project in the works now but going into service somewhat after this deadline actually improves system reliability or market efficiency (as a well-designed transmission line would do), then it stands to reason that it would allow some level of socialized cost recovery for the project.

³ This FERC Order addressed projects already listed in ISO’s RTEP reports. RTEP assumed that the SW CT transmission projects listed there would

- Third, the 15.5 procedure is well thought out and is basically sound. It would be unwise for Connecticut to try to evade its effects for our state, in the event that the Phase Two line does end up including substantial underground construction. This 15.5 procedure is in place for all of New England and for the long run. In the future, for instance, it could enable Connecticut to avoid paying for locally-focused costs generated by transmission upgrades in other states.

The Siting Council's role, in reviewing these transmission line applications, is to properly balance multiple considerations. At a minimum, these include system reliability, public health, and cost. The new law that Connecticut specially passed for the Phase Two docket, Public Act 04-246, does not change this

mandate for balance. Clearly, that law expresses a preference for underground construction. However, that preference is not to be implemented regardless of other considerations.

The applicable laws framing utility rate regulation inherently treat cost and cost containment as a central, inescapable issue. This priority is expressed in different ways in various statutes --- from “just and reasonable” rates, to “efficient management of the franchise” to “prudence” --- but it is always there. Cost is rarely a secondary consideration in utility regulation, and never an irrelevant one.

- **EMFs.** The Siting Council has a mandate to address public health issues, as well as reliability and cost issues, in evaluating a transmission project. This is where EMFs come in. In the current Phase Two transmission line case,

the expert testimony on EMF dangers is sharply conflicting. OCC has not presented its own testimony on this in the current docket, but will be closely evaluating that of other parties as this docket proceeds.

EMF issues have reached a somewhat surprising prominence in this Phase Two docket. For instance, in the Phase One docket that the Siting Council completed last year, EMF issues played a distinctly secondary role.

OCC, in both of the big transmission line cases in Connecticut, has sought to bring the cost issue forward in its broadest context. Our concern, for instance, has not been to minimize the construction cost-per-mile of specific transmission options. Rather, we have advocated development of an electricity infrastructure that embodies an overall least-cost solution.

This means taking all costs and all benefits into account --- not only construction costs for transmission and the benefits of a new line. To decide, on a sound basis, whether this transmission project is right for Connecticut, one should also examine energy costs (e.g., LMP), the costs and benefits of conservation and demand-side management, the air quality implications of various options, etc., etc.

This used to be a well-known and well-understood regulatory exercise. It was called integrated resource planning. IRP has become much more difficult in Connecticut since the electric industry was restructured. But we have to try.

I will close by noting that Connecticut has, in its new Connecticut Energy Advisory Board, a powerful opportunity to

approximate IRP in a restructured era. I serve on the CEAB board, and I can tell you that we are moving forward vigorously to get this vital job done.