

The Cape Light Compact

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June 1, 2006

VIA FIRST CLASS MAIL AND E-MAIL

Kevin Kirby
Vice President, Market Operations
ISO New England
One Sullivan Road
Holyoke, MA 01040-2841

*Re: Questions from the Cape Light Compact Relative to Operations of the
Lower Southeast Massachusetts Area*

Dear Mr. Kirby:

The Cape Light Compact is a municipal aggregator under Massachusetts General Laws c. 164, § 134, that consists of the towns of Aquinnah, Barnstable, Bourne, Brewster, Chatham, Chilmark, Dennis, Edgartown, Eastham, Falmouth, Harwich, Mashpee, Oak Bluffs, Orleans, Provincetown, Sandwich, Tisbury, Truro, West Tisbury, Wellfleet, and Yarmouth, and the counties of Barnstable and Dukes County, acting together as the Cape Light Compact (the "Compact"). The Compact is organized through a formal Inter-Governmental Agreement signed by all of the towns, as well as Barnstable and Dukes counties, pursuant to Massachusetts General Laws c. 40, § 4A. The Compact is a Market Participant in ISO New England ("ISO NE").

As a Market Participant, the Cape Light Compact has both questions and concerns over the recent designation of the Canal power plant as a unit that must run for local second contingency protection. While we reserve our right to raise additional issues, below are our preliminary questions and concerns for ISO NE relative to this decision:

- The December 17, 2003 Findings of The Investigation into the December 1 Outage on Cape Cod issued jointly by ISO NE and National Grid identified an Action Plan with four key areas to be implemented to prevent this type of outage. What happened to this Action Plan? Was the Action Plan implemented in each of these key areas? If so, why are they no longer sufficient to address ISO NE's concerns? If any portion of the Action Plan was not implemented, please explain why not.

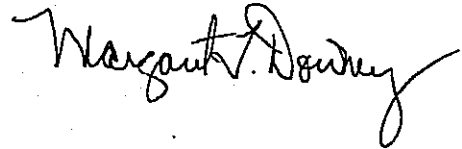
- Was the new NSTAR 345 kV Stoughton-to-Boston transmission line¹ included in the original ISO NE system modeling when ISO Operations determined that a Canal unit “was no longer needed online for voltage control per the Cape Cod Area Operating Guide or for first contingency protection”?
- Was the new NSTAR 345 kV Stoughton-to-Boston transmission line included in the “additional or further” ISO NE system modeling when ISO Operations determined that a Canal unit was needed for second contingency protection? If it was included, why aren’t load serving entities (LSE) in the NEMA zone sharing these costs?
- In light of the fact that two and one half years have passed since the December 1, 2003 Cape Cod outage, why did ISO NE not follow existing practices and bring this issue to standing committees before reaching its decision? To claim that standing committees might have delayed this decision is not acceptable given the passage of two and one half years since the outage. Much progress could have been made on this issue.
- Why did ISO NE designate the Canal unit as necessary for second contingency protection and only then seek to schedule meetings with NSTAR on alternative solutions? Why weren’t alternatives discussed before burdening LSEs and consumers with these charges?
- Have costs associated with Special Constraint Resources historically been treated by ISO NE as transmission costs? What about costs associated with units deemed necessary for second contingency protection?
- Why did ISO NE support shifting costs associated with the Canal unit from transmission organizations to LSEs?
- What other unit(s) has ISO NE designated as a Special Constraint Resource or a unit needed for second contingency protection? For each of these units, please indicate if the associated costs are treated as transmission or LSE costs.
- Was ISO NE aware that distribution companies in Massachusetts that are providing “default service” to retail generation customers are in a position to exclude uncertain uplift charges from their retail rates and then pass on such charges to *all* ratepayers (not just default service customers), thereby having all ratepayers subsidize default service and allowing the distribution company to charge anticompetitive retail rates that wreak havoc on the competitive retail marketplace?

¹ See Petition of Boston Edison Company, d/b/a NSTAR Electric, for approval to construct a new three-circuit 345 kilovolt electric transmission line, approximately 17.5 miles in length, and ancillary facilities, for the purposes of connecting the existing 345 kilovolt transmission system located south of Boston with two substations in the City of Boston (EFSB 04-1; D.T.E. 04-5/04-7; Final Decision. January 14, 2005).

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Given the many open questions, the significant impacts on the competitive marketplace and the enormous additional annual cost to consumers associated with ISO NE's decision to designate the Canal unit as a unit needed for second contingency protection, we respectfully request that you rescind that decision and instead seek more cost-effective solutions.

Sincerely,

A handwritten signature in black ink, appearing to read "Margaret T. Downey". The signature is fluid and cursive, with a large, sweeping flourish at the end.

Margaret T. Downey
Compact Administrator

cc: Joseph Rogers, Esq., Office of the Attorney General (via e-mail)
Alexander Cochis, Esq., Office of the Attorney General (via e-mail)
Cape Light Compact Governing Board (via e-mail)