

Congress of the United States

Washington, DC 20515

September 26, 2003

The Honorable Pat Wood
Chairman
Federal Energy Regulatory Commission
Washington, DC 20426

RE: Maine Public Utilities Commission, et al Complaint, Docket EL02-222

Dear Chairman Wood:

We previously wrote to urge you to grant the Maine Public Utilities Commission's and Central Maine Power Company's Requests for Rehearing of the FERC's December 20, 2002 Order. This order involved among other things the rate treatment of a proposed transmission upgrade in Connecticut. The cost of this upgrade is now estimated to be at least \$700 million dollars. We understand that these requests are still pending and urge you again to grant them.

Today, we write you about a related case, in which the Maine Public Utilities Commission, the Rhode Island Public Utilities Commission and a number of suppliers ("the Coalition for Beneficiary Funding" or "Coalition") propose a resolution to the dispute over who should pay for future transmission upgrades under New England's Standard Market Design. The Coalition proposed to allocate the costs of future transmission upgrades in New England in the following manner: 75 percent of an upgrade's costs would be allocated to the primary beneficiaries of the upgrade as identified by ISO New England's Regional Transmission Expansion Plan ("RTEP") and the state siting process, and 25 percent of the costs would be spread across the entire region.

The Coalition methodology would replace the outdated current system in which 100 percent of the costs are socialized across all of New England even if the upgrade is built primarily to address a local reliability problem or reduce congestion costs within a local area. FERC has already rejected the current socialization methodology as inconsistent with Standard Market Design in which market prices are based on the supply and demand in various locations within the New England control area. NEPOOL and ISO New England propose to essentially continue the current methodology, which we view as inconsistent with the FERC mandate that they develop a new cost allocation methodology that is consistent with the new location based pricing rules.

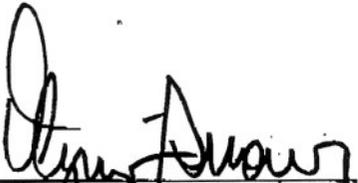
The Coalition proposal relies on the principle that costs should follow benefits, which is especially important in this context because the beneficiaries of transmission upgrades will generally be those who are enjoying greater prosperity. The proposal is also consistent with the FERC's policy of creating a market that sends accurate price signals.

We believe that the Coalition's proposal is fair and reasoned, in contrast with that of the advocates of full socialization. By allowing a percentage of upgrade costs to be socialized even

though there are clearly identified primary beneficiaries of the upgrades, the Coalition proposal accounts for the possibility that upgrades that primarily benefit a local area may have some regional benefits. For example, ISO New England has justified the proposed \$700 million dollar upgrades to Southwest Connecticut's transmission system as necessary for reliability and congestion relief in Connecticut. Under the Coalition proposal, 25 percent (\$175 million) of these costs would be spread across New England to address concerns that over time there may be additional beneficiaries outside of Connecticut from the upgrades. Furthermore, the Coalition approach is workable, as the identification of beneficiaries is already part of the RTEP process.

We have supported FERC's efforts to implement Standard Market Design and establish RTOs. In doing so, we have relied on FERC's statements that it is committed to establishing a system in which prices and behavior will be driven by market forces and not by artificial subsidies. How FERC handles the pressure to socialize upgrade costs or to grandfather a socialized cost allocation methodology for millions of dollars of projects not yet under construction will be a test of that commitment. Thank you for your attention to this important matter.

Sincerely,



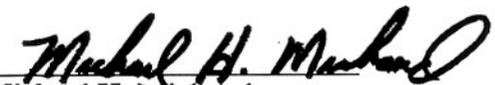
Olympia J. Snowe
United States Senator



Susan M. Collins
United States Senator



Tom Allen
United States Representative



Michael H. Michaud
United States Representative

cc: Governor John E. Baldacci
Commissioner Brownell, FERC
Commissioner Massey, FERC
Chairman Tom Welch, MPUC