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**State of Vermont
Public Service Board**

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SEP 15 2008

September 11, 2008

Mr. Gordon van Welie
ISO New England Inc.
One Sullivan Road
Holyoke, Massachusetts 01040

Dear Mr. van Welie:

Thank you for your letter of July 24, 2008 directed to me and the Vermont System Planning Committee (VSPC). Your letter, in turn, was in response to the letter of the Vermont System Planning Committee to the ISO-NE dated July 15, 2008. The VSPC letter recommended that ISO New England Inc. (ISO) adopt procedures to revise the process for determining what costs are eligible for region-wide cost allocation under the ISO FERC tariff to include costs incurred to support non-transmission alternatives (NTAs). The Vermont Public Service Board (Board) endorses this regional policy, which is, as noted by the VSPC, explicitly supported by Vermont law (Act 61 of 2005).

The Vermont Public Service Board appreciates the concerns expressed by you and by the VSPC for sound investments in cost-effective transmission facilities. In this time of rapidly rising transmission system investments and costs regionally and in Vermont, a more complete consideration of alternatives to transmission should be integrated into the planning process. Indeed, this was one of the fundamental goals of this Board in establishing the Vermont investigation into transmission planning in Docket 7081, and in approving the establishment of the Vermont System Planning Committee in June of 2007. As the VSPC process continues to mature, we expect new projects presented to us to have undergone a full analysis of alternatives consistent with our Order in Docket 7081.¹ The Board's Order in leading to the establishment of the VSPC is available at the Board's web site. (<http://www.state.vt.us/psb/orders/2007/files/7081finalorder.pdf>)


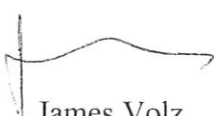
¹ It is my understanding that, in September, 2005, Stephen Rourke, Henry Yoshimura, and Richard Kowalski participated in some of the early discussions that led to the establishment of the VSPC.

Although the Board approved the establishment of the VSPC through Board Order, the VSPC is distinct from the Board. The VSPC is a separate and independent planning committee comprised of Vermont distribution utilities, Vermont Electric Power Company (VELCO), the Vermont Department of Public Service, the Energy Efficiency Utility, the SPEED Facilitator, and appointed public representatives. Further information on the VSPC can be obtained at the VSPC web site. (www.vermontspc.com.) We anticipate that the Board will in the future review transmission projects and non-transmission solutions that have been developed through the VSPC process. Indeed, the scope and nature of that planning process may itself be an issue before the Board in contested-case proceedings. As such, the Board cannot engage with the ISO and the VSPC in discussions concerning issues that are reasonably likely to come before the Board.

That said, if the VSPC and the ISO feel my participation would be helpful, I would be willing to participate in a meeting or conversation between Mr. Rourke and the VSPC. In the interest of preserving the Board's quasi-judicial role with respect to issues likely to come before it, I would request that there be a clear agenda for the meeting/conversations so that the Board may determine the extent to which it may participate. The Board, however, does not wish to unduly constrain any promising discussions on issues of mutual interest to the VSPC and the ISO. As such, I will leave it to the VSPC and Mr. Rourke to decide whether to request the further involvement of me or my staff in any dialogue on this topic.

Once again, thanks for your response to matters of mutual interest to Vermont and New England concerning the comparable treatment of non-transmission alternatives and the associated planning efforts necessary to ensure fair and effective consideration of non-transmission alternatives.

Sincerely,



James Volz,
Chairman

cc. Vermont System Planning Committee ✓
Mr. Stephen Rourke