



To: NEPOOL Participants Committee

Cc: RTO Responsiveness and Governance Working Group

From: Jeff Jones, Bangor Hydro-Electric Company

Date: April 1, 2009

RE: Bangor Hydro Position on ISO-NE Governance Reforms

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Bangor Hydro-Electric Co. would like to take this opportunity to express its support for the incorporation of the concept of "lowest reasonable cost" into ISO-NE's Mission Statement as proposed by Maine Public Utilities Commissioner Vendean Vafiades on February 26, 2009, and others, and discussed at the March 23, 2009, meeting of the Responsiveness and Governance Working Group and today's meeting of the NEPOOL Transmission Committee.

The concept of "lowest reasonable cost" is a common standard incorporated by many regulatory authorities. For example, state and federal regulatory authorities frequently incorporate the "lowest reasonable cost" standard in requests for proposals for contracted services. The standard is consistent with the "just and reasonable" standard, which applies to the ISO-NE administered FERC tariffs under the Federal Power Act. ISO-NE should strive to perform all its functions and services at the "lowest reasonable cost" so that it can realize the best value for its stakeholders. This standard does not require ISO to adopt the least cost alternative in every situation. Instead, it gives ISO-NE the flexibility to consider a variety of factors in deciding whether a particular solution is both a reasonable solution and the lowest cost solution. The concept of "cost-effectiveness," which ISO-NE is currently advocating, falls short of appropriately addressing the serious issues of cost-control and containment facing this region.