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December 8, 2010

Mr. Gordon van Welie
President and Chief Executive Officer
ISO New England Inc.
1 Sullivan Road
Holyoke, Massachusetts 01040-2841

RE: Salem Harbor Power Plant

Dear Gordon:

As we have discussed, I urge you to evaluate all cost effective options to move ahead as quickly as possible with measures that allow Salem Harbor to be retired while safeguarding reliability.

Dominion Energy, the owner of the Salem Harbor Power Plant, recently submitted a permanent delist bid in the Forward Capacity Market ("FCM") auction for the 2014-2015 power year. Dominion has further announced to its shareholders its intention to close the plant within the next five years. The announcement of Dominion's planned retirement of Salem Harbor comes as no surprise. Nonetheless, I understand that due to concerns over the reliability of the electric system, the actual retirement of Salem Harbor could potentially still be years away. The Commonwealth is concerned that despite Dominion's expressed desire to retire the plant, reliability concerns will require its continued operation, resulting in significant environmental and economic costs to Massachusetts ratepayers.

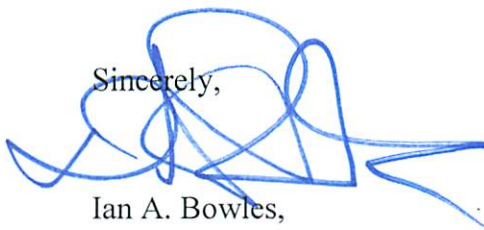
The likelihood of Salem Harbor's retiring has been growing for a number of years. ISO-NE previously rejected static delist bids submitted by Dominion for two of Salem Harbor's four generators (Units 3 & 4) in both Forward Capacity Auctions 3 & 4. In both instances, I understand that ISO-NE rejected the delist bids and retained these units to maintain system reliability. I'm told that past engineering and planning studies have shown that Salem Harbor is needed to comply with federal reliability standards. ISO-NE has studied and is studying various alternative transmission solutions that would preserve reliability in the absence of Salem Harbor. That effort should move expeditiously from planning to implementation and should give full consideration to all cost effective alternatives.

As you know, there are a number of impending federal environmental regulations that will require older coal plants like Salem Harbor to become much cleaner. That is a good thing, and I welcome it. But I am concerned that if Salem Harbor is not allowed to retire, Dominion Energy will be forced to spend hundreds of millions of dollars on environmental upgrades to extend the life of an outmoded plant.

In my view, Massachusetts consumer dollars should be invested in clean energy solutions – better transmission, efficiency, conservation and renewables – rather than in keeping open an older generation coal plant that cannot compete economically and struggles to meet standards necessary to protect our environmental and public health. Accordingly, I urge ISO-NE to place renewed and sustained effort to quickly find and implement a cost effective solution that will allow for the near-term retirement of Salem Harbor. If there is anything I can do to be helpful in expediting a solution, I would be happy to do so.

I look forward to your response.

Sincerely,



Ian A. Bowles,
Secretary

cc: Ann Berwick, Chair, Department of Public Utilities
Laurie Burt, Commissioner, Department of Environmental Protection
Phil Giudice, Commissioner, Department of Energy Resources
National Grid, Thomas King, Executive Director