

VERMONT SYSTEM PLANNING COMMITTEE

MEETING MINUTES SEPTEMBER 12, 2012 HOLIDAY INN, RUTLAND

A regular meeting of the Vermont System Planning Committee (VSPC) was held on September 12, 2012, at the Holiday Inn, Rutland, Vermont. Deena Frankel called the meeting to order at 9:30 a.m.

Steve Litkovitz moved for approval of the minutes of the June 13, 2012, VSPC meeting, Rip Kirby seconded and the minutes were approved without objection.

Introductions

Participants introduced themselves. A list of attendees by sector appears on page 6 of these minutes.

Regional update

Resolving load forecast uncertainties

Hantz Pr sum  reported that VELCO, with the help of the distribution utilities (DUs) and other stakeholders, is studying the 2011 VELCO load forecast in light of evidence that standard offer small-scale renewables, net metering and demand response are slowing load growth. A number of other factors affect electrical demand, such as slower-than-predicted economy recovery and DUs rate design that accommodates load reductions. A number of large scale generation projects are also coming online. Determining the rate at which standard offer projects, net metering and ISO-New England (ISO-NE) demand response will be developed is a challenge. The Vermont Electric Power Producers, Inc., (VEPPI) is projecting a significant jump in projects in the next six months. Resource location and technology are critical factors. Resources can be ineffective or even harmful if not well located. VELCO is reviewing the ITRON load forecast adjusted by demand response, net-metering and standard offer projects, taking care to estimate the reliability contribution from these projects based on availability at the time of Vermont peaks. The next steps include reaching consensus with the DUs, Department of Public Service, ISO-NE and the SPEED administrator on how to estimate future standard offer, net metering, and demand response programs. VELCO has adjusted the scheduling of reliability projects such as the Northwest and Central Vermont projects based on modeling that confirms these projects can be deferred. The reliability need for the Coolidge-Ascutney line project is unaffected and VELCO will continue to move forward with this project.

Vermont study update

Mr. Pr sum  reported that VELCO provided comments on ISO-NE's draft study scope. ISO-NE has not yet completed the scope and is planning to present it to the Participant Advisory Committee at its October meeting. Mr. Pr sum  anticipates that the results of the study will extend the need date for projects in the 2012 Vermont Long-Range Transmission Plan. New planning standards being discussed at FERC are more restrictive and the use of these standards is being analyzed by ISO-NE. New England has already incorporated many of these standards so implementation will be easier on New England than other regions.

FERC Order 1000 October filing

Mark Sciarrotta provided an update on the status of FERC Orders 1000 and 1000A. Order 1000 was issued by FERC in July 2011 and, among other things, requires an open, transparent regional planning process. It requires public utility transmission providers to: develop and participate in a regional planning process that produces a regional transmission plan; consider state and federal public policy requirements in transmission planning processes; eliminate, with certain exceptions, rights of first refusal (ROFR) contained in FERC approved tariffs or contracts that entitle an incumbent utility to build transmission facilities identified in the regional transmission planning

processes; develop regional cost allocation methods for transmission projects selection in regional transmission plans; and coordinate with each neighboring planning region to develop procedures for coordination of planning and methods of cost allocation for interregional transmission projects. FERC rejected all arguments against Order 1000, and issued Order 1000A in May 2012 reaffirming Order 1000 and clarifying compliance filing requirements. These orders do not address cost containment, NTA funding mechanisms or state control over transmission siting. Order 1000 requires elimination of ROFR held by incumbent transmission owners (TOs) to build transmission projection within existing service territories. The current FERC-approved transmission operating agreement assures incumbent TOs the right to own and construct new transmission facilities within or connected to the TOs' existing facilities. The "Mobile-Sierra Doctrine" protects (under the "public interest standard") all rights obtained in a FERC-approved settlement.¹ FERC has indicated in Order 1000A that it will address the Mobile-Sierra claims on a case-by-case basis. Parties are preparing compliance filings to address both ROFR and no ROFR scenarios. In the event FERC rejects the Mobile-Sierra defense, TOs are proposing a limited ROFR. The qualification criteria for non-incumbents sponsoring a project are also under discussion with the TOs, ISO-NE, non-incumbents, the New England States Committee on Electricity (NESCOE), and states. Planning requirements in the Order require each TO to establish procedures to identify transmission needs driven by public policy requirements (federal and state statutes and regulations), and to identify potential solutions. The TOs are seeking full cost recovery for all prudently incurred costs and a default cost allocation methodology for public policy-driven transmission projects. Most of ISO-NE's regional system planning and cost-allocation rules are compliant already with the requirements of these Orders. A compliance file is due October 11 and changes are proposed for Attachment K of ISO-NE's tariff to include public policy-driven transmission projects and non-incumbent transmission development. The TOs are preparing to defend rights under the Mobile-Sierra Doctrine. The next compliance filing addressing interregional transmission coordination and cost allocation is due April 2013.

Subcommittee reports

Ad Hoc Process Improvement Group

Asa Hopkins reported that the group continues to meet and develop recommendations related to improving the efficiency and effectiveness of the VSPC. The group reviewed the current VSPC subcommittees in comparison to issues that come before the VSPC and brought recommendations for change. Subcommittees have proven to be most effective when they have explicit tasks to accomplish on known schedules. The group recommends:

- Separating Energy Efficiency from Forecasting (EE&F). The charge of the current EE&F subcommittee has become very broad and the group doesn't have sufficient time to adequately address everything. Forecasting is a central topic that concerns all stakeholders and should remain a committee that encourages participation by all stakeholders.
- Combining energy efficiency geotargeting with generation geotargeting to form a Geotargeting subcommittee to ensure that NTAs are effectively considered. The role of developing annual energy efficiency geotargeting recommendations to the Public Service Board (PSB) would go to the Geotargeting subcommittee.
- Integrating Public Participation into the role of all subcommittees. Identifying Public Participation liaisons for all subcommittees may provide a resource to all groups and better integrate consideration of public engagement into all work by the VSPC.
- Continuing the Technical Coordination Subcommittee for the purpose of advising on the agendas for quarterly meeting but changing the name to Coordinating.
- Eliminating the Transmission subcommittee.

¹ The *Mobile-Sierra Doctrine* is named after a pair of 1956 U.S. Supreme Court rate decisions: United Gas Pipe Line Co. v. Mobile Gas Service Corp., 350 U.S. 332 (U.S. 1956) and Federal Power Comm'n v. Sierra Pac. Power Co., 350 U.S. 348 (U.S. 1956).

Members discussed the discontinuance of the Transmission subcommittee. Discussions on transmission projects are held at a number of other forums that didn't exist at the time the Docket 7081 MOU was written. Members discussed whether it was appropriate to eliminate the Transmission subcommittee. The Transmission subcommittee charter indicates that technical discussions would occur within this subcommittee, but history has proven that those discussions were happening elsewhere. For instance, transmission planning discussions are happening at the ISO-NE Participant Advisory Committee. The Transmission subcommittee will convene to review its charter and either recommend changes to its purpose and deliverables or recommend its discontinuance.

Dr. Hopkins reported that if the recommended changes to the subcommittees are approved, the new subcommittees should meet to prepare charters to bring to the December regular meeting for approval. The new charters should include consideration on how public engagement should be integrated into the work of each subcommittee. Representation on all subcommittees would remain structured on a voluntary basis unless otherwise defined by the MOU or necessary for the effective functioning of the group. Ms. Frankel added that VSPC staff will poll members to see which committees they would like to participate in.

John Spencer added that the Energy Efficiency and Forecasting (EE&F) has deliverables to the Public Service Board in each of the standard offer and energy efficiency demand resource plan dockets. Mr. Walter Poor reported that EE&F has been meeting and will be able to meet its deadlines.

Pilot "project-specific action plan"

Mr. Kirby presented the Project-Specific Action Plan (PSAP) for the Hartford/Ascutney area as a pilot for this new process established by the amendments to the Docket 7081 MOU that were approved by the Public Service Board in January 2012. Green Mountain Power created the template to be used for PSAPs and is presenting it today for consideration by the VSPC. The template will also be used to collect the information needed for the VSPC's Annual Report to the PSB. Members discussed the template and recommended having a placeholder for hybrid NTAs. The group also recognized that the implementation strategy might not always be a Section 248 application and recommended calling this section "Implementation Strategy." PSAPs for the Central Vermont and Rutland areas will be presented at the December meeting.

NTA Screening Tool Revision

Mr. Litkovitz presented the proposed revisions to the NTA screening tool. By Order of January 30, 2012, the PSB approved the VSPC's proposed amendments to the NTA screening criteria. Among the primary goals of process reform is to shift VSPC efforts away from excess process and towards the successful implementation of non-transmission alternatives. The purpose of the changes is to help better focus the VSPC's efforts in addressing deficiencies through cost-effective NTAs. The VSPC was charged with updating the screening tool to incorporate the new criteria and to define the terms "impracticable" and "uneconomic" by July 30, 2012. The VSPC requested and received an extension from the PSB to September 30, 2012. The definition of "impracticable" is incorporated into Question 1 of the NTA screening tool. A project is "impracticable" if it meets any one of the criteria in Question 1. "Uneconomic" is defined by step 4. Specifically, and for screening purposes only, alternatives to a transmission upgrade are considered to be uneconomic when the likely reduction in costs from the potential elimination or deferral of all or part of the upgrade is less than \$2.5 million. Members reviewed and recommended modifications to the screening tool. A revised draft incorporating the changes from this meeting will be circulated for review and will be filed as the final if no objection arises.

MOTION TO APPROVE NTA SCREENING TOOL INCORPORATING CHANGES FROM THE CURRENT MEETING TO BE CIRCULATED PRIOR TO FILING AND TREATED AS FINAL IF NO OBJECTION ARISES. Mr. Litkovitz moved and Mr. Mullett seconded. The motions passed unanimously.

NW & Central Vermont NTA Study Group

Doug Smith reported that the study group continues to analyze potential NTAs for the Central Vermont reliability deficiencies identified in the 2012 Vermont Long-Range Transmission Plan. The magnitude of the reliability gap, if

resources are ideally located is approximately 37 MW in 2016 and growing to about 60 MW by 2026. While the analysis is underway, VELCO with the help of the distribution utilities and other stakeholders is revisiting the 2011 VELCO load forecast in light of evidence that standard offer small-scale renewables, net metering and demand response are slowing load growth and possibly even causing negative growth. These initiatives should contribute some amount of effective reliability relief for the Central Vermont area. The group has determined that an NTA resource must be well-defined in order to be considered by ISO-NE. Deferring the need has given the group more time to get answers, but there is still some urgency in getting answers to ISO-NE. ISO-NE's load forecast does not account for these resources in the same manner VELCO has resulting in different load forecasts ISO-NE and has identified the need to resolve the Central Vermont reliability deficiency immediately, and with VELCO's forecast the need is deferred. VELCO is working with ISO-NE to understand the differences between the two forecasts. The team plans to develop an interim status report in October.

Energy Efficiency & Forecasting (EE&F)

T.J. Poor, Chair, reported on the PSB's request for the VSPC's recommendation regarding how to fund geographically targeted efficiency measures. Cost allocation methods identified by EE&F are imperfect and costs and benefits are mismatched. Two possible solutions have been identified: (1) allow up to 10% of statewide Energy Efficiency Charge (EEC) to be allocated to geotargeting; or (2) fund transmission and sub-transmission projects with statewide EEC and distribution-only projects with an area-specific adder. Principles guiding the group include: geotargeted areas should be funded in a manner consistent with the benefits associated with deferral or avoidance of the targeted constraint; and the funding mechanism solution should be straightforward and transparent. The subcommittee has met several times to discuss options and has not found a single clearly defined solution that results in equitable treatment for all utility ratepayers. Each solution provides a little inequity. Not everyone takes bulk service from the other utilities and those ratepayers are funding a statewide EEC and funding a project in someone else's territory. Participants agreed more time was needed to discuss potential solutions. A conference call is scheduled for September 14. If the VSPC cannot formulate a unified response, members can make individual recommendations.

MOTION TO AUTHORIZE EE&F TO CONTINUE TO MEET AND FRAME A RECOMMENDATION TO BE SENT TO THE FULL VSPC. IF THERE IS NO OBJECTION TO THE RECOMMENDATION, EE&F IS AUTHORIZED TO SEND THAT RECOMMENDATION TO THE PSB. IF EE&F DOES NOT HAVE A RECOMMENDATION TO FILE IT HAS AUTHORITY TO REQUEST AN EXTENSION FROM THE PSB. Mr. Pr sum  moved and Mr. Mullett seconded. The motion passed unanimously.

Update on net metering

Dr. Hopkins presented on the Vermont net metering program on behalf of Andrew Perchlik of the Department of Public Service. Vermont's net metering law passed in 1997 and has been altered eight times since. Dr. Hopkins presented on the history of net metering including comparisons of incentives and installation costs to the number of systems installed. The net metering program makes it easier and more cost-effective for customers to generate their own electricity. The popularity of the program has grown due to incentives and the ease of registration and permitting. This has resulted in considerable growth in the program over the past few years. The DPS is performing a study on net metering economics and results will be released in January 2013.

VSPC Role in standard offer Projects

Ms. Frankel reported that the energy bill this year provided for a gradual increase in the permitted capacity for the standard offer program and indicated that standard offer projects that provided benefits to the distribution or transmission system could be exempt from the cap. The PSB opened two dockets: (1) Docket No. 7873 to address the programmatic changes to the standard-offer program; and (2) Docket No. 7874 to address the establishment of the new pricing methodologies. A workshop was held on August 23 where Ms. Frankel presented information on the VSPC process. Participants of the workshop discussed having the VSPC define areas where renewable generation would provide system benefits. The VSPC currently has a role in the EEU Demand Resource Plan docket

in making geographic targeting recommendations. The VSPC developed analytical tools and methodology to make these recommendations. This approach to geotargeting is a viable organizational model for developing data needed by the PSB to evaluate system benefits of standard offer projects, though the substance of the analysis is somewhat different. The Ad-Hoc Process Improvement Group recommended adding a Geotargeting Subcommittee. This subcommittee could develop a specific recommendation for size and location of standard offer projects that would address relevant transmission and subtransmission issues. Like the EE&F Subcommittee, the Geotargeting Subcommittee would make recommendations to the full VSPC for adoption and reporting to the PSB. Ms. Frankel explained assumptions and recommended an approach for the first year benefit determination in order to try and meet tight deadlines. Much work must be done to meet the statutory deadline of March 1, 2013. Mr. Kirby added that energy efficiency is a quantifiable reduction in load and solar resources are not. There are distinct differences in energy efficiency resources and renewable resources. Ms. Frankel clarified that the idea is to convene the right people who understand the resources on the subcommittee. Members agreed with the use of the VSPC in this capacity and also recognized there may be need for expertise outside of the VSPC. Members discussed the request and participation of the VSPC. The PSB compiled several questions on which it is seeking stakeholder input. VELCO plans to provide comments supporting the use of the VSPC as a forum for analyzing and recommending where generation could provide benefit to the electric grid.

Project Updates

Grand Isle Terminal Project

Mr. Pr sum  reported that the Grand Isle Terminal consists of six self-contained fluid filled cables that cross Lake Champlain to Cumberland Head, New York. Oil pressure in each cable is maintained by a pair of 20 gallon tanks in the Grand Isle Substation. The oil level gauges on four of the tanks are inaccurate and triggering false low-level alarms resulting in technicians being dispatched to investigate the alarms. The solution to the problem is to replace the four original sets of gauges. This work and other associated work is planned to be completed in 2013. VELCO intends to file for a permit by mid-October.

Adjournment

The meeting was adjourned at approximately 4:15 p.m.

Next Meeting: Quarterly meeting to be held on December 12, 2012, at the Double Tree Inn, Burlington, Vermont at 9:30 a.m.

ATTENDANCE

*Indicates voting member at this meeting

**Indicates Alternate

Public Sector

*Jenny Cole, Residential

**Hervey Scudder, Residential

Transmission Utility (VELCO)

*Hantz Pr sum , VELCO

Diana Lee, VELCO

Cleveland Richards, VELCO (phone)

Distribution Utilities Providing Transmission (CVPS, GMP, VEC)

*Steve Litkovitz, GMP

**Doug Smith, GMP

Kim Jones, GMP

Bruce Bentley, GMP

Rip Kirby, GMP

Large Transmission-Dependent Distribution Utilities (BED, Vermont Marble, WEC)

*Munir Kastj, BED

Tom Buckley, BED EEU

Bill Powell, WEC (via phone)

Transmission Dependent Distribution Utilities (Municipals)

*David Mullett, VPPSA

Proxy for Village of Enosburg Falls

Proxy for Village of Hyde Park

Proxy for Village of Johnson

Proxy for Village of Ludlow

Proxy for Village of Lyndonville

Proxy for Town of Hardwick

Proxy for Swanton Village

Proxy for Village of Morrisville.

Supply and Demand Resources

*Michael Wickenden, EEU

Tom Buckley, BED (via phone)

Non-Voting Members

Walter Poor, DPS

Asa Hopkins, DPS

Al St. Peter, DPS

John Spencer, VEPPi

Staff

Deena Frankel, VELCO

Kimberly Pritchard, VELCO

Guests

Robert White, Northern Reliability

Mark Sciarrotta, VELCO