

VERMONT SYSTEM PLANNING COMMITTEE

MEETING MINUTES MARCH 11, 2009, 9:30 AM VERMONT TECHNICAL COLLEGE, RANDOLPH

A regular meeting of the Vermont System Planning Committee (VSPC) was held on March 11, 2009, at the Vermont Technical College in Randolph, Vermont. Deena Frankel called the meeting to order at 9:30 a.m.

INTRODUCTIONS

Members present in person and by phone introduced themselves. A list of attendees by sector appears on page 7 of these minutes.

SUBCOMMITTEE REPORTS

Energy Efficiency & Forecasting

TJ Poor, chairperson, presented the report of the Energy Efficiency & Forecasting Subcommittee (EE&F). Mr. Poor reported that members of the subcommittee were not sure what the rationale had been for requiring in the Docket 7081 MOU that the demand-side management (DSM) potential study be completed by the VSPC.¹ The subcommittee had discussed whether the VSPC was the appropriate entity to complete the study. Consideration is being given to Department of Public Service (DPS) conducting the study instead of the VSPC. The DPS will be conducting an energy efficiency study for the purpose of funding the EEU budget. The two studies would parallel each other with some overlapping detail; however, they are for very different purposes. DPS's Forecast 20 could be a good starting point and could be expanded to meet the requirements of the MOU. However, the VSPC would have to fund the study and the MOU would need to be amended. It was recognized that there is value from having different perspectives. The group discussed this provision in the MOU. Richard Suitor requested that EE&F provide an outline of the different points of interest together with the pros and cons of each and available options, and if the VSPC did fund a study by DPS how the money would be used.

Bruce Bentley recommended that group take the time to consider what information it needs from the study and request an amendment of the MOU, if necessary. For example, consider what is going on with generation in Vermont, independent power producers, and customer-sited renewables. These two studies do not have to be merged. The Forecast 20 update will be adequate to give us a feel for the DSM potential in order to update the screening tool. The DPS study would offer a counterbalance.

Mr. Poor reported that Forecast 20 is a constrained study in that it uses the 2009-2011 budgets as specified by the Public Service Board (PSB) and then carries forward the 2011 budget the rest of the 20-year period. The potential study would help to set the next three-year budget. The issuing of

¹ "VSPC to sponsor, via an RFP, a statewide DSM potential study (including efficiency measures & CHP/customer sited generation) broken down by select area load zones within Vermont. This would either be new or a revision to that done for the DPS. The study results would be used in both the preliminary and detailed NTA analyses." *Docket 7081 MOU, Attachment F.*

an RFP is another requirement of the MOU that may need to be modified. If DPS did complete the study required by the MOU, an RFP would be issued. If Efficiency Vermont did the study an RFP might not need to be issued.

Ms. Frankel reminded the group that the other parties to MOU would need to be included in the discussion if modifications are needed in the MOU. Mr. Poor indicated that the ideas generated in this meeting will be discussed at the next subcommittee meeting and a recommendation will be made at the June VSPC meeting

Mr. Poor reported the other discussions held at the subcommittee meeting included coordination of Forecast 20 with VELCO's load forecast by Itron and short-term and long-term forecast assumptions. The subcommittee will discuss these matters further and return to the VSPC with a more comprehensive report.

Procedures

Ben Marks, chairperson presented the report of the Procedures Subcommittee. The subcommittee met to discuss how it could clarify and make more useful the procedures adopted to answer questions the parties had while working through the MOU process. For example, how do you know you are done with the non-transmission alternatives (NTA) analysis on a proposed transmission project? Ms. Frankel has created flowcharts depicting how the process works. These will be distributed to the group for comment. At the PSB workshop Mr. Marks will tell the Board that the VSPC has procedures in place, but that it is working to make those procedures more useful and understandable as projects go through the VSPC. The group recognized that although two projects have been through the VSPC NTA screening process, no project has yet gone through the entire process that is outlined in the MOU. The confidentiality agreement will be finalized so when information needs to be shared outside of the context of a PSB docket, there is a mechanism in place to protect it. Mr. Marks and Ms. Frankel will follow-up with the status of the confidentiality agreement and will circulate a draft to the members for comment.

Public Participation

Jenny Cole, chairperson together with Ms. Frankel presented the report of the Public Participation Subcommittee. The subcommittee met with Heidi Klein to review final plans for the public outreach.

Ms. Frankel reported that the Montpelier date originally set is in conflict with the Vermont Counsel of Rural Development's Summit on Vermont. Therefore, the subcommittee is working to set an alternative date for the Montpelier meeting. It was also decided that a meeting in Rutland was necessary. [Note the final schedule of meetings is: Monday, April 27 at 5:30 pm, Holiday Inn, Rutland; Wednesday, April 29 at 5:30 pm, Lake Morey Resort, Fairlee; Tuesday, May 5 at 5:30 pm, Sheraton Hotel, Burlington; Thursday, May 7 at 5:30 pm, Catamount Arts, St. Johnsbury; Wednesday, May 13 at 5:30 pm, Marlboro Tech Center, Brattleboro; Monday, May 18 at 1:30 pm Noble Hall, VT College of Fine Arts, Montpelier.]

Technical Coordinating

Potential meeting with ISO-NE: Ms. Frankel, chairperson, presented the report of the Technical Coordinating Subcommittee. The subcommittee is following up on the proposed meeting between the VSPC and the New England Independent System Operator (ISO-NE). As a recap, most members jointly signed a letter to ISO-NE recommending that ISO-NE propose and adopt procedures to revise the process for determining what costs are eligible for region-wide cost allocation, specifically the treatment of funding of NTAs at the regional level. ISO-NE responded appointing Steven Rourke, Vice President – System Planning as its liaison to the VSPC. The subcommittee would like input

from the VSPC as to how that meeting should be structured in order to prepare for approval at the June meeting of an invitation for Mr. Rourke to attend the September meeting.

Mr. Bentley stated the importance of making sure CLF is aware of the meeting and involved in the discussion. Cost treatment has been a concern of CLF. Ms. Frankel reported that she had received an e-mail from James Moore of the Vermont Public Interest Research Group (VPIRG) apologizing for the lack of participation due to his workload. Mr. Moore offered to step aside if the VSPC wants to see his seat filled by someone who is able to attend more meetings. CLF is the alternate for the environmental sector in the event VPIRG is unable to perform its duties as primary.

There was a general discussion on the framework of the meeting with ISO-NE including:

- Requesting ISO-NE to describe what avenues there are for regional funding.
- How to plan when Vermont is the only vertically integrated utility.
- Discuss what the regional rules are for cost sharing.
- The status of the dialogue around the region regarding cost sharing.

Mr. Bentley reported on the Vermont “straw man” presented to the regional transmission owners advocating integrated planning. In general, the concept was not well received. Vermont is the only vertically integrated state left so it is hard to sell vertically integrated cost sharing. Mr. LaForest added that the issue has been on the agenda since Act 61 was passed. Vermont has been advocating for vertically integrated cost sharing but it has not been accepted. Mr. Bentley will forward the straw man proposal within the next week to the VSPC together with a couple of paragraphs describing the same. It was noted that this issue is one of the two matters that Board requested the VSPC be prepared to discuss. Mr. Bentley offered to take the lead on this at the workshop.

Technical Coordinating will prepare an invitation based on the group’s feedback for approval at the June meeting. There was a general discussion regarding the VSPC meeting being open to the public and the meeting with ISO will also be a public meeting. It was confirmed that the VSPC contact distribution is very broad and reaches varying interest groups. It was acknowledged that the group wants to reach out to interested parties and make the VSPC becomes more visible. The PSB will be invited to the meeting with ISO-NE.

Preparation for Docket 7081 Evaluation Process: The MOU requires that between July 1 and December 31, the VSPC is to conduct an evaluation of the Docket 7081 MOU process to date. Technical Coordinating developed a process that was presented to the group last fall on how to approach the evaluation process. Each subcommittee and each sector should meet sometime during the third quarter of 2009 to discuss the strengths and weakness of the process and be prepared for discussion at the September meeting. A meeting will be scheduled in October inviting all participants of Docket No. 7081 to discuss the findings to date from the evaluation process. Additional feedback will be gathered from that meeting and a draft report will be prepared for finalization at the December VSPC meeting. The deadline for filing the report with the PSB is December 31, 2009. If there are issues identified that are not being addressed by any of the subcommittees or sectors, the information should be forwarded to Ms. Frankel. Ms. Frankel will organize the sector meetings and recommends that the subcommittee meetings occur earlier rather than later in order to give time for thoughtful discussion.

Preparation for PSB Workshop: Ms. Frankel reported that Technical Coordinating was recommending the VSPC use the structure previously developed for the workshop with the PSB on March 25, 2009. That approach was organized according to the VSPC subcommittee structure, with the chair of each subcommittee providing a brief presentation on the work it has done to date. Ms.

Frankel will open with a brief overview of the VSPC. The group was reminded that the Board asked the VSPC to avoid addressing any specific project and to keep the discussions focused on process. Also, the Board requested that the VSPC be prepared to discuss the following additional matters:

1. The progress, if any, in addressing issues related to funding of non-transmission alternatives.
2. The potential use of federal stimulus funds for transmission projects and non-transmission alternatives.

Ms. Frankel requested feedback from the group on how these questions should be addressed by the VSPC. There was a discussion on the availability of stimulus package dollars. Dave Lamont advised that energy funding likely will flow through DPS because it is Vermont's energy office, and thus operates federally funded programs. There is also funding available for special projects. Mr. Bentley added that, based on language in the stimulus package, funding may be available for demand response programs and "smart grid." However, the language is vague and it is difficult to find further detail.

John Spencer offered that he and Jack Collins had experience with a previous stimulus bill. Those funds went to projects that were ready to begin. It is his recommendation that projects that are ready should be put on top of the heap so they get recognition.

Mr. Lamont offered to initiate a response to the PSB stimulus question to be circulated among the group for additional comment. It was noted that the responses to the Board may not be from the VSPC itself but from members of the VSPC.

George Nagle questioned whether the VSPC needed an additional committee or federal liaison to stay aware of external funding possibilities. Ms. Frankel responded that Technical Coordinating will discuss the question and get back the group.

The Board's question regarding issues related to funding of NTAs was discussed by the group earlier in the discussion of communication with ISO-NE. Mr. Bentley reported that cost sharing is only an issue when more than one affected utility is identified. He identified a dilemma in the Southern Loop project where there are obvious deferral benefits in implementing energy efficiency, but there is no cash to implement them. Utilities are not sure how to fund NTAs to acquire those deferrals. If the utility is not building a line, it is saving money; however it might have to pay someone in order to avoid building that line. Where does the money for the incentive come from? Can the utility put it in rates? The Board should be made aware of these issues. Mr. Bentley will prepare an outline and circulate to the group for comment.

The group emphasized the importance of this opportunity to communicate with the PSB. The Board should understand where the VSPC is in the process outlined in the MOU, and the challenges the group faces, as well as its achievements. It was acknowledged that, in a sense, the 2009 LRTP begins the cycle outlined in the MOU; however, there were projects identified in Attachment F that did not get the benefit of the complete MOU process.

Subcommittee chairs will forward presentations for review and comment to the VSPC prior to the workshop. Mr. Gibbons offered that if there are any projects that the Generation Subcommittee should be working on, to please let him know. Mr. Bentley offered for consideration whether the Generation Subcommittee should review the generation study Phases 1 and 2 to see what might be

useful for the VSPC and consider the information from the recent RFP that CVPS and GMP issued. The information is confidential, but can be released with a Confidentiality Agreement if all participants approve. Members offered that it would be useful to know the in-state generation potential by zone. The group should also make the Board aware of the issues the VSPC encounters and the challenges of implementing generation as an NTA.

Update of the LRTP & Next Steps

Mr. LaForest reported that VELCO is working diligently to incorporate comments received to date and will circulate another draft before the public participation meetings begin.

The next step in the process is the creation of a project priority list.² This list is filed with the Board, and utilities must adhere to its schedule or inform the Board of any deadlines they cannot meet. The affected utilities assist with the development of the project priority list. The project priority list lays out the work of the VSPC. VELCO has identified reliability deficiencies in the LRTP. After the filing of the LRTP, VELCO will work with the affected utilities to develop a project priority list to be made available to the VSPC at the September meeting. The dates imposed in the project priority list are determined by the utilities. It was recognized that the list identifies transmission reliability deficiencies and the language in the MOU is for the VSPC to create a priority list of the reliability deficiencies. Over the course of time, it has come to be known as the Project Priority List.

The performance specifications of the NTAs will be identified on a case-by-case basis for each deficiency. Mr. LaForest explained that each deficiency has unique characteristics. The LRTP could provide very general outlines of the amount of demand that a NTA would have to offset. Variables include, among other factors, whether the problem is very small and confined, or whether it is a broader. When looking at the need for transmission infrastructure there are two ways to avoid the need: take load away or add generation. Ms. Cole recommended that this information be clearer for people looking at these documents. People want to know what they can do to make a difference. Ms. Cole recommended more attention be drawn to NTAs and would like utilities to spend more time looking at them. Ms. LaForest indicated that VELCO would see how it could accommodate.

PRESENTATION ON ECONOMIC TRANSMISSION

Mr. LaForest presented on Economic Transmission in New England. There are a number of reasons for these projects including: delivering desired generation to a set of customers such as access to renewal energy sources; reducing the cost of electricity in a market by gaining access to lower cost energy supplies; and reducing system losses.

ISO-NE's tariff has two provisions that speak to economic transmission projects and it has begun reviewing projects under each of those provisions. Several projects were mentioned at an ISO-NE Planning Advisory Meeting held in December, 2007. Those projects included DC lines linking Maine to Boston and AC/DC overhead transmission with DC station to connect Quebec with New

² The Docket 7081 MOU identifies the elements that must be included in the project priority list for each reliability deficiency, including:

- a) The reason for the priority assigned to each reliability deficiency.
- b) If the likely transmission solution has not yet been identified, the date by which the analysis of the transmission solution is proposed to be completed.
- c) The date by which analysis of non-transmission alternatives (NTAs) is proposed to be completed.
- d) The date by which a decision will be made concerning solution selection, implementation strategy, and cost allocation.

Hampshire. The drivers behind these projects were to connect the wind and hydro resources to areas of need. ISO-NE has recently received requests for consideration to bring Maine wind resources to New England and for wind and biomass (wood) generation to be built in New Hampshire for the New England region. Hydro Quebec, Northeast Utilities and NStar have proposed an economic transmission project outside of the options described in the ISO-NE tariff by making a filing with FERC. Any of these projects have to demonstrate they have “no adverse impact” on the reliability of the transmission system in New England. This analysis has not yet been done for these projects. Any project must be reviewed and approved by ISO-NE to be implemented.

STUDY GROUP REPORTS

Coolidge Connector Interim Demand Response Study Group

Mr. Bentley reported on the Coolidge Connector Interim Demand Response Study Group. The Southern Loop project started out without the Coolidge Connector and predated the VSPC process, although the project was the subject of extensive public outreach. When CVPS decided on the Coolidge Connector plan and expanded the affected area, it did a good job reaching out to the public but not to the other affected utilities. CVPS went ahead with installing demand response programs because it felt that the VELCO preferred option was a hybrid of demand response before the line could be built. Now there is an Order from the PSB to build the line. There were no cost sharing agreements for any of the demand response programs and there wasn't much agreement among the utilities as to whether demand response should be treated as part of the project. Because of its timing this project didn't have the benefit of going through the whole VSPC process. Mr. Bentley recognizes that VELCO needs to know the inventory of demand response programs for planning purposes. Mr. LaForest agreed that this information would be very helpful. CVPS has much of this information but not all because some customers deal directly with vendors. BED and Ludlow indicated that vendors would also have their information. Mr. Smith indicated that GMP is committed to improving its demand response programs, and will learn from vendors who are subscribed in its territory. Recognizing the importance of this issue it was sent to the EE&F committee for follow-up. An update will be provided at the next meeting.

Gorge Area Reinforcement (GAR)

The Gorge Area Reinforcement Project filed its petition on July 25, 2008. It is currently in the discovery process. The load forecast is being updated in the GAR area accounting for weather variations and economic forecast. The generator NTA is still being evaluated.

Northwest Reliability Project (NRP), Southern Loop, Tafts Corners and East Avenue

Mr. LaForest reported that all NRP equipment is constructed or in service. Southern Loop has received a certificate of public good and construction should begin in March. Tafts Corner is well under construction. The transformer has been delivered and is on site. This project should be completed in either June or July. The East Avenue project has both the line and substation work underway simultaneously and good progress is being made. The line should be completed by the end of the year.

NEW BUSINESS

No new business was identified.

ADJORNMENT

The meeting was adjourned at 2:30 pm.

NEXT MEETINGS:

- Public Service Board Workshop, March 25, 2009 at 1 p.m. to be held at the PSB, Montpelier, VT
- Quarterly Meeting to be held June 10, 2009, to be held at the Capitol Plaza, Montpelier at 9:30 a.m.

ATTENDANCE

*Indicates voting member at this meeting

**Indicates Alternate

Invitees

None

Public Sector

*Jenny Cole, Public Member- Residential

Transmission Utility (VELCO)

** Dean LaForest, VELCO

*Hantz Presume, VELCO

Distribution Utilities Providing Transmission (CVPS, GMP, VEC)

*Bruce Bentley, CVPS

**Kim Jones, CVPS

**Terry Cecchini, GMP

*Doug Smith, GMP

*Harry Abendroth, VEC

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

James Gibbons, BED

*Bill Powell, WEC

Transmission Dependent Distribution Utilities (Municipals)

*Richard Suitor, Village of Northfield Electric

Proxy for Village of Enosburg Falls

Proxy for Swanton Village Electric

Proxy for Village of Stowe

Proxy for Village of Hyde Park

*Jack Collins, Village of Ludlow Electric

*Ken Mason, LED

Proxy for Village of Johnson

Non-Voting Members

Dave Lamont, DPS

Steve Litkovitz, DPS

George Nagle, DPS

TJ Poor, DPS

John Spencer, VEPPi

Staff

Deena Frankel, VELCO

Kimberly Pritchard, VELCO