

June __, 2010

Mrs. Susan Hudson, Clerk
Vermont Public Service Board
112 State Street
Montpelier, VT 05620

RE: Response to Board's 5/17/10 memo on VSPC Evaluation
of Docket 7081 planning structure

Dear Mrs. Hudson:

The purpose of this filing is to submit comments of the Vermont System Planning Committee (VSPC) on the two questions posed by the Board in its May 17, 2010, memo regarding the VSPC Evaluation of the Docket 7081 planning structure.

Clarification of the public member cost allocation methodology

In its evaluation of the Docket 7081 Planning Structure (Evaluation Report) filed December 23, 2009, the VSPC recommended that the Public Service Board be asked to modify the cost allocation methodology for public member expenses to be consistent with the allocation of other VSPC operating expenses. As noted in the evaluation, the very small amounts of expense reimbursement in question do not justify establishing a separate accounting system to track public member expenses when the method used for all other VELCO cost allocation produces a very similar result. (Evaluation Report, p. 15-16.)

The VSPC by this letter formally requests that the Board approve cost allocation by VELCO, which is charged with administrative support of the VSPC process, in the same manner as other operating costs, using the PDP method established under the Vermont Transmission Agreement. If the Board wishes the VSPC to file a formal petition for this action, one of the Docket 7081 MOU signatories will make such request.

Closure of Docket 7081

As noted by the Board, the Evaluation Report recommended keeping Docket 7081 open to deal with CEII disputes and other process changes. The Board's May 17 memo points out important reasons why leaving the docket open may not be best way to achieve the VSPC's identified need for a forum to resolve future issues related to process established in the Docket 7081 MOU. The VSPC particularly acknowledges the potential value of some form of Board staff participation in the VSPC process, which could be enabled by closing the docket. Second, the VSPC has repeatedly faced the notice issues that arise when communicating about matters that remain under the auspices of a long-resolved but still-open docket.

While recognizing the value of closing the Docket, the VSPC is currently facing issues that may result in recommendations for more substantive near-term process changes. We are taking this opportunity to support closure of the docket by the Board, while at the same time advising the Board of the probable need for further process.

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The Evaluation Report acknowledged that the timing of the MOU's evaluation requirement meant the review occurred immediately after the first three-year Long-Range Plan update filed under the Docket 7081 process. Consequently, the parties provided input on the process before it was sufficiently mature to make fully informed judgment regarding its effectiveness. Since the 2009 Plan update was filed last July 1, and the VSPC subsequently filed the Project Priority List, much has changed. The recession materially reduced electric demand, changing the need date for some projects. Political developments affected the assumptions in the Plan regarding Vermont Yankee. ISO-NE is now taking a greater direct role in transmission planning in areas that were previously delegated to the transmission operators. In short, many of the conclusions in the July 1, 2009, plan are no longer accurate, raising concerns among some stakeholders that the VSPC process as currently constituted may not be sufficiently nimble nor sufficiently aligned with regional planning realities.

These challenges are significant enough that the VSPC is now developing a process to gather stakeholder input and attempt to reach consensus recommendations on how to better align the Docket 7081 process with emerging changes at the regional level. The alignment effort will seek to maintain and further strengthen the ability of the process to fulfill the core goal established by the Board: "full, fair and timely consideration of cost-effective non-transmission alternatives."¹ At the same time, the effort will seek better coordination with regional requirements and a more nimble means of updating and reporting.

VELCO has indicated it will file with the Board by the end of June a review of dates in the Project Priority List that have been affected by regional planning activities. This filing will demonstrate the extent of impact the regional planning process is having on the VSPC's activities.

If the group is able to present consensus recommendations to the Board, we assume that some formal process will be needed for their consideration by the Board. If we are unable to make significant progress toward consensus-based recommendations for process changes [*would we want to put a date here?*], we anticipate one or more participants seeking a forum before the Board to address how to ensure that the planning process is meaningful, nimble and efficient in light of developing regional requirements and roles.

While the substance of these comments is to support the Board's closure of the docket, we consider it important to advise the Board of the potential need for further formal action on the Docket 7081 process in the relatively near term.

Sincerely,

Deena L. Frankel
VSPC Secretary

¹ Docket 7081 final order at 3, 6/20/07.