

SUMMARY OF THE “ALL HANDS” MEETING ON VY-RELATED ISSUES, 1/19/11

On 1/19/11, VELCO hosted a meeting in Burlington attended by more than 30 people representing most Vermont distribution utilities to share information and prepare for likely scenarios associated with Vermont Yankee’s closure or continued operation. Attendees heard about the substance, status and timing of the ISO-NE “Vermont New Hampshire Needs Assessment” that will be publicly released February 2, 2011, as well as ISO-NE’s follow on “Solutions Report” expected in the April-May of 2011 timeframe. The resulting plenary discussion points included ISO-NE’s assumptions built into the needs analysis, the scope and potential regulatory risk associated with likely solutions and how best to coordinate non-transmission alternatives analysis.

The most recent information from ISO-NE suggests a reduced likelihood of the more dire scenarios that have been discussed, such as the need for a “gap RFP” for emergency generation. The critical load levels that would trigger the reliability issues in the study are expected to be reached in very few hours during the period between the study’s release and the realistic time by which transmission solutions can be implemented. During these periods, various options for stop-gap solutions may be workable.

The group next broke into three subgroups – Regulatory & Legal; Planning & Power Supply; and Public Information – to address key questions regarding the needs assessment and other VY-related issues. The subgroups also began developing action plans for planning, communications and regulatory/legal issues emerging from the Needs Assessment. A synopsis of each subgroup’s work is below.

Planning & Power Supply Issues: Vermont effectively challenged some of the assumptions of the Needs Assessment early in the process, resulting in changes such as the addition of cases with 210 MW flow at Highgate. Despite some concern among stakeholders about the conservatism of the planning assumptions, the study is past the opportunity to influence this aspect of the work. There remain opportunities to influence ultimate outcomes through many factors that can influence reliability, contractual paths, supply and demand reduction. Among the points of potential influence are: transmission modifications, such as separating double-circuit towers in New York to address the factors that put the PV20 flow at 0 MW in the study, and upgrading of Highgate to 225 MW or higher; new power supply contracts by Vermont utilities; ongoing negotiations with VY; and new generation resources in the state. Timing remains ripe to influence the solutions and NTA portions of the needs assessment.

An action item for the group is the development by the distribution utilities of a list of potential locations for generation upgrades along with the capacity that can be accommodated at each site. Simply refurbishing existing units will provide no incremental benefits because the existing units were already dispatched in service as part of the Needs Assessment. Generation capacity needs to be increased in increments at or below 50 MW to maximize the reliability benefit of the generation addition. Recent generation studies by CVPS, GMP and BED may provide useful inputs to the ISO analysis. The group also discussed the potential to change the assumption of 0 MW flow over PV20 through a contract, which could be between ISO-NE and NY-ISO, as part of a mutual emergency support agreement.

Regulatory & Legal Issues: Uncertainty remains concerning cost allocation governing out-of-merit generation and/or a gap RFP (to the extent these resources may turn out to be needed). ISO-NE has not formally addressed the cost allocation issues. The tariff language seems to tie cost allocation to “affected Reliability Region.” While Vermont, New Hampshire, and Massachusetts are separate Reliability Regions, the tariff contains a “singular=plural and vice versa” provision, such that “Region” can be read as “Regions.” VELCO has had some discussion with NEPOOL and ISO-NE counsel, and some very preliminary discussions with its outside FERC counsel. Overall, no specific, binding precedent exists on these issues and some advocacy will be required, including legal advocacy and technical-staff-to-technical-staff advocacy, at NEPOOL and other venues. Some potential for Congressional advocacy should also be part of the mix.

The group discussed the issues associated with VY’s re-licensure in light of the de-list bid and reliability deficiencies that arise with the plant’s continued operation. As with the cost allocation for a gap RFP or out-of-merit generation, ISO has not formally addressed the cost allocation issues of the de-list bid, and the tariff language seems to tie cost allocation to “affected Reliability Region.” VELCO and DPS have had some informal discussions

with ISO counsel, who seemed to think that VT would be responsible for the added cost arising from VY's de-list bid. More advocacy is needed on this issue, with ISO-NE legal and technical staff.

Public Information: VELCO described the intensive efforts that have already been made to reach out to stakeholders and brief them about the VT/NH Needs Assessment and the changing planning landscape. Among the groups that have been briefed include GBIC, Business Roundtable, CLF, AIV, VNRC, VBSR, VT Energy Partnership, House and Senate leadership, the Governor and his key staff/advisors, utility regulators, press (Reformer, Rutland Herald, VPR, Digger). This list is not comprehensive but indicates the breadth and depth of what has been done so far. The group identified the need to develop a shared list of talking points prior to the February 2 release of solutions report by ISO-NE. VELCO will prepare this document. The narrative will focus on: Helping people see the bigger picture. The picture is not as dire as we once thought (were advised). There are consequences regardless of whether VY is in our out. The changes from the 2009 study are the result of changes in assumptions, and of looking at a regional, rather than a Vermont, picture. Although ISO's increased influence is dictating more of Vermont's planning, the process is a two-way street in which we are actively seeking (and often succeeding) in influencing decisions in favor of Vermont interests.

Going forward the respective communications professionals will use the E-20 weekly calls as a primary check-in.

Next steps:

- VELCO will obtain a scope of work and estimate for analyzing/interpreting the tariff provision.
- Determine whether/when VELCO should be intervening as a party or amicus in the VY docket.
- Continue to develop and share among the group a clear consistent message on the issues.
- Regroup after February 2 when the study results are published.
- Develop a comprehensive list of potential DU-specific generation opportunities to assist with the NTA analysis.