

The VELCO logo is displayed in a bold, white, sans-serif font. It is positioned on the left side of the top banner, which features a scenic background of Vermont's autumn foliage and power lines.

VERMONT'S TRANSMISSION RELIABILITY RESOURCE

Docket 7081 Process & Requirements

Presentation to the VELCO
Operating Committee

April 19, 2012

Statutory requirements

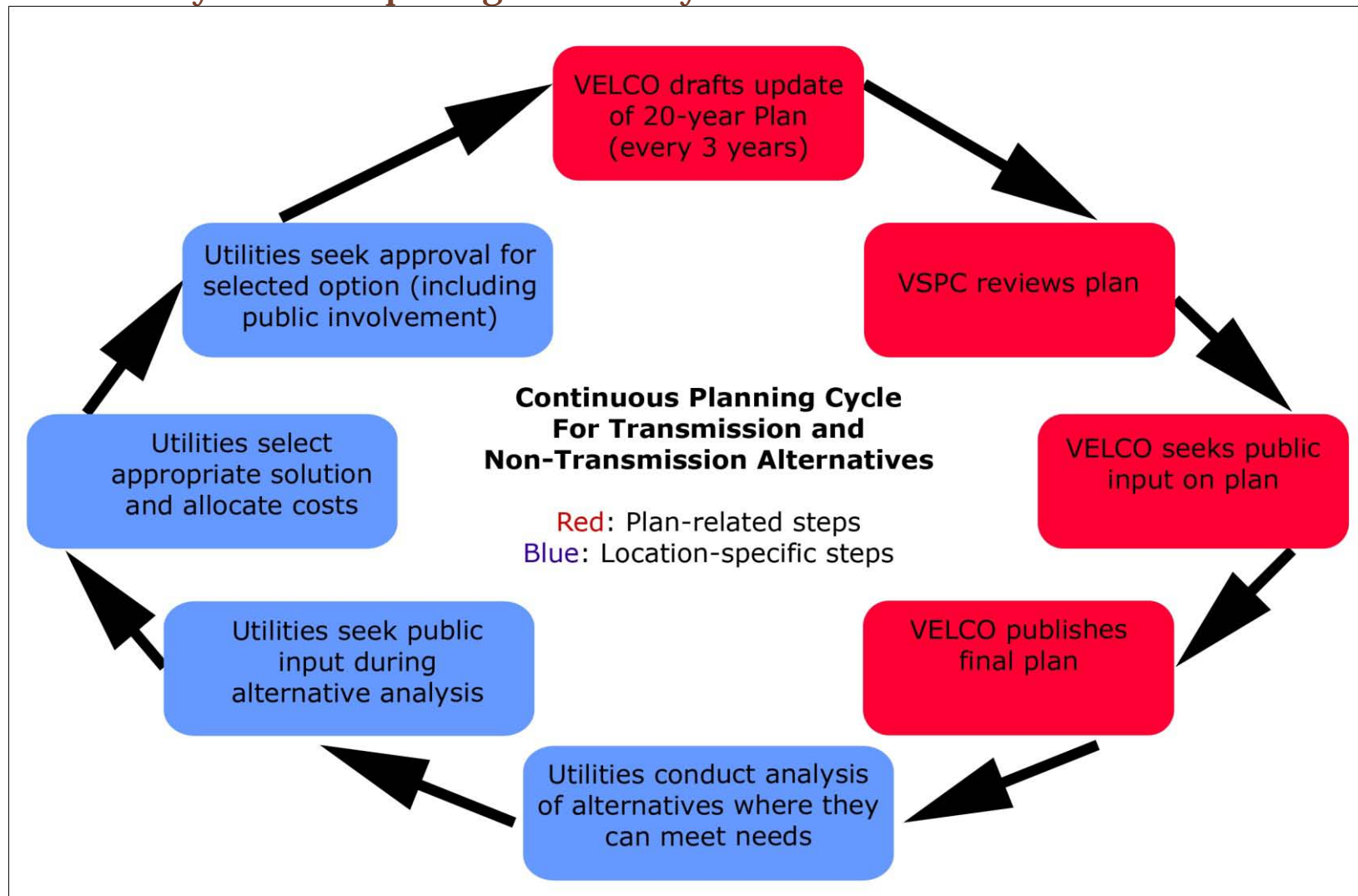
- 30 V.S.A. § 218c requires least-cost planning for transmission.
 - 10-year transmission plan updated at least every three years.
 - Purpose of the plan is to “[i]dentify potential need for transmission system improvements as early as possible, in order to allow sufficient time to plan and implement more cost-effective nontransmission alternatives to meet reliability needs, wherever feasible.”
- Act 61 of 2005 General Assembly obligates utilities and regulators to advocate least-cost reliability solutions and parity funding regionally and nationally.
 - (6) *In addressing reliability problems for the state’s electric system, Vermont retail electricity providers and transmission companies shall advocate for regional cost support for the least cost solution with equal consideration and treatment of all available resources, including transmission, strategic distributed generation, targeted energy efficiency, and demand response resources on a total cost basis.*

Public Service Board Orders

- Docket 6860 (NRP) Ordering Clause 21.
 - *“The Board will open an investigation into the responsibility of VELCO to explore and implement cost-effective, non-transmission alternatives to transmission upgrades. This investigation will revisit the Board's previous determination not to require VELCO to prepare an integrated resource plan and will assess whether deficiencies in VELCO's load forecasting has contributed to a lack of timely consideration of non-transmission resources. The investigation will also address, among other issues, the extent to which Vermont's electric distribution utilities should coordinate their planning and associated activities with VELCO's planning.”*
- Docket 7081, follow-on to Docket 6860.
 - Goal: *“Full, fair and timely consideration of cost-effective non-transmission alternatives.”*
 - 20-year horizon (vs. 10-year in statute).
 - Binding on all utilities, those who signed the MOU and those who did not (Final order, Docket 7081 at 39).

Docket 7081 Process Flowchart

For reliability issues requiring NTA analysis



Timing of 7081 cycle associated with 2012 Plan

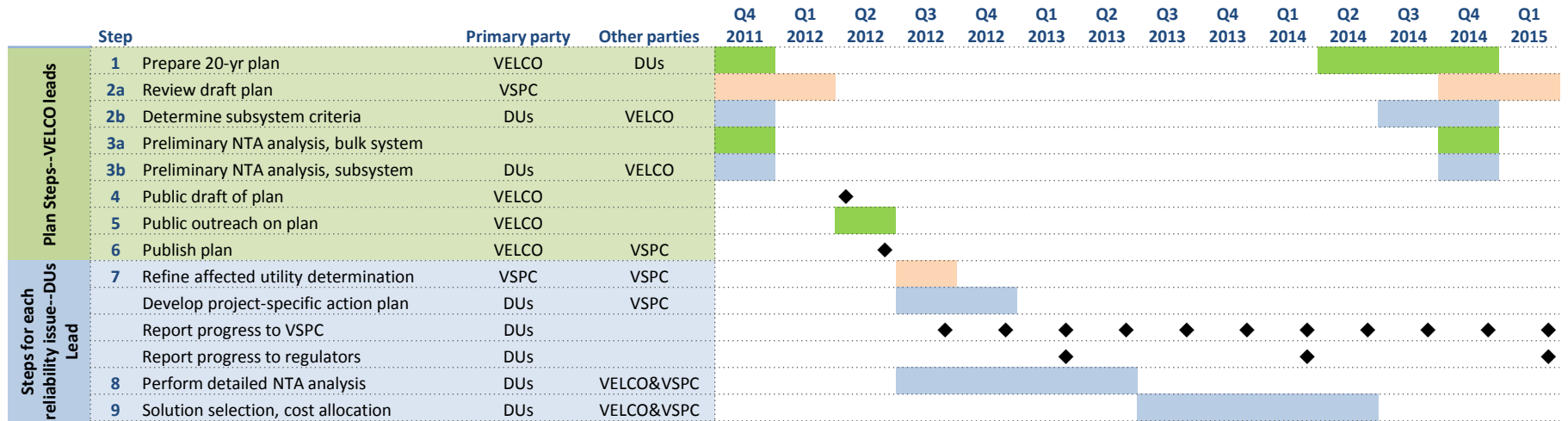
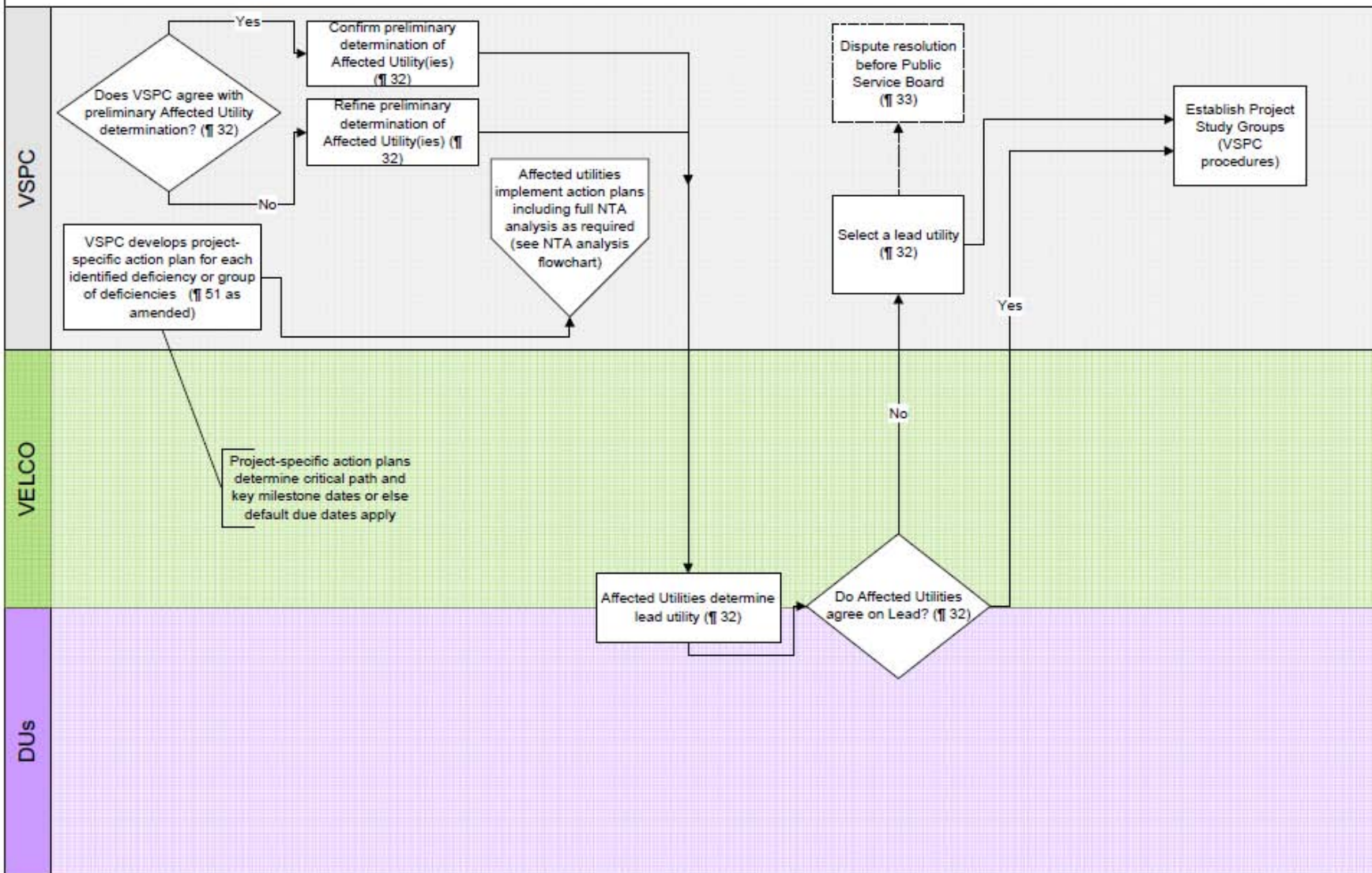


Chart represents process outlined in MOU. In practice, Vermont may not have the full two years to conduct NTA analysis, solution selection and cost allocation for a given deficiency.

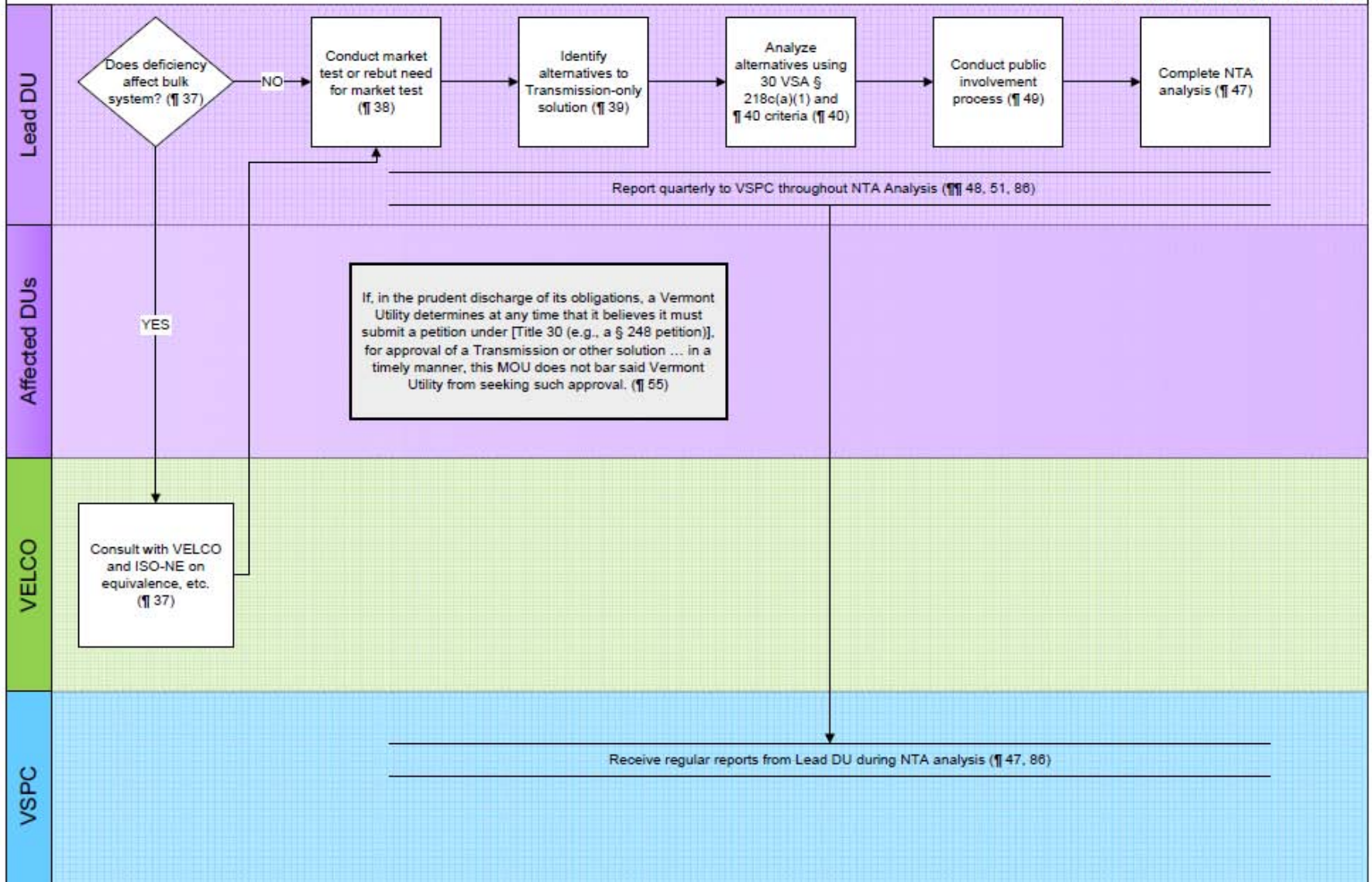
Docket 7081 Process Description: Project-Specific Analysis.
 Timing: Following filing of VELCO LRTP, July 1, 2012



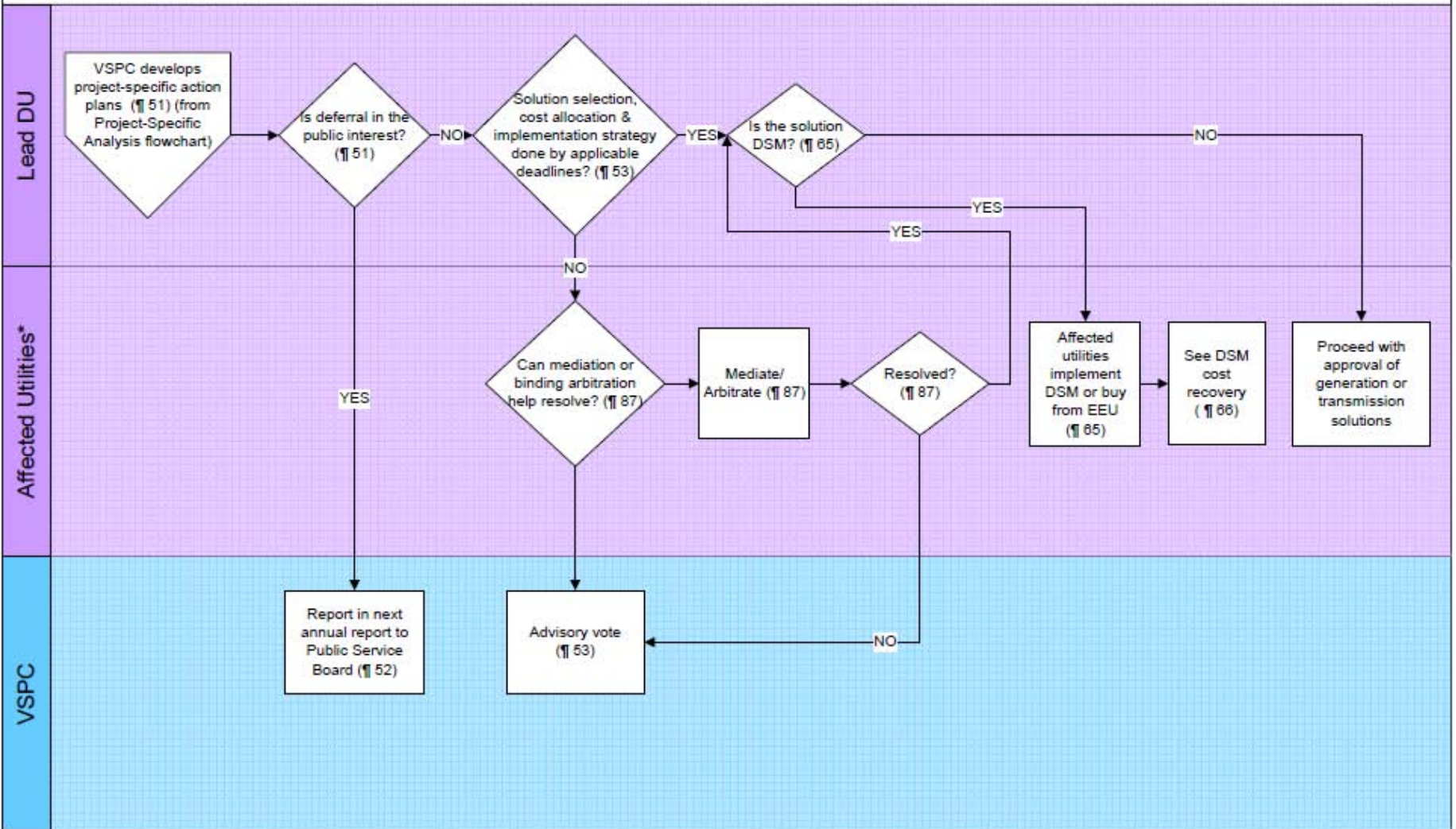
Docket 7081 Process Description: NTA Analysis.

Timing: by 7/1/13* or date set in the project-specific action plan (§§ 47, 51)

*One year from plan publication.



Docket 7081 Process Description: Solution Selection & Cost Allocation.
Timing: by 7/1/14 or date set in Project-Specific Action Plans (§§ 51,47)*



*Includes Affected DUs and VELCO

NTA Analysis

- Each affected DU must supply human and financial resources and information (§33).
- Lead DU can recover costs of analysis in cost allocation for the resulting project (§33).
- When subsystem issues affect only one DU, that DU is responsible for NTA analysis (§33).
- Must analyze (§40):
 - Rate and bill impacts (with and w/o PTF, RECs, tax credits).
 - Financial feasibility.
 - Ability to implement timely.
 - Relative economic benefits.
 - Other significant costs and benefits.
- Must complete within one year of plan publication unless project-specific action plan incorporates a different date.

Solution selection, cost allocation, implementation strategy

- Must be complete within two years of plan publication unless project-specific action plan provides alternative timing (§50).
- If no solution in two years (or alternative plan), VSPC advisory vote on solution selection, cost allocation & implementation strategy (§53).

Cost allocation (§57)

- Transmission: allocated according to tariff/VTA.
- Generation that defers or avoids transmission:
 - Reliability costs allocated to each DU in the same manner as the avoided transmission solution would have been allocated.
 - Costs of development apart from reliability costs borne by the developer.
 - Payment of reliability costs to generator may be discontinued if project fails to meet performance guarantees.
- Supplemental DSM that defers or avoids transmission:
 - Reliability costs allocated to each DU in the same manner that the avoided transmission solution would have been allocated.
 - Net costs other than reliability allocated to each DU in whose territory DSM is implemented.
 - Utilities may petition PSB for EEC adder to fund DSM.
 - VELCO and/or Affected DUs not precluded from agreeing on alternative cost allocation. (§58).
 - Each DU is responsible for implementation when DSM is selected. DUs may purchase from EEU (§65).

Reliability cost definition

¶113.hh. “Reliability Costs,” when used in the context of allocating the costs of an NTA that is part of resolving a Reliability Deficiency, means:

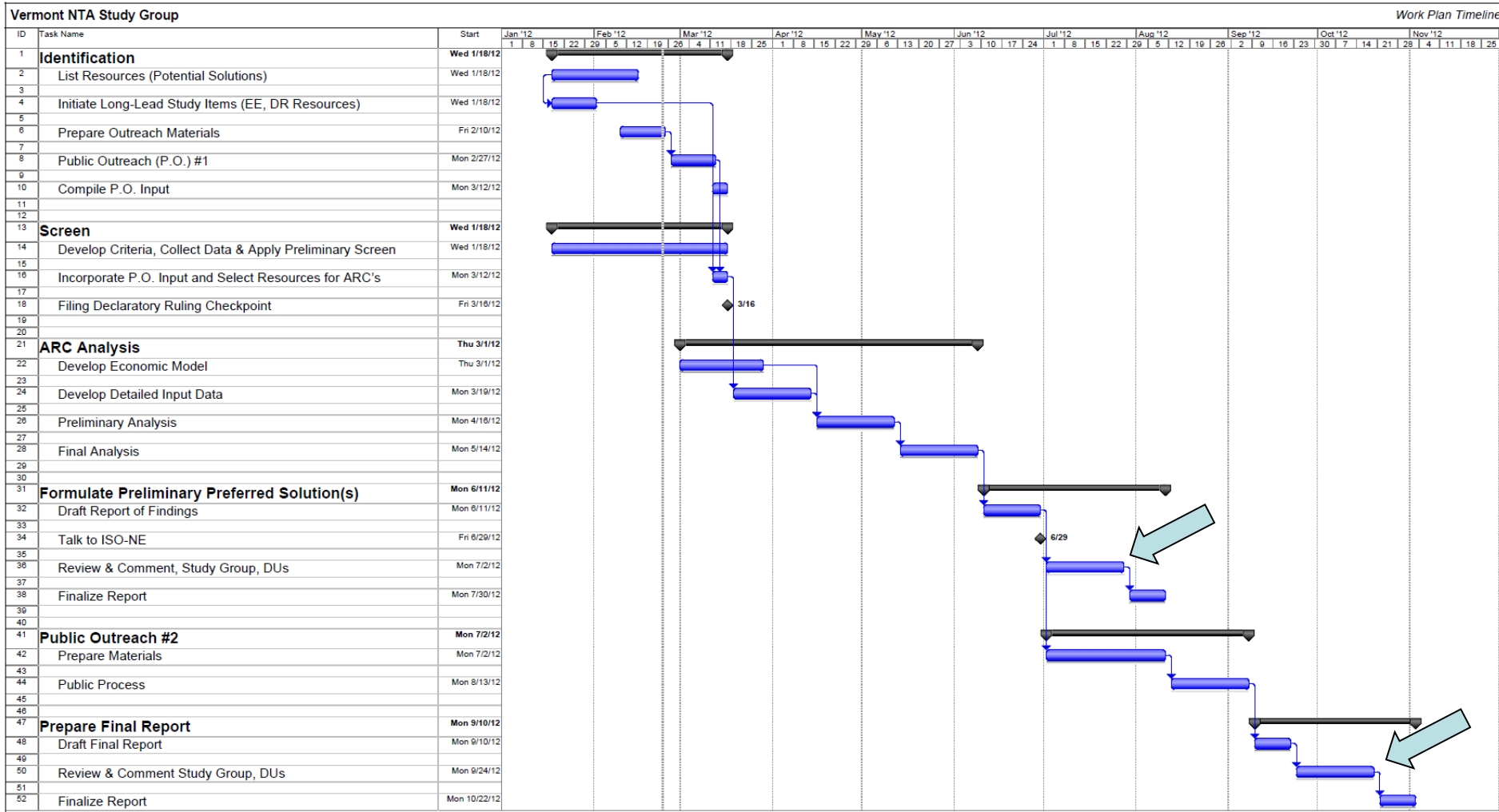
- i. For Generation, that portion of the cost of the Generation, identified through a market test or other method, that exceeds the amount the developer of the Generation can recoup through sales to or participation in the market; and
- ii. For DSM, that portion of the cost of a DSM program, if any, that is at or above the avoided costs that are to be used in NTA Analysis in accordance with paragraph 45, above, excluding the transmission and distribution component of those avoided costs, and taking into account all market benefits (e.g., regional network transmission services, LICAP) associated with the load reduction not already accounted for in those avoided costs, if any.

Projects in 2012 Plan that have screened in or status of NTA analysis is not addressed in the Plan

- Bulk and predominantly bulk:
 - Central Vermont bulk system issues (lead: GMP; affected: all)
 - Rutland area (CVPS)
 - Hartford area (lead: CVPS; affected: GMP)
- Subtransmission:
 - Hartford and Chelsea (lead: CVPS; affected: GMP)
 - Ascutney (CVPS)
 - Blissville (CVPS)
 - Rutland (CVPS)
 - Stowe (lead: Stowe; affected: WEC, Stowe, Morrisville, Hardwick)
 - Montpelier (GMP; WEC also affected for Berlin-Mountain View only)
 - St. Albans (lead: CVPS; affected: VEC)
 - Burlington (lead: GMP; affected BED)

Work Plan

In July and Sep/Oct 2012, if the study produces a viable NTA, DUs and VELCO will face decisions about cost allocation and regulatory path.



Prepared by Essex Partnership, consultant to GMP.