

TO: VELCO Operating Committee
FROM: Deena Frankel
RE: “Affected utility” determination under Docket 7081 MOU
DATE: February 8, 2012

The purpose of this memo is to frame the issues related to the Docket 7081 “affected utility” determination for discussion at the VELCO Operating Committee. This matter arises now because VELCO last week issued the VSPC draft of the 2012 Long-Range Transmission Plan (LRTP), which includes as required a proposed designation of affected utilities for purposes of the Docket 7081 process. (¶19 Docket 7081 MOU) Consistent with the approach taken by the utilities in the 2009 LRTP cycle, Operating Committee members last month agreed to use the Operating Committee as a forum to seek consensus on the affected utility designation. The expressed intent was to seek consensus to avoid the need for the VSPC to carry out its dispute resolution responsibilities in the event the utilities cannot agree among themselves.

What questions should the Operating Committee tackle at its February meeting?

- Should the 2012 affected utilities designation use the same criteria the DUs asked VELCO to use in 2009, specifically, that all VT DUs are affected utilities in those cases where the transmission solution would be PTF funded?
- If not, what interpretation of the Docket 7081 definition of affected utilities should be evaluated to make the 2012 affected utilities determination.
- For which reliability deficiencies identified in the draft 2012 LRTP is the affected utility designation disputed or likely to be disputed? (Since it is early in the review process, we realize the DUs may not yet be able to answer this question.)
- What issues give rise to the dispute?
- What process does the group want to use to seek consensus during the VSPC review period?

What is the significance of the affected utility designation? The affected utilities are responsible for completing the non-transmission alternatives (NTA) analysis for any reliability deficiencies identified in the LRTP that are not screened out of further analysis using the VSPC’s NTA screening tool. Affected utilities must supply the “human and financial resources and information necessary to conduct or oversee the conduct of detailed NTA analyses...” (¶133, Docket 7081 MOU) As discussed below, cost allocation is addressed in a separate section of the MOU (¶157). A DU not designated as an affected utility may not have a say in the NTA analysis (and may avoid sharing in the costs of the analysis), but cost allocation for a project will ultimately be governed by the cost allocation principles in ¶157 and applicable tariffs.

Why is it important to address the affected utility determination now? As required, VELCO has made a proposed designation of affected utilities in the VSPC draft of the LRTP. In the current draft VELCO has applied the 2009 test; specifically, that all VT DUs are affected utilities in those cases where the transmission solution would be PTF funded. The VSPC must make a preliminary determination of affected utilities – i.e., respond to VELCO’s proposed list – during the formal VSPC input process, providing written comments to VELCO by 3/30/2012.

What will happen if the affected utility determination is in dispute at the close of the comment period? At the close of the VSPC comment period, VELCO will incorporate whatever feedback it has received into the public review draft of the LRTP. If any dispute remains at the time the LRTP is published on 7/1/2012, the final plan will reflect the dispute. Following publication, the VSPC must confirm or refine the preliminary affected utility determination and designate a lead utility for each reliability deficiency. If any designation remains in dispute at that time, the VSPC is charged with taking an advisory vote to make the affected utility designation (§133).

How is the affected utility designation linked with the costs of performing an NTA analysis? “Any DU assigned by the VSPC to complete a detailed NTA Analysis shall be entitled to recover from the Affected DUs an appropriate allocation of the costs associated with such analysis as part of any cost allocation agreements entered into in relation to the project.” (§133)

How is the affected utility designation linked with cost allocation for implementing an NTA? For NTAs that avoid or defer transmission that would have been shared by all Vermont DUs, the MOU allocates reliability costs¹ in the same manner as the avoided transmission facilities would have been allocated. This suggests that the costs of an NTA that avoids a bulk system project would be allocated among all DUs, regardless of the affected utility determination. For NTAs that avoid or defer transmission that would have been allocated to a subset of DUs, the costs are allocated to the affected DUs according to a formula prescribed by the MOU. This suggests that the affected utility determination is relevant to cost allocation for subsystem projects, in which cases the MOU links the affected utility designation explicitly with both responsibility for completing the NTA analysis and cost sharing for implementing a cost-effective NTA solution.

What is the definition of “affected utility”? For purposes of the preliminary affected utility determination in the LRTP, “affected utility” means “a Vermont Utility, the facilities or load of which cause, contribute to, or would experience an impact from, a Reliability Deficiency[.]” (§113.b.i)

During the NTA analysis and subsequent solutions phase, the definition includes the additional criterion, “or in whose territory a proposed solution to a Reliability Deficiency would be implemented.” (§113.b.ii)

The Gantt chart on the following page depicts the timing of steps in the Docket 7081 process.

¹ Reliability Costs” of an NTA are defined by the MOU (§113.hh) as that portion of the cost of the generation that exceeds the amount the developer can recoup through sales to or participation in the market and, for DSM, that portion of the cost of a DSM program, if any, that is at or above the avoided costs, 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.

TASKS AND TIMING OF VELCO, UTILITY AND VSPC TASKS ASSOCIATED WITH LONG-RANGE TRANSMISSION PLAN

ID	Task Name	Start	Finish	Owner	2012				2013				2014				
					Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3		
1	Publish Plan VSPC review draft with proposed preliminary AU determination	1/27/2012	1/27/2012	VELCO	◆												
2	Preliminary determination of likely AU	1/27/2012	3/30/2012	VSPC	■												
3	Written comments to VELCO	3/30/2012	3/30/2012	VSPC	◆												
4	Incorporate VSPC comments	3/30/2012	4/20/2012	VELCO	■												
5	Issue public draft	4/2/2012	4/2/2012	VELCO	◆												
6	Public comment period	4/2/2012	5/31/2012	VELCO	■												
7	Incorporate public input	6/1/2012	6/29/2012	VELCO		■											
8	Publish and file final plan	7/2/2012	7/2/2012	VELCO		◆											
9	Confirm or refine AU determination	7/2/2012	8/31/2012	Affected Utilities		■											
10	Select lead DU	7/2/2012	8/31/2012	Affected Utilities		■											
11	Binding vote if dispute on #9 & #10	9/3/2012	10/1/2012	VSPC			■										
12	Conduct NTA analysis on RDs in Plan	7/2/2012	7/1/2013	Affected Utilities			■	■	■	■							
13	Complete solution selection, cost allocation, and implementation strategy	7/1/2013	7/1/2014	Affected Utilities							■	■	■	■			

Notes:

The MOU requires that Step 12 be completed within one year of LRTP publication and that step 13 be completed within two years of LRTP publication. The finish dates for steps 9 and 10 and the timing of step 12 are not explicitly mandated by the 7081 MOU, but are based on the timing required to conform the overall process to the mandated end dates for steps 12 and 13.

The chart reflects the time frames established in the 2007 MOU. In actual implementation, the need to comply timely with reliability standards and work with ISO-NE is requiring NTA analysis concerning deficiencies identified in the 2012 LRTP begin earlier than the MOU contemplated, before the publication of the 2012 LRTP update.