

STATE OF VERMONT  
PUBLIC SERVICE BOARD

Docket No. 6140

Investigation into the Reform of Vermont's     )  
Electric Power Supply                                     )

RECOMMENDATIONS FOR SEQUENCE OF ACTIVITIES  
OF VERMONT'S FOURTEEN ELECTRIC MUNICIPALS\*

Following the Technical Conference on December 18, 1998, the Public Service Board (the "Board" or "PSB") issued a Procedural Order inviting participants to make written submissions as to the sequence of activities which should be undertaken in Docket No. 6140.

In its December 11, 1998 Order the Board suggested that Technical Conferences on the following topics would be appropriate:

1. resource sales and auctions
2. securitization, and
3. mergers and industry consolidation.

The Board also indicated that it might consider the following:

---

\* Barton Village, Inc. Electric Department, Enosburg Falls Electric Light Department, Town of Hardwick Electric Department, Hyde Park Electric Department Jacksonville, Inc. Electric Department, Johnson Electric Light Department, Ludlow Electric Light Department, Lyndonville Electric Department, Morrisville Water & Light Department, Northfield Electric Department, Orleans Electric Department, Town of Readsboro Electric Department, Stowe Electric Department and Swanton Electric Department.

1. providing for the near term financial stability of Vermont's utilities
2. source-by-source review of mitigation opportunities
3. cost and rate analysis/establishing objectives for rates or power costs
4. green marketing and facilitating the market for renewable power sources
5. modifying Rule 4.100
6. voluntary opening of utility service areas to competition.

Finally, the Board announced the opening of Docket 6140-A to examine "critical legal and financial issues relating to the consequences of a potential bankruptcy proceeding and/or power purchase contract default involving one or more Vermont utilities."

The Fourteen Municipals have tried to make it clear in their previous filings and in their oral statements before the Board that in their view successful mitigation of above-market costs and the lowering of electric rates for Vermont customers requires a focused commitment by the utilities, other parties, the regulators and the Vermont Legislature. These activities should focus first on what Vermont can do to mitigate above-market costs wholly within the State of Vermont. The obvious choice, in the Municipals' view, for the Board's first focused effort is on the significant above-market costs associated with the mandated purchases by Vermont customers of the output of small power production facilities in Vermont through PSB Rule 4.100. This effort should be separate from any investigation of resource sales and

auctions or a source-by-source review of power supply. The Board and the Department must recognize that Vermont small power producers, just like Hydro-Quebec, are perfectly satisfied with the status quo. They are being paid multiples of the current market rate and every kilowatt hour produced by them, as strategies are studied, investigated, discussed and negotiated, benefits the small power producer and burdens the Vermont consumer. The Board and the Legislature should exert maximum pressure on the small power producers to "bring them to the table" to negotiate. There is little evidence to date to indicate that the Board recognizes its unique role and its ability to solve this problem. The Board should, at a minimum, open a rulemaking proceeding to determine what amendments to Rule 4.100 are necessary and convenient to implement a reduction in the purchase obligation or the cost of power, or both. The Board also should consider "compliance audits" to insure that all small power producers in Vermont are "qualifying facilities" as defined by the PURPA rules and are meeting all of the obligations established by Rule 4.100 and the various purchase contracts entered into between the small power producers and the State's purchasing agent. The 14 Municipals believe that the Board's wish to seek ". . . indications of a consensus among the three principal shareholders - Vermont's qualifying facilities ("QFs") or independent power producers ("IPPs"), VEPPI and the retail utilities - " is unrealistic. At this stage, the interests of the small power producers and Vermont's retail utilities are diametrically opposed. The small power producers are in business to extract the maximum amount of money from Vermont consumers and the Vermont utilities want to minimize the

amount of money small power produces extract from Vermont consumers. Given that, it is unlikely that these parties will reach a consensus without Board, Department and State pressure to do so.

The Municipals realize that VEPPI has made some limited progress in reducing costs and understands that it is working actively to develop and implement strategies that may reduce IPP costs. The Municipals have met with and agree to work with VEPPI to realize maximum savings in this critical segment of Vermont's power supply.

The Municipals are in receipt of the Board's second Order regarding Technical Conferences dated January 5, 1999 and agree with the Board's aggressive schedule for the first two technical conferences. The Municipals intend to actively participate in Docket No. 6140 technical conferences.

The 14 Municipals do believe that, as stated in their Position Paper of October 16, the Board should not expend its and the parties' resources in Docket 6140-A. The 14 Municipals agree with the Governor's Working Group's conclusion that utility bankruptcy is not a viable or sensible strategy for mitigating above-marking costs and, in fact, such an investigation is at odds with the commitment that the State should be making to comprehensively deal with the issues. That commitment must be, and must be seen by the financial community and

potential purchases and adverse parties as, a serious commitment by Vermont to devote the economic, political and intellectual resources necessary to solve the problem. An investigation into bankrupting Vermont's way out of the problem sends exactly the wrong message. Accordingly, it is the recommendation of the Group of 14 Municipals that Docket No. 6140-A be terminated.

Thank you for this opportunity to comment.

Respectfully Submitted,

John J. Collins for  
The Group of 14 Municipals