

STATE OF VERMONT
PUBLIC SERVICE BOARD

Docket No. 6140

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

RECOMMENDATIONS FOR DOCKET PROCEDURE
OF FOURTEEN VERMONT ELECTRIC UTILITIES¹

On October 8, 1998, the Vermont Public Service Board (the "Board" or "PSB") convened a day-long Technical Conference in this docket to discuss the scope of these proceedings and to review the substantive proposals for electric power supply reform filed by participants to this investigation. At the conclusion of the Conference, Chairman Cowart directed the participants to file on or before Friday, October 16, 1998, recommended procedures to expeditiously and productively address the merits of this investigation. The Chairman instructed that such recommendations should prioritize issues to be investigated and, in addition, should identify the regulatory and/or legislative actions necessary to accomplish the actions proposed.

Green Mountain Power Corporation ("GMP"), Central Vermont Public Service Corporation ("CV"), Citizens Utilities Company ("Citizens") and Associated Industries of Vermont ("AIV") (collectively the "Consolidated Group") filed a Consolidated Position Paper that identified nine or ten

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

separate workshop topics, which they later agreed could be consolidated and prioritized into three areas of investigation. These areas of investigation would be (1) insure the financial stability of the incumbent utilities to enable them to implement mitigation strategies; (2) investigate the implications of the bankruptcy/insolvency of one or more of the Vermont electric utilities; and (3) identify and analyze the tactics, timings, goals and processes for mitigation; these mitigation strategies would then be reviewed on an asset-by-asset basis.

While the solvency of Vermont's two largest electric utility companies is a necessary pre-condition to any meaningful power supply reform effort, the Fourteen Municipals do not recommend that a separate workshop be scheduled in this investigation to determine the appropriate rate relief in the pending GMP and CV rate dockets. That discussion needs to take place in the context of those rate proceedings. What is appropriate and necessary in this investigation is that the Board acknowledge and commit to regulatory action in the GMP and CV rate cases that will insure the level of revenue stability necessary to avoid utility insolvency and permit meaningful investigation and implementation of power supply reform.

Similarly, the Fourteen Municipals do not agree that resources in this docket should be devoted to a workshop on the implications of an electric utility bankruptcy in Vermont. The purpose and focus of this docket should remain the reform of Vermont's electric power supply. The Fourteen Municipals do not believe that utility bankruptcy is a viable mitigation strategy, and if it is treated as such, it will overshadow all other mitigation efforts. Who will seriously negotiate contract reform with Vermont's utilities, while the regulators are investigating the implications of distribution utility bankruptcy?

As to the substantive mitigation workshops, because not every Vermont electric utility is a participant in each of the power supply projects or contracts to be investigated in this docket (except for

the Rule 4.100/ IPP arrangement), the Fourteen Municipals recommend that separate workshops be scheduled on an asset-by-asset basis to explore the mitigation strategies most appropriate for each asset. These workshops do not necessarily need to be scheduled sequentially if the dates and times established for filing deadlines and hearings take into consideration the potential scheduling conflicts and limited resources (staff, time and money) of the various participants involved in each workshop.

Because all Vermont consumers share the burden of the State's contract with the IPP's, that workshop should probably be scheduled first. The Fourteen Municipals have developed a "public power" proposal to lower IPP costs which holds the promise of significant reductions without legislative involvement, instead relying on PSB orders and perhaps an amendment to Rule 4.100. This also would allow any progress on lowering IPP costs to be used to leverage an agreement with Hydro-Quebec.

Concurrent with the asset-by-asset workshops, the Board should schedule or integrate a separate workshop to explore generically the various tactics, timings, processes and goals for power cost mitigation. It is especially important to identify realistic power cost mitigation goals. A review of regional power supply costs and a consensus on what represents a "successful power supply reform" would be very helpful in the subsequent analysis of reform proposals. The application of any specific mitigation measure to the various power supply contracts and projects could then be integrated or consolidated with the separately established workshop for the particular power supply asset. Again, the Board schedule for this generic workshop will need to be cognizant of scheduling conflicts and resource limitations of the participants.

Finally, the Fourteen Municipals do not believe that the issue of retail choice should be the subject of separate workshops. This issue is important and no doubt deserves and will receive

additional attention in Vermont, but the key to successful reform of Vermont's power supply is to remain focused on power supply issues in an atmosphere of cooperatively working towards a common goal.

Respectfully submitted,

THE FOURTEEN VERMONT MUNICIPALS

By: _____
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