

STATE OF VERMONT
PUBLIC SERVICE BOARD

Docket No. 6140

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

DEPARTMENT OF PUBLIC SERVICE
POST-TECHNICAL CONFERENCE FILING

Introduction

The Department of Public Service ("Department", "DPS") respectfully submits this post-technical conference submission following the October 8, 1998 Technical Hearing in Docket 6140. In the context of this submission, the Department comments on current rate cases, overall policy direction relating to the electric industry, and specific mitigation proposals.

DPS is acutely aware, as are other parties, that problems and solutions related to reform of Vermont's electric power supply are complex. At the present time the Department is involved in rate cases which, either directly or indirectly, touch upon mitigation issues and opportunities. The department is committed at this time to addressing these issues in the context of the rate case. This commitment includes thoroughly exploring the potential benefits of settlement. It is our belief that the environment of the rate case provides an important opportunity to develop a structure in which mitigation is most likely to occur.

The Board's investigation correctly identifies the need to act quickly to lower power costs and is asking parties to consider and develop ideas in the absence of comprehensive restructuring of the electric industry. This is a noble goal and the DPS supports aggressive, further investigation of mitigation ideas. However, we recognize that certain concepts, if pursued and implemented,

may have unintended consequences in our quest to transition Vermont to open, retail competition. We will respect the Board's intention to keep the retail competition debate out of this docket, but feel we must raise the possibility of unintended consequence as it relates to broader policy. For example, mitigation alone will not correct flaws in the existing regulatory system. We urge the Board to carefully consider the inter-connectivity of mitigation issues, regulatory framework, and public benefits as it moves through this docket and to not allow short-term strategies or a piecemeal approach to prevent Vermont consumers from receiving prompt and comprehensive benefits available from a broader strategy.

Priorities and Action Steps: Technical Workshops

DPS supports the Board convening a series of technical workshops that address specific initiatives as they may relate to reform of Vermont's power supply. The department recommends that workshops be conducted in two phases: 1) education; and 2) exploring Vermont opportunities.

In the education phase it is anticipated that parties and/or outside experts invited by the Board make presentations on various approaches *applied to* the Vermont situation. This phase should focus on garnering the technical expertise and needed understanding to evaluate and, later, propose methodology and solutions.

In the exploration phase, we envision that parties would discuss which strategies to implement and develop skeletal business plans for execution (to include any identified legislative or Board actions). We urge the Board to ask parties to work together, with mediation if deemed necessary, to foster consensus. At the conclusion of this phase parties should be offered the opportunity to submit recommendations for Board action.

The department would expect that these two phases be followed by a Board order which considers recommendations and sets forth further directives. One directive would be to order the parties to more fully develop business plans for those options selected by the Board.

The department fully supports prior recommendations by other parties that a schedule be established that sets dates and subject matter for the workshops and a date certain for closure of the investigation. Due to pressing and consuming regulatory matters, however, the Department cannot participate meaningfully in any workshops for several weeks.

Topics that the DPS suggest be explored in technical workshops include:

1. Rule 4.100 and attendant issues/ contracts with IPP's;
2. Contract "step-up" provisions
3. Securitization: Legislative vs. Administrative Methods
4. Plant Auctions and All-Requirements Arrangements
5. Industry Consolidation
6. Potential Sale or Closure of Vermont Yankee
7. Transmission Access and Related Opportunity

The DPS is aware that over the next several weeks utilities may bring forth well-developed proposals in these areas. These proposals may render moot the value of some workshops. The DPS at this time does not know which, if any, of these topics will be covered by a utility proposal.

Concluding Remark

The Governor's Working Group on Vermont's Electricity Future is developing into a forum for power cost mitigation efforts. It may be that items nurtured in that context will come to the Public Service Board for further development and implementation. The Public Service Board is providing an important role in conducting these forums to address high, and increasing, power costs and what to do about these costs. These forums can serve to maintain pressure on the industry to address the issues and help to prepare those involved to deal with the many elements of the solution which will come along if we are successful.

Dated at Montpelier, Vermont this 11th day of February 1998.

VERMONT DEPARTMENT OF PUBLIC SERVICE

By: _____
Christine Salembier
Deputy Commissioner

cc: Attached Service List