

STATE OF VERMONT
PUBLIC SERVICE BOARD

In Re:)
) Docket No. 6140
Investigation into the Reform of)
Vermont's Electric Power Supply)

**COMMENTS OF THE VERMONT INDEPENDENT
POWER PRODUCERS' ASSOCIATION**

The members of the Vermont Independent Power Producers' Association generally support the notion of Docket 6140. With only a few exceptions, we support the position papers filed by the utilities on October 5th. We attended the Technical Conference on October 8th and have reviewed the subsequent recommendations and responses submitted by CVPS et al, the 14 municipalities, Vermont Marble Power Division, and VEPP, Inc., and are mostly in agreement.

Let us state at the outset that VIPPA members are ready and willing to support securitization in order to achieve reductions in the cost of power our members produce which is delivered to Vermont ratepayers. However, at this time we are unable to effectuate these savings until the financial health of the utilities is assured, there is a global settlement of all above-market cost issues and there is a recognition of our contract rights, our specific rights under PURPA, and our other rights under State and Federal law.

By way of background, it was VIPPA members and the utilities who voluntarily promoted the idea of VEPP, Inc. to replace Vermont Power Exchange. The annual cost savings to ratepayers alone from this cooperative effort is approximately \$250,000 per year. Furthermore, upon its inception, VEPP, Inc. was able to facilitate further cost reductions to ratepayers by reducing the administrative time and cost of power sales transactions which resulted in additional savings through reduction of the payment lag adder.

In 1996, 1997 and 1998 VIPPA members very actively supported VEPP, Inc's efforts to seek project refinancing and securitization financing as methods to voluntarily reduce costs to ratepayers from power our members produce. However, due to structural impediments and the subsequent uncertain financial situation with the utilities, these efforts came to a halt in March of this year, after substantial effort and financial expenditures on the part of VEPP, Inc.

We believe that through securitization our rates could be reduced approximately 10%. However, all players need to be aware that because our costs are revenue neutral to the retail distribution companies, this will have no effect on the financial integrity of the utilities.

We have received a copy of a communication from Senator Vincent Illuzzi dated October 6, 1998, with copies to the Department of Public Service, the Public Service Board, and the Attorney General. The essence of this communication is similar in nature to certain provisions of S.62 of the 1997 legislative session. While the Board has no ultimate authority over proposals such as these, we wish to make it clear that this type of concept, while not only being contrary to Federal and State laws which govern our industry, obviously provides a disincentive to producers to "come to the table." Furthermore and perhaps more importantly to the Board, the proposals pose a serious obstacle to the financial institutions which would arrange for and provide financing for securitization.

We look forward to voluntarily participating in this docket notwithstanding and without prejudice to our members' rights under law.

Dated: October 20, 1998.

VERMONT INDEPENDENT POWER
PRODUCERS ASSOCIATION

By: _____
John L. Warshow