MEMORANDUM

To: PSB Docket No. 7523 — SPEED Standard Offer e-mail distribution list

From: Susan M. Hudson, Clerk of the Board

Re: Prehearing conference memorandum and description of next steps

Date: June 22, 2009

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On June 19, 2009, Public Service Board ("Board") staff conducted a prehearing conference and workshop in this Docket to address statutory changes to the Sustainably Priced Energy Enterprise Development ("SPEED") program. In particular, Act 45[1] establishes standard offer prices for different renewable generation types and requires that the Board, by September 15, 2009, hold a "noncontested case docket" to determine whether the statutory prices are a "reasonable approximation of the price that would be paid applying the criteria" established by the Act. Participants at the workshop discussed the procedural and substantive issues involved in this Docket, including the scope of issues and when certain issues should be resolved. In addition, the participants agreed that subgroups of participants could address certain discrete issues.

Communication and Filings

Communication in this Docket will be via e-mail. However, we require anyone interested in participating in this Docket to submit an e-mail to the Clerk of the Board (psb.clerk@state.vt.us) that includes a full name, e-mail address, and the organization that you are with. The e-mail distribution list used to distribute this memorandum was compiled at the June 19 workshop; any requests to be added to the e-mail distribution list should be sent to psb.clerk@state.vt.us. In addition, Board staff will be establishing a website for this Docket that will include the most up-to-date e-mail distribution list as well as relevant documents. Participants may suggest that specific relevant documents be posted on the website; any requests to post relevant documents should include the Docket number in the subject line and a clear indication at the beginning of the e-mail regarding which documents should be posted (generally only documents will be posted, and not the e-mail itself).

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[1] The full text of the statute can be found at http://www.leg.state.vt.us/docs/2010/Acts/ACT045.pdf.

Substantive Issues

Attached is a list of issues that was initially developed by Board staff and has been supplemented to reflect comments received at the June 19 workshop. By June 25, 2009, interested participants should file comments on this list — such as whether the issues have been correctly framed or if additional issues should be added to the list. By July 2, 2009, interested participants should file substantive comments on the issues included in the list. Any reply comments should be filed by July 9, 2009.

Subgroups

Participants at the workshop raised the possibility of creating subgroups that would address certain discrete issues. Two subgroups that were decided upon at the workshop were a Standard Contract Terms subgroup and a Wheeling subgroup. These subgroups will be facilitated by David Mullet and Morris Silver, respectively. Notice of any meetings of the subgroup will be sent to the group e-mail list. Anyone interested in participating in these subgroups should respond to the group e-mail list.

Two other possible subgroups include a Queue subgroup and an Interconnection subgroup. If any participant believes that other issues should be addressed through a subgroup, they should make such a proposal in the June 25 comments.

Future Workshop

Board staff will hold a second workshop the end of the week of July 6 or the beginning of the week of July 13 to address the July 2 comments. The next workshop will likely be an all-day event, given the scope and number of issues. At the workshop, Board staff will attempt to include a presentation from entities that are familiar with standard offer prices for renewable generators.

Timing of Issue Resolution

Finally, several participants recommended that the Board consider ruling on certain issues prior to the September 15, 2009, statutory deadline. These include eligibility for standard offer rates and design rules for price queue. Interested participants are encouraged to recommend other issues that should be considered for earlier decision in their July 2 filings.

Docket 7523 - Preliminary Issues List

Renewable Cost Issues

1. Gathering data on costs of different renewable sources
   a. Is there publicly available information that the Board can rely upon?
   b. If not, should we require information from all developers/vendors?
   c. Confidentiality - should some data be protected? If so, how do other parties evaluate?
2. Evaluation of data
   a. The Board is considering hiring a contractor to assist with data development and analysis. Are there any issues with this approach?
   b. What process should the Board employ to obtain input from developers/vendors and other stake holders?
   c. What is the standard of review that the Board should employ when looking at cost data? Should the Board only alter the statutory prices if it finds a major difference?
3. What level of granularity should prices have? One for each type of resource, or different prices based upon certain characteristics?
   a. If we aim for granularity, is there enough data to support each set of prices?
   b. What is the appropriate capacity differentiation?
4. How do we value the tax credits and other support, such as grant programs?
   a. What credits and grants are available?
5. How should the Board value the cost of any system impact study required in order to interconnect? In particular, does this create a barrier for smaller projects?
6. How should the Board determine the return on equity for purposes of setting a standard rate?
   a. What proportion of the cost should be assumed to be equity?
7. How should the Board calculate the adjustment factor so that prices are high enough, but not excessive?
   a. Should this adjustment factor incorporate an incentive associated with production at the most valuable times (i.e., peak) or associated with the geographic location of the generation unit (i.e., constrained areas)?
8. How should the Board incorporate wheeling charges?
   a. Can these charges be minimized or avoided and still be consistent with FERC requirements?

Implementation Issues

9. Under the statute, the utilities receive RECs associated with SPEED projects. Should the owner be required to apply for RECs?
10. Similarly, for capacity, are there any steps that need to be taken to assure that utilities receive any capacity payments?
11. Project Eligibility Issues
    a. What steps must a developer take to qualify for the rates in effect at a particular point in time? Contract? Construction? CPG? Letter of intent?

b. What process should the Board put in place to allow developers who want to put projects into service if the interim rates are set in September? Should the Board develop a project queue for such projects? Would this be consistent with the statute?
c. How should the Board address the fact that the standard offer must be in place until 50 MW have been commissioned (not approved)? Does the standard offer need to contain provisions so that only the first 50 MW qualify for the rates?
d. Should the Board reserve a portion of the 50 MW for smaller projects or projects from particular types of resources? What shares should be so reserved?
e. How should the Board factor in utility projects (that may reduce the 50 MW maximum)?
f. Can existing facilities (in particular, net metering projects) qualify for the new SPEED rates?
g. On a going-forward basis, what is the interrelationship between the SPEED and net-metering programs?

12. How should future renewable energy technology be considered or addressed?
13. Interconnection. Is it necessary or appropriate to revise the Board's interconnection rule for smaller (150 kw or less) renewable projects?
14. What, if any, standard should the Board adopt for metering of SPEED projects eligible for the cost-based pricing?
15. The statute specifies that the term of the contract varies from 10 to 25 years. Who should decide on the duration?
16. Do all projects have to apply under Title 30, Section 248 (or 248(j))?

<u>SPEED Contract/Facilitator Issues</u>

17. SPEED Facilitator. Board rules limit the SPEED Facilitator's ability to enter into contracts. Do these need to be amended? Or has the statute obviated the need to change the rule?
18. SPEED Facilitator standard contract. What should a standard contract contain?
    a. Can we use the VEPPI contracts as a model?
    b. What reporting requirements should be included?
19. How should the costs of the SPEED Facilitator be apportioned between developers and utilities?
    a. Should the allocation be 50/50 as in the small power arrangements?
    b. How would this allocation occur for small projects?