

STATE OF VERMONT
PUBLIC SERVICE BOARD

Docket No. 6290

Investigation into the establishment of guidelines for)
distributed utility planning by Vermont electric)
distribution utilities)
Hearing at
Montpelier, Vermont
August 13, 2003

Order entered: 10/10/2003

PRESENT: Ann Bishop, Hearing Officer

APPEARANCES: Aaron Adler, Esq.
for Vermont Department of Public Service

William B. Piper, Esq.
Primmer & Piper, P.C.
for 14 Municipal Utilities¹

Helen Fitzpatrick, Esq.
For Central Vermont Public Service Corporation

I. INTRODUCTION

In this Proposal for Decision, I recommend that the Board approve the "Agreement Among the Vermont Department of Public Service ('DPS') and Thirteen Municipal Electric Utilities ('13 Municipal Utilities')"² ("DPS-13 Municipal Utilities Agreement") and the "Further Agreement Between the Vermont Department of Public Service and the Hardwick Electric

1. The 14 Municipal Utilities include: Barton Village Inc. Electric Department; Village of Enosburg Falls Water & Light Department; Town of Hardwick Electric Department ("Hardwick"); Village of Hyde Park Electric Department ("Hyde Park"); Village of Jacksonville Electric Department; Village of Johnson Water & Light Department ("Johnson"); Village of Ludlow Electric Light Department; Village of Lyndonville Electric Department; Village of Morrisville Water & Light Department ("Morrisville"); Village of Northfield Electric Department; Village of Orleans Electric Department; Town of Readsboro Electric Light Department; Town of Stowe Electric Department ("Stowe"); and Swanton Village Inc. Electric Department.

2. The 13 Municipal Utilities include all of the 14 Municipal Utilities except Hardwick.

Department" ("DPS-Hardwick Further Agreement"), both of which were filed on June 27, 2003.³ The DPS-13 Municipal Utilities Agreement provides a final resolution to the key issues in this docket for the 13 Municipal Utilities that is similar in many respects to that provided for in the Memorandum of Understanding ("MOU") approved by the Board in its January 15, 2003, Order in this Docket. The two most significant differences between the resolutions provided by these two agreements are: (1) the dollar threshold below which distributed utility planning ("DUP") analysis is not required will be significantly lower for the 13 Municipal Utilities; and (2) the 13 Municipal Utilities will use a different externalities adjustment in DUP analysis than will those utilities which signed the MOU, except that the externalities adjustment in the MOU will be used by the Area-Specific Collaborative for the Lamoille County Loop DUP Target Area. The DPS-Hardwick Further Agreement provides that Hardwick will use the same externalities adjustment as the 13 Municipal Utilities in DUP analysis.⁴ In this Proposal for Decision, I recommend that the Board approve both these agreements, in their entirety, for the service territories of the signatory utilities only.

II. PROCEDURAL HISTORY

The early procedural history for this Docket is described in the Board's Orders of March 7, 2001, September 28, 2001, July 16, 2002, January 15, 2003, April 16, 2003, and August 19, 2003, and need not be repeated in detail here.⁵ However, in order to understand the significance of the two agreements that are the subject of this Order, it is important to have a general understanding of the MOU approved in the Board's January 15, 2003, Order. The MOU provides a framework for DUP analysis and implementation in the service territories of the

3. The DPS-13 Municipal Utilities Agreement was admitted into the record as exh. Joint-49. The DPS-Hardwick Further Agreement was admitted into the record as exh. Joint-50.

4. Previously, Hardwick agreed to the terms and conditions of the MOU, except for those relating to environmental externality adjustments. *See*, Order of 4/16/03 at 7, 11-12.

5. Order of 3/7/01 at 2-5; Order of 9/28/01 at 2; Order of 7/16/02 at 2; Order of 1/15/03 at 4-5; Order of 4/16/03 at 2-4; Order of 8/19/03 at 1-2.

signatory utilities.⁶ It includes a variety of provisions, including, among other things, agreement on (1) Area-Specific Collaboratives that focus on DUP analysis and implementation in specific constrained areas; (2) avoided costs, externalities, and risk adjustments to be used in distributed utility planning; and (3) a screening tool for use in determining whether a particular transmission and distribution project should be subject to DUP analysis.

On June 27, 2003, the DPS filed the DPS-13 Municipal Utilities Agreement and the DPS-Hardwick Further Agreement.⁷ The DPS-13 Municipal Utilities Agreement resolves many issues relating to DUP analysis and implementation for the signatory utilities. The DPS-Hardwick Further Agreement resolves only the issue of the externalities adjustment to be used by Hardwick in DUP analysis and implementation.

On July 23, 2003, the Clerk of the Board sent the parties in this Docket my questions regarding these agreements.

On August 12, 2003, the DPS filed written responses to my questions. The DPS's letter states that the 13 Municipal Utilities and Hardwick concur in the answers. These written responses were admitted into the record as exh. Joint-51 at the technical hearing.

A technical hearing was held on August 13, 2003. At the technical hearing the DPS, the 13 Municipal Utilities and Hardwick provided testimony in support of the two agreements. No party opposed either of the agreements.

III. FINDINGS

DPS-13 Municipal Utilities Agreement

1. Attachments A-1 and A-2 to the DPS-13 Municipal Utilities Agreement provide direct avoided costs and avoided non-targeted transmission and distribution costs that will be used by the 13 Municipal Utilities in DUP analysis and implementation. These attachments are identical

6. All of Vermont's electric distribution utilities except for the 13 Municipal Utilities have either signed the MOU or agreed to its terms. However, Hardwick did not agree to the MOU's terms related to environmental externalities, and the dollar threshold for transmission and distribution investments below which DUP analysis does not need to be performed was lowered for Rochester.

7. Additional signature pages were provided for several of the 13 Municipal Utilities and Hardwick on July 3, 2003, and July 14, 2003.

to Attachments A-1 and A-2 to the MOU that was previously approved by the Board. Exh. Joint-49 at Attachments A-1 and A-2; exh. Joint-51 at 1.

2. The risk adjustment for demand-side management included in the DPS-13 Municipal Utilities Agreement is the same as that included for demand-side management in Attachment A-3, Part 3, to the MOU. Exh. Joint-49 at ¶ 5; exh. Joint-51 at 2.

3. Paragraph 5 of the DPS-13 Municipal Utilities Agreement provides for (1) a 10 percent cost reduction for distributed generation technologies that are commercially available and have environmental impacts comparable to current microturbines, and (2) a custom adjustment scaled consistently with the 10 percent cost reduction for other distributed generation technologies. These risk adjustments are reasonable because: they result in the use of adjustments with which the parties are familiar; the use of risk adjustments for distributed generation technologies is relatively new; and they may be revised in a subsequent docket, if appropriate. Exh. Joint-49 at ¶ 5; exh. Joint-51 at 3.

4. Attachment B to the DPS-13 Municipal Utilities Agreement is a form for the selection of DUP target areas. The only substantive difference between this form and Attachment B to the MOU is the dollar threshold for performing DUP analysis. Exh. Joint-49 at Attachment B; exh. Joint-51 at 4.

5. The DPS-13 Municipal Utilities Agreement provides that, unless changed by Board order in a subsequent docket after notice and opportunity for hearing, reasonable and good faith application of Attachment B by a signatory utility will establish a rebuttable presumption that the utility's decision regarding whether a transmission and distribution project should be subject to DUP analysis complies with the requirement of 30 V.S.A. § 218c to perform and implement DUP. Exh. Joint-49 at ¶ 6.

6. Under the terms of the DPS-13 Municipal Utilities Agreement, the dollar threshold for transmission and distribution investments below which DUP analysis does not need to be performed will be \$100,000 for the 13 Municipal Utilities. This threshold would likely mean that projects such as new substations, substantial substation rebuilds, and line reconstruction projects that exceed two miles in length would not automatically be excluded from DUP. The \$100,000 threshold is reasonable because it strikes the appropriate balance between focusing

DUP efforts on larger projects that have the potential to yield the greatest savings for the efforts employed, and ensuring that enough projects are provided the opportunity for cost savings through DUP. The \$100,000 threshold is the same as that approved by the Board for the Rochester Electric Light and Power Company ("Rochester") in its August 19, 2003, Order in this Docket. Exh. Joint-49 at Attachment B; exh. Joint-51 at 3–4; Order of 8/19/03 at 2–3.

Environmental Externalities

7. The Lamoille County Loop presents transmission constraints that affect several of the 13 Municipal Utilities, to a greater or lesser extent. The affected municipal utilities are: Stowe, Morrisville, Hardwick, Hyde Park, and Johnson. Exh. Joint-51 at 4; tr. 8/13/03 at 14 (Underhill).

8. If any of the 13 Municipal Utilities or Hardwick decide to join the Lamoille County Loop Area-Specific Collaborative, they will sign the Lamoille County Loop Supplemental Agreement. The terms of the MOU, including the externalities adjustment, will apply to this Area-Specific Collaborative. The risk adjustment for distributed generation technologies will be decided in the Area-Specific Collaborative. Exh. Joint-49 at ¶ 7; exh. Joint-50 at ¶ 3; exh. Joint-51 at 3.

9. Other than the Lamoille County Loop, as of September 12, 2002, there were no areas in the service territories of the 13 Municipal Utilities that required DUP analysis and implementation. Exh. Joint-51 at 4.

10. The 13 Municipal Utilities do not anticipate making any investments that would require DUP analysis and implementation over the next four to five years. Tr. 8/13/03 at 12 (Underhill).

11. The DPS-13 Municipal Utilities Agreement provides that the externalities adjustment to be used by the 13 Municipal Utilities will be the rebuttable 5 percent externalities adder as adopted by the Board in its April 16, 1990, Order in Docket 5270, except that the externalities adjustment in the MOU will apply to the Lamoille County Loop Area-Specific Collaborative. The DPS-Hardwick Further Agreement includes the same provisions regarding the externalities adjustment for Hardwick. Exh. Joint-49 at ¶¶ 4, 7; exh. Joint-50 at ¶¶ 2, 3.

12. It is reasonable to leave the status quo on externalities for DUP in the service territories of the 13 Municipal Utilities and Hardwick in place at this time. Because it is unlikely that these

utilities will be performing DUP analysis in the near term, leaving the status quo in place is unlikely to lead to a situation in which different externality adjustments are used in DUP analysis depending on which utility is performing DUP analysis and implementation. Exh. Joint-51 at 2; finding 10.

Other Issues

13. The 13 Municipal Utilities agree to the terms of the "Agreement Concerning Tasks Set Out in Paragraphs 10d and 12 of the Memorandum of Understanding Filed October 10, 2002" ("10d and 12 Agreement") and the "Agreement Concerning Tasks Set Out in Paragraphs 10a Through 10c of the Memorandum of Understanding Filed October 10, 2002" (10a–10c Agreement"). The 10d and 12 Agreement provides a methodology for the inclusion of non-targeted transmission and distribution avoided costs in the following situations: (1) for voltages specifically reviewed for which no equipment is targeted; and (2) for voltages specifically reviewed for which some equipment is targeted. The 10a–10c Agreement addresses (1) the Energy Efficiency Utility's role in DUP, including but not limited to its role in the Area-Specific Collaboratives; (2) the creation of a tool for estimating demand-side management potential and cost; and (3) the feasibility of a tool that estimates the load shapes of demand-side management measures or programs for use in conducting hourly price analysis. Exh. Joint-49 at ¶ 3; tr. 8/13/03 at 16 (Underhill); Order of 4/16/03 at 2.

14. The 13 Municipal Utilities have agreed to notify the DPS of any emerging Capacity Constrained Areas or Non-Constrained Area Projects for which DUP analysis should be performed. Tr. 8/13/03 at 16 (Underhill).

15. On June 12, 2003, the Institute of Electrical and Electronic Engineers ("IEEE") finalized IEEE Standard 1547: Standard for Interconnecting Distributed Resources with the Electric Power Systems. The 13 Municipal Utilities agree that this standard will apply to DUP distributed generation, as contemplated by Paragraph 21 of the MOU. Tr. 8/13/03 at 18 (Litkovitz); tr. 8/13/03 at 16–17 (Underhill).

16. The 13 Municipal Utilities agree to use, as guidelines, the provisions in the MOU regarding incentives for DUP distributed generation, incentives for DUP demand-side

management, and persistence and reliability of customer-controlled distributed generation and demand-side management. Tr. 8/13/03 at 18–19 (Underhill).

17. The 13 Municipal Utilities are interested in attending the meetings the DPS will convene under Paragraph 9 of the MOU (updates on the activities and status of the various Area-Specific Collaboratives). The DPS has agreed to invite the 13 Municipal Utilities to these meetings. Exh. Joint-51 at 4.

18. There are no longer any contested issues between the DPS and the 13 Municipal Utilities regarding the implementation of DUP in the 13 Municipal Utilities' service territories. Exh. Joint-51 at 5.

IV. DISCUSSION

I am very pleased that the DPS and the 13 Municipal Utilities, and the DPS and Hardwick, were able to reach a resolution regarding the issues in this Docket. After reviewing the DPS-13 Municipal Utilities Agreement and the DPS-Hardwick Further Agreement, and the evidence in the record regarding these agreements, I find that they provide a reasonable resolution to the issues in this Docket for the service territories of the signatory utilities for the reasons set forth below.

DPS-13 Municipal Utilities Agreement

The Board has already found that the framework for the implementation of DUP set forth in the MOU is reasonable for those utilities that previously signed the MOU or agreed to its terms. The DPS-13 Municipal Utilities Agreement includes the same direct avoided costs, avoided non-targeted transmission and distribution costs, and risk adjustment for demand-side management as the MOU. In addition, Attachment B (the form for selection of DUP target areas) is substantively the same as that attached to the MOU, except that it includes a lower dollar threshold. This lower threshold is the same as that approved by the Board for Rochester's service territory. Given that the 13 Municipal Utilities are more comparable in size to Rochester than to the state's large utilities, I conclude that this lower threshold is reasonable. This will ensure that projects that are relatively large for one of the 13 Municipal Utilities are not excluded

from DUP, even though the projects might be considered small if they were in a larger utility's service territory.

There are some differences between the framework set forth in the DPS-13 Municipal Utilities Agreement and the MOU. For example, the MOU provides that Area-Specific Collaboratives will address the risk adjustments for distributed generation technologies while the DPS-13 Municipal Utilities Agreement defines specific adjustments. I am persuaded that the risk adjustments in the DPS-13 Municipal Utilities Agreement are reasonable because: (1) they result in the use of adjustments with which the parties are familiar; (2) the use of risk adjustments for distributed generation technologies is relatively new; and (3) they may be revised in a subsequent docket, if appropriate.

Environmental Externalities

A second difference between the MOU and the DPS-13 Municipal Utilities Agreement relates to the use of environmental externalities in DUP analysis and implementation. Both the DPS-13 Municipal Utilities Agreement and the DPS-Hardwick Further Agreement provide that the signatory utilities will use a five percent externalities adder in DUP analysis and implementation.⁸ This is a different resolution than that provided for in the MOU, and that will be used by those utilities that signed the MOU.⁹

Initially I was concerned that this would lead to a situation where different externalities adjustments would be used depending on which utility is performing DUP analysis and implementation. This would be undesirable from a public policy perspective — the pollution produced by a particular technology should not be valued more or less solely because of which utility is analyzing the technology.

The parties have persuaded me that this situation is unlikely to occur in the next four to five years for the simple reason that it is unlikely the 13 Municipal Utilities or Hardwick will be

8. To be precise, the agreements provide for the preservation of the status quo, which is the use of a rebuttable presumption of a five percent externalities adder, as adopted by the Board in its April 16, 1990, Order in Docket 5270. Since the two agreements provide for the same resolution of this issue, I discuss them together in this section.

9. The MOU includes specific dollar values (on a per-MWh basis) for six different pollutants.

making any investments for which DUP analysis should be performed during that time period.¹⁰ While it is certainly possible that an unforeseen investment could need to be made by one of the 13 Municipal Utilities or Hardwick during the next five years, given the size of the investment relative to the size of each municipal utility, and the other criteria set forth in Attachment B to the DPS-13 Municipal Utilities Agreement for determining when DUP analysis must be performed, I am persuaded it is reasonable to rely upon the 13 Municipal Utilities' and Hardwick's assertion that it is unlikely an investment will be made that will require DUP analysis.

The sole exception to this is the Lamoille County Loop transmission constraint. This constraint affects several municipal utilities (see finding 7, above). However, the 13 Municipal Utilities and Hardwick have agreed that the externalities adjustment provided for in the MOU will be used in the Lamoille County Loop Area-Specific Collaborative (the forum in which DUP analysis of this area is taking place).

The DPS, the 13 Municipal Utilities, and Hardwick stated they could not agree on the externalities adjustment to be used in DUP analysis and implementation, and that "this disagreement appeared likely to lead to contentious litigation with little practical value for the foreseeable future."¹¹ Therefore, they agreed to leave the status quo in place at this time.

In light of the expected minimum length of time (four to five years) before any of the 13 Municipal Utilities or Hardwick might perform DUP analysis and implementation, and the parties' representations regarding the litigation that would likely be necessary to resolve the issue, I am persuaded that the benefits of resolving the disagreement now do not outweigh the costs. Therefore, I find that the resolution regarding the use of environmental externalities in DUP analysis and implementation proposed in the DPS-13 Municipal Utilities Agreement and the DPS-Hardwick Further Agreement is reasonable for the service territories of the signatory utilities.

10. Finding 10, above.

11. Exh. Joint-51 at 2.

Other Issues

The MOU addresses some issues that were not addressed in the DPS-13 Municipal Utilities Agreement. The most significant is that the MOU created a framework for Area-Specific Collaboratives, each of which focused on a particular constrained area. The DPS-13 Municipal Utilities Agreement does not include this framework, other than to set out procedures that will be followed with respect to the Lamoille County Loop Area-Specific Collaborative. I am not concerned about this omission in light of the fact that, other than the Lamoille County Loop DUP Target Area, the 13 Municipal Utilities' service territories do not include any constrained areas.¹²

The MOU also provides that the DPS will convene certain meetings at which updates on the activities and status of the various Area-Specific Collaboratives will be provided. The MOU provides that all MOU signatories will be invited to those meetings. The 13 Municipal Utilities are interested in attending these meetings, and the DPS has agreed to invite them, even though they have not signed the MOU.

Other issues not addressed in the DPS-13 Municipal Utilities Agreement include:

- (1) utility obligations to notify the DPS of any emerging Capacity Constrained Areas or Non-Constrained Area Projects for which DUP analysis should be performed;
- (2) distributed generation interconnection standards;
- (3) incentives for DUP distributed generation;
- (4) incentives for DUP demand-side management; and
- (5) persistence and reliability of customer-controlled distributed generation and demand-side management.

At the technical hearing, the 13 Municipal Utilities agreed to:

- (1) notify the DPS of any emerging areas or projects for which DUP analysis should be performed;
- (2) use the same distributed generation interconnection standard that the MOU requires to be used; and
- (3) accept as guidelines the provisions of the MOU related to incentives for DUP distributed generation, incentives for DUP demand-side management, and

12. Exh. Joint-51 at 4.

persistence and reliability of customer-controlled distributed generation and demand-side management.

In addition, there were two follow-up agreements that were signed after the MOU that address related issues. The DPS-13 Municipal Utilities Agreement states that the utility signatories agree to the 10d and 12 Agreement. At the technical hearing, the 13 Municipal Utilities agreed to the 10a–c Agreement.

Both the DPS and the 13 Municipal Utilities state that there are no longer any contested issues regarding the implementation of DUP in the 13 Municipal Utilities' service territories.

V. CONCLUSION

I recommend that the Board approve the DPS-13 Municipal Utilities Agreement, in its entirety, for the service territories of the signatory utilities only. The DPS-13 Municipal Utilities Agreement, combined with the 13 Municipal Utilities' commitments at the technical hearing, provides a final resolution to the key issues in this docket for the 13 Municipal Utilities that is similar in many respects to that provided for in the MOU. In those areas where the resolutions differ, I am persuaded that the differences are reasonable for the reasons set forth above.

I also recommend that the Board approve the DPS-Hardwick Further Agreement, in its entirety, for Hardwick's service territory only. Hardwick had previously agreed to the terms of the MOU, except for the provisions related to the externalities adjustment. The DPS-Hardwick Further Agreement provides a final resolution to this issue that is different from that in the MOU, but similar to that in the DPS-13 Municipal Utilities Agreement. I am persuaded that this resolution is reasonable for the reasons set forth above.

The foregoing is reported to the Public Service Board in accordance with the provisions of 30 V.S.A. § 8. This Proposal for Decision has been served on all parties to this proceeding in accordance with 3 V.S.A. § 811.

Dated at Montpelier, Vermont, this 10th day of October, 2003.

s/Ann Bishop

Ann Bishop
Hearing Officer

VI. BOARD DISCUSSION

We agree with most of the Hearing Officer's conclusions with respect to the provisions of the DPS-13 Municipal Utilities Agreement. Specifically, it is reasonable for the framework for the implementation of DUP in the 13 Municipal Utilities' service territories to be substantially similar to that which we have already approved for the service territories of those utilities that signed the MOU. It is also reasonable for the selection of DUP target areas for the 13 Municipal Utilities to reflect the lower dollar threshold we previously approved for Rochester's service territory, rather than the higher dollar threshold included in the MOU. Finally, we agree that the risk adjustments included in the DPS-13 Municipal Utilities Agreement are reasonable, for the reasons articulated by the Hearing Officer, above.

However, we are uncomfortable with the Hearing Officer's conclusions with respect to the environmental externalities provisions (for areas other than the Lamoille County Loop Area-Specific Collaborative) that are included in both the DPS-13 Municipal Utilities Agreement and the DPS-Hardwick Further Agreement. These provisions result in different externalities adjustments being used by different Vermont electric utilities, depending solely on which utility is performing DUP analysis and implementation. This is not sound public policy. A particular generating technology produces the same emissions regardless of which utility service territory the generator is located in, and these emissions travel beyond that utility service territory's boundaries. There is no sound public policy reason why one Vermont electric utility should value these emissions differently than any other Vermont electric utility.

We recognize that the Hearing Officer relied on testimony by the 13 Municipal Utilities that they do not anticipate making any investments that would require DUP analysis and implementation over the next four to five years. Based on this testimony, the Hearing Officer concluded that it is unlikely that, in the near term, approving the environmental externalities provisions would result in the use of different externality adjustments in DUP analysis depending on which utility is performing the analysis.

We do not believe the 13 Municipal Utilities' testimony is sufficient guarantee that approving the two agreements' environmental externalities provisions will not result in different externalities adjustments being used by different utilities. We are well aware that the

circumstances facing electric utilities change over time. We accept that currently the 13 Municipal Utilities do not anticipate making any investments that would require DUP analysis in the next four to five years. However, that does not mean no such investments will be made in that time period. As a result, in the absence of further guarantees that approval of the environmental externalities provisions would not lead to the use of different externalities adjustments in DUP analysis by different utilities, we are hesitant to approve the environmental externalities provisions of the two agreements.

Nevertheless, we are persuaded that while investments that would require DUP analysis by the 13 Municipal Utilities and Hardwick are possible, they do appear unlikely in the next few years. This means that our approval of the environmental externalities provisions should not make a material difference in the investment decisions made by the 13 Municipal Utilities and Hardwick during that time period. In light of these considerations, and the parties' representations regarding the litigation that would likely be necessary to resolve the question of appropriate environmental externalities adjustments, we are reluctant to reject the two agreements solely because of this issue.

Instead, we will condition our approval of the DPS-13 Municipal Utilities Agreement and the DPS-Hardwick Further Agreement as follows: as long as the environmental externalities provisions of the two agreements are in effect, if an investment arises in the service territories of the 13 Municipal Utilities or Hardwick that would require DUP analysis, the particular utility must perform the analysis using both the externalities adjustments provided for in the MOU and those provided for in the two agreements under consideration in this Order. The results of both analyses must be presented to the Board. If it appears that the use of different externalities adjustments would affect the utility's ultimate decision with respect to the investment under consideration, then the Board will revisit the question of what externalities adjustments are appropriate at that time.

VII. ORDER

It Is Hereby Ordered, Adjudged and Decreed by the Public Service Board of the State of Vermont that:

1. The findings and recommendations of the Hearing Officer are adopted, except as modified in Paragraph 4, below.
2. The "Agreement Among the Vermont Department of Public Service ('DPS') and Thirteen Municipal Electric Utilities ('13 Municipal Utilities')" ("DPS-13 Municipal Utilities Agreement") is approved in its entirety for the service territories of the 13 Municipal Utilities.
3. The "Further Agreement Between the Vermont Department of Public Service and the Town of Hardwick Electric Department ('Hardwick')" ("DPS-Hardwick Further Agreement") is approved in its entirety for Hardwick's service territory.
4. As long as the environmental externalities provisions of the DPS-13 Municipal Utilities Agreement and DPS-Hardwick Further Agreement are in effect, if an investment arises in the service territories of the 13 Municipal Utilities or Hardwick that would require DUP analysis, the particular utility shall perform the analysis using both (1) the externalities adjustments provided for in the Memorandum of Understanding approved by the Board in its January 15, 2003, Order in this Docket; and (2) the externalities adjustments provided for in the DPS-13 Municipal Utilities Agreement and the DPS-Hardwick Further Agreement. The results of both analyses shall be presented to the Board. If it appears that the use of different externalities adjustments would affect the utility's ultimate decision with respect to the investment under consideration, the Board may revisit the question of what externalities adjustments are appropriate at that time.

Dated at Montpelier, Vermont, this 10th day of October, 2003.

<u>s/Michael H. Dworkin</u>)	
)	PUBLIC SERVICE
)	
<u>s/David C. Coen</u>)	BOARD
)	
)	OF VERMONT
<u>s/John D. Burke</u>)	

OFFICE OF THE CLERK

FILED: October 10, 2003

ATTEST: s/Judith C. Whitney
Deputy Clerk of the Board

NOTICE TO READERS: This decision is subject to revision of technical errors. Readers are requested to notify the Clerk of the Board (by e-mail, telephone, or in writing) of any apparent errors, in order that any necessary corrections may be made. (E-mail address: Clerk@psb.state.vt.us)

Appeal of this decision to the Supreme Court of Vermont must be filed with the Clerk of the Board within thirty days. Appeal will not stay the effect of this Order, absent further Order by this Board or appropriate action by the Supreme Court of Vermont. Motions for reconsideration or stay, if any, must be filed with the Clerk of the Board within ten days of the date of this decision and order.