

STATE OF VERMONT  
PUBLIC SERVICE BOARD

Docket No. 6896

Investigation into Washington Electric )  
Cooperative, Inc.'s Integrated Resource Plan )

Order entered: 6/15/2005

**I. INTRODUCTION**

On October 13, 2003, Washington Electric Cooperative, Inc. ("WEC") filed its Integrated Resource Plan ("IRP") with the Vermont Public Service Board ("Board"). In this Proposal for Decision, I recommend that the Board approve WEC's 2003 IRP, as supplemented by its Long Range Plan ("LRP"), and also approve the Stipulation between WEC and the Vermont Department of Public Service ("Department"), filed April 7, 2005.

**II. PROCEDURAL HISTORY**

A prehearing conference was held on October 27, 2003. Appearances were entered by Joshua R. Diamond, Esq, Diamond & Robinson, P.C., for WEC, and Geoffrey Commons, Esq., for the Department.

On March 23, 2004, the Department filed a letter recommending limited approval of WEC's IRP. The Department noted that the IRP filed by WEC in October, 2003, focused on power supply resources with little information on transmission and distribution or demand-side management ("DSM"). WEC's IRP states: "A subsequent Long-Range Plan (LRP), as required by WEC's federal lender, the Rural Utilities Service (RUS), will be prepared and submitted following the filing of this Plan, and will discuss plans for WEC's power delivery system requirements in greater detail." In a memorandum dated April 16, 2004, I stated that "Information on WEC's transmission and distribution resources is a necessary component of an integrated resource plan, and therefore, WEC must file its LRP with the Board and the Department, . . . to allow for a comprehensive review of its IRP." On May 10, 2004, WEC filed its Long Range Plan.

A public hearing was held on November 15, 2004. No members of the public attended.

On April 7, 2005, a stipulated proposal for decision ("Stipulation") was filed by WEC and the Department.

### **III. FINDINGS**

Based upon the evidence in this Docket, I hereby report the following findings and conclusions to the Board in accordance with 30 V.S.A. § 8.

1. WEC's IRP includes an evaluation of WEC's projected load and resources, an analytical framework for identifying a least-cost mix of resources, and an action plan for implementing the conclusions of WEC's analysis. IRP at 3.

2. The IRP's power supply analyses focus predominately on the construction of a methane gas generating station in Coventry, Vermont (the "Coventry Project"). The Coventry Project is expected to meet the baseload requirements of WEC and help achieve its goal of increasing its percentage of Vermont-based renewable power.<sup>1</sup> IRP generally.

3. WEC's IRP provides a brief description of the role of Vermont's state-wide Energy Efficiency Utility ("EEU") in delivering efficiency services to WEC's service territory and describes additional energy efficiency services provided by WEC. IRP at 36.

4. The LRP provides a guide for "developing WEC's transmission and distribution system and incorporates critical elements that need to be addressed to provide safe, reliable and efficient electric service at a reasonable cost." LRP at 10-11.

5. WEC and the Department agree that the Board should approve WEC's IRP as supplemented by its LRP, because it:

describes a decision-making process that is likely to meet the public's need for energy services, after safety concerns are addressed, at the lowest present value life cycle cost, including environmental and economic costs, through a strategy combining investments and expenditures on energy supply, transmission and distribution capacity, transmission and distribution efficiency, and comprehensive energy efficiency programs.

Stipulation at 2–3.

6. The Stipulation provides the following:

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1. The Coventry Project was approved in Docket No. 6925, Order of 6/4/04.

(A) In its next IRP, WEC will describe how its resource portfolio decision-making process identifies, evaluates and incorporates opportunities for strategic peak load management, demand response programs, direct load control programs, rate designs based on marginal cost, and other non-energy efficiency resources besides supply.

(B) WEC will continue to provide residential energy efficiency programs, and will continue to provide retrofit electric energy efficiency services to its members. WEC will continue to monitor the efficacy of strategic peak load management and consider the ability to design rates that are pegged to hourly clearing prices. WEC will continue to offer ISONE [Independent System Operator - New England] Demand Response Programs to its members/customers pursuant to Docket No. 6555.

(C) WEC's members/customers are 97% residential, and that this (sic.) affects the availability and efficacy of load management opportunities. However, WEC remains committed to providing its members with high quality, affordable, least-cost energy services through a full range of potential DSM resources to reduce its long-term power costs.

(D) When WEC screens and evaluates potential DSM resources for cost-effectiveness, it will do so utilizing then-currently available state-wide avoided costs. In determining real time avoided costs for assessing strategic peak load management opportunities, WEC will utilize locational marginal pricing information as provided by the ISONE.

(E) WEC is committed to monitor and evaluate residential and small commercial demand response programs implemented elsewhere for possible deployment in its service area if, and when, such programs, initiatives, and market intervention strategies appear to represent viable and cost-effective DSM resource investments. WEC recognizes that strategic load management investments addressing a variety of member consumption patterns and end-uses may represent attractive investment opportunities to reduce future power costs.

Stipulation at 3.

7. WEC and the Department have agreed that approval of WEC's IRP extends only to the decision-making processes described in the IRP, not to any particular decisions, analytic methods, or tools contained or used in the IRP. WEC and the Department agree that approval does not constitute a prudence determination. Additionally, WEC and the Department have agreed that:

This order does not imply approval of any particular decisions, analytic methods, or tools, and does not constitute a prudence determination. It extends only to the decision-making processes described in the IRP. WEC has a

continuing duty to monitor key uncertainties and the accuracy of assumptions and data in the IRP, as well as to continue to reevaluate the merits of its decision-making processes and the merits of its decisions.

Stipulation at 4–5.

#### **IV. DISCUSSION**

30 V.S.A. § 218c(a)(1) defines a least-cost integrated plan as:

. . . a plan for meeting the public's need for energy services, after safety concerns are addressed, at the lowest present value life cycle cost, including environmental and economic costs, through a strategy combining investments and expenditures on energy supply, transmission and distribution capacity, transmission and distribution efficiency, and comprehensive energy efficiency programs.

The statute provides that the Board may approve a company's least-cost plan if it complies with the requirements of this definition. In summary, Section 218c(a)(1) requires that a company's least-cost plan examine: (1) the method by which the company will meet its power supply requirements; (2) the method by which it addresses transmission and distribution capacity and efficiency; and (3) the method by which it incorporates energy efficiency into its resource mix.

The combination of the IRP and the LRP adequately addresses two-thirds of these requirements. The third requirement is largely addressed through the EEU. In Docket No. 5980, the Board approved a memorandum of understanding which stated that the creation of the EEU fulfills the future obligations of each distributed utility "to plan for and conduct System-wide Programs under 30 V.S.A. § 218c . . . ."2 In addition to EEU services within its service territory, the Stipulation commits WEC to providing residential retrofit services, and exploring the possibility of implementing residential and small commercial demand response programs.

The Stipulation requires that WEC submit more information in its next IRP than what has been filed in this Docket. From the evidence presented in this Docket I can conclude that WEC's 2003 IRP satisfies the requirements of Section 218c(a)(1). However, WEC's next IRP will be improved, and will be more useful to WEC, the Department, and the Board, if the information presented in the Stipulation is included in WEC's next IRP.

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2. Docket No. 5980, Order of 9/30/99, at Appendix A ¶ 16. I should also note that, under the bilateral agreement between WEC and the Department, WEC committed to providing residential retrofit services to its members.

The Stipulation clarifies what Board approval of WEC's IRP will mean. This interpretation of Board approval is consistent with the Board's previous determination in a separate IRP-related docket.<sup>3</sup>

The final issue is to determine when WEC must file its next IRP. This is not addressed in the Stipulation, but in order for the IRP process to be effective, there must be regular and timely filings. The Board's Order in Docket No. 5270 required utilities to file new least-cost plans every three years.<sup>4</sup> Consistent with this long-standing policy, I recommend that the Board require WEC to file its next IRP on or before December 1, 2007. This date is less than three years from today; however, it is more than four years from the date on which WEC filed the IRP that is the subject of this Docket. As a result, I find that it is consistent with the intent of the Board's policy regarding the frequency of filing IRP's.

#### V. CONCLUSION

Based upon the evidence presented above, I recommend that the Board approve WEC's IRP, as constituted by its October 13, 2003, filing and the supplemental May 10, 2004, filing of its LRP. I further recommend that the Board approve the April 7, 2005, Stipulation between WEC and the Department, and require WEC to file its next IRP on December 1, 2007.

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 23<sup>rd</sup> day of May, 2005.

s/Ed McNamara \_\_\_\_\_

Ed McNamara, Esq.  
Hearing Officer

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3. Docket No. 6854, Order of 3/9/04.

4. Docket No. 5270, Order of 4/16/90 at 179.

## **VI. BOARD DISCUSSION**

We are concerned with some elements of the Stipulation between WEC and the Department. The language of the Stipulation requiring additional information in WEC's next IRP suggests that the current IRP is incomplete and should not be approved.

The primary reason that we are approving the Stipulation and IRP is that WEC will be filing a new IRP within two years. We have determined that resources would be better spent in preparing a complete IRP for review two years from now, rather than further delaying approval of an IRP that was filed almost eighteen months ago, which would be the alternative. Additionally, the IRP indicates that, with the completion of the Coventry Project, WEC will not be facing any major resource acquisitions prior to 2007. This fact, combined with the indication that WEC has been diligent in implementing the principles of least-cost planning, and is required by the Stipulation to continue to "monitor key uncertainties and the accuracy of assumptions and data in the IRP," lead us to conclude that WEC's IRP should be approved.

On page four of the proposal for decision, the Hearing Officer characterizes the requirements of Section 218c. We want to remind the parties that, to the extent that that characterization may be interpreted as altering the scope of Section 218c, it is the statutory requirement that controls.

On May 23, 2005, WEC filed comments on the proposal for decision. WEC expressed concern with the filing deadline of its next IRP, specifically the costs of preparing a new IRP two years after this approval is issued. The Hearing Officer has addressed the rationale for providing a deadline of December 1, 2007, and we support his determination on this issue.

## **VII. ORDER**

IT IS HEREBY ORDERED, ADJUDGED AND DECREED by the Public Service Board of the State of Vermont that:

1. The Hearing Officer's findings, conclusions, and recommendations are adopted except as otherwise noted in the Board discussion.
2. WEC's Integrated Resource Plan filed on October 13, 2003, as supplemented by its Long Range Plan filed on May 10, 2004, is approved.

3. The Stipulation between WEC and the Department, filed on April 7, 2005, is approved.

4. WEC shall file its next integrated resource plan on December 1, 2007.

5. In its 2007 IRP WEC shall describe how its resource portfolio decision-making process identifies, evaluates and incorporates opportunities for strategic peak load-management, demand-response programs, direct load-control programs, rate designs based on marginal cost, and other non-energy-efficiency resources besides supply.

6. WEC shall continue to provide residential energy-efficiency programs, and shall continue to provide retrofit electric energy-efficiency services to its members. WEC shall continue to monitor the efficacy of strategic peak-load management and consider the ability to design rates that are pegged to hourly clearing prices. WEC shall continue to offer ISO-NE Demand Response Programs to its members/customers pursuant to Docket No. 6555.

7. When WEC screens and evaluates potential DSM resources for cost-effectiveness it shall do so utilizing then-currently available state-wide avoided costs. In determining real-time avoided costs for assessing strategic peak load management opportunities, WEC shall utilize locational marginal pricing information as provided by the ISO-NE.

Dated at Montpelier, Vermont, this 15<sup>th</sup> day of June, 2005.

<u>s/James Volz</u>	)	
	)	PUBLIC SERVICE
	)	
<u>s/David C. Coen</u>	)	BOARD
	)	
	)	OF VERMONT
<u>s/John D. Burke</u>	)	

OFFICE OF THE CLERK

FILED: June 15, 2005

ATTEST: s/Susan M. Hudson

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.*