

STATE OF VERMONT
PUBLIC SERVICE BOARD

Docket No. 6062

Petition of VEPP, Inc. for Temporary Dispensation)
with Certain Security Requirements Pertaining to)
Ryegate Associates)

Order Entered: 4/3/2000

REPORT AND RECOMMENDATION

Background

This docket was initiated by a petition, on November 4, 1997, from VEPP, Inc. ("VEPPI"), the Purchasing Agent ("Purchasing Agent") for the Public Service Board under Board Rule 4.100. Pursuant to that petition, on March 19, 1998, this Board issued a temporary order suspending several existing requirements applicable to operation of the wood-fired generating plant operated by Ryegate Associates ("Ryegate"). Those suspended requirements related to appraisal, the letter of credit for unsecured cumulative present value difference ("CPVD")¹, and engineering reviews. In return, payments to Ryegate were reduced by \$61,111, which was passed on to Vermont utilities on a *pro rata* basis.

The parties have now unanimously requested that the Board issue a permanent order to continue that suspension. They propose an order of indefinite duration, but with a review and report after the fifth year.

The Order here provides that VEPPI will calculate savings to ratepayers over the term of this Order. By letter submitted on December 22, 1999, VEPPI explained that these benefits are expected to vary over time, starting at approximately \$40,000 per year, rising to more than \$47,000 in the 2002/03 year, and declining thereafter, reaching approximately \$24,000 per year in the 2010/11 year. The actual credit will depend upon Ryegate's actual generation.

1. The CPVD is defined as the present value of the difference, for all past power deliveries, with interest, between the price paid for power delivered and its value, as defined in the original contract of sale.

The parties to this docket, VEPP, Inc.,² Ryegate Associates,³ and the Vermont Department of Public Service,⁴ have all thereby agreed to entry of the following order. The following order was circulated to the parties in draft form on September 8, 1999, in accordance with 3 V.S.A. § 811. No party commented. Pursuant to 30 V.S.A. § 8, I recommend that the Board issue the proposed order. Because this concludes the business of this docket, I also recommend that the docket be closed 60 days after issuance of the Board's order.

DATED at Montpelier, Vermont, this 30th day of March, 2000.

s/Peter Bluhm
Peter M. Bluhm, Esq.
Hearing Officer

2. Letter from Kimberly K. Hayden, Esq. of August 16, 1999.
3. Letter from David Mullett, Esq. of August 13, 1999.
4. Letter from Geoffrey Commons, Esq. of August 25, 1999.

ORDER

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

1. The Hearing Officer's Report and Recommendations are accepted.
2. Until further Order of the Board, or receipt of 60 days' notice from the Purchasing Agent, compliance by Ryegate Associates with Articles 7(1), 7(p) and 7(q)(3) ("Deferred Requirements") of its Long-Term, Firm, Levelized and Non-Levelized Purchase Agreement previously approved by the Board is deferred in return for a monetary rebate to the ratepayers as set forth below. Ryegate shall not be considered to be in default of those Deferred Requirements for any period prior to or during the period this Order remains in effect. The parties shall fully comply with all other provisions of the Purchase Agreement.
3. The Deferred Requirements are summarized as follows:
 - a. Article 7(1) requires appraisal of the Ryegate facility every three years.
 - b. Article 7(p) requires the posting of a letter of credit as partial security for repayment of the cumulative present value difference ("CPVD") on the contract. The contract calls for a letter of credit equal to 25% of the difference between the CPVD and the security value of the second mortgage on the plant.
 - c. Article 7(q)(3) provides for engineering reviews of the Ryegate project. Under the power contract, Ryegate is compensated only for power it actually produces, and this reduces the need for VEPPI to conduct independent engineering reviews.
4. Unless or until VEPPI gives written notice of reinstatement of the security devices in accordance with paragraph 1 above, VEPPI shall reduce future monthly payments to Ryegate by an amount equal to one-twelfth of the annual savings achieved by dispensation with the security requirements of the Deferred Requirements. This rebate will accrue by a pro rata credit on each utility's bill for power generated by Ryegate.
5. In the event the Purchasing Agent gives written notice of reinstatement in accordance with paragraph 1 of this Order, the monthly deductions set forth in paragraph 2

above shall cease. No retroactive assessment of the costs associated with the security requirements shall be made by the Purchasing Agent or the Board.

6. Within 90 days after the date which is five years from this Order, the Purchasing Agent shall file a written report with the Board, Department and Ryegate setting forth the Purchasing Agent's assessment of how the dispensation arrangement has functioned to date.

7. The utilities shall credit the savings under this Order against their deferred DSM accounts. Any utility not having such an account shall file with the Board and Department a proposal as to how it should pass the savings on to its ratepayers.

8. This Order shall not be deemed to have precedential impact on any future proceedings involving the parties, except as necessary to enforce its terms.

9. All retail electric utilities in the state shall receive a copy of this Order.

10. Absent further order from this Board, this Docket shall be closed 60 days after the date of this Order.

DATED at Montpelier, Vermont, this 3rd day of April, 2000.

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

OFFICE OF THE CLERK

Filed: April 3, 2000

Attest: s/Susan M. Hudson
Clerk of the Board

NOTICE TO READERS: 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 mail) of any technical 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.