



July 25, 2008

Mrs. Susan M. Hudson, Clerk
Vermont Public Service Board
Drawer 20, 112 State Street
Montpelier, VT 05620-2701

**RE: Gorge Area Reinforcement Project
Certificate of Public Good – Section 248 Permit Application**

Dear Mrs. Hudson:

With this letter, Vermont Electric Power Company, Inc. and Vermont Transco, LLC (collectively “VELCO”) and Green Mountain Power Corporation (“Green Mountain Power” or “GMP”, and together with VELCO, the “Petitioners”) respectfully submit a petition, prefiled testimony and exhibits in support of Petitioners’ request, pursuant to Section 248 of Title 30, Vermont Statutes Annotated, and Public Service Board (“Board”) Rule 5.400, for a Certificate of Public Good (“CPG”) to construct the Gorge Area Reinforcement Project (the “GAR Project” or “Project”).

Project Need

VELCO owns and operates the Vermont bulk electric transmission network (115 kV and above), and this bulk network is connected to the regional and national bulk electric power supply system. The bulk transmission system also provides the electric supply to local distribution utilities, like Green Mountain Power. The 34.5 kV electric system in Chittenden County provides service to approximately 32,200 Green Mountain Power customers (after the completion of the Northwest Vermont Reliability Project) in South Burlington, Williston, Colchester, Winooski, Essex, Richmond, Bolton. The 34.5 kV system also serves Vermont Electric Cooperative and approximately one-third of the City of Burlington electric load. The sub-transmission system in Chittenden County is currently fed by three VELCO substations (the Queen City substation in South Burlington, and the Tafts Corners and Essex substations in Williston. Upon completion of the East Avenue Loop Project, the Chittenden County 34.5 kV electric system will also be served by the East Avenue VELCO substation.

The Gorge Area Reinforcement Project is the second phase of a three-phase, 20-year plan studied as part of the Burlington Waterfront Area-Specific Collaborative (or “ASC”), which examined solutions to electric system reliability concerns within the City of Burlington and in

northern Chittenden County. The East Avenue Loop Project, recently approved by the Vermont Public Service Board in Docket No. 7314, is the first phase of the plan, and addresses local reliability problems for the City of Burlington Electric Light Department and the Green Mountain Power sub-transmission systems through 2010. Current transmission system planning studies indicate that for the load levels and load distributions projected for the summer of 2011, the Green Mountain Power 34.5 kV system in Chittenden County is expected to be susceptible to contingencies that could result in loss of customer electric load impacting thousands of customers. The contingencies that are most limiting are loss of the VELCO Essex X-20 transformer, and an outage of Green Mountain Power's 3307 and 3308 34.5 kV lines (which are on common structures). Based upon current 2011 load projections, up to approximately 4000 customers could be lost following a contingency of the 3307 and 3308 lines. Loss of one of the Essex transformers, which overloads the remaining transformer, would potentially impact a much wider area in Chittenden County.

The Gorge Area Reinforcement Project, which provides a new 115 kV source to the region, addresses these deficiencies. Petitioners are therefore petitioning the Board now to initiate review of the Project, so that it may be in service by 2011.

Project Components

The Project is comprised of the following four principal components:

- Construction of a new VELCO 115/34.5 kV substation (VELCO Lime Kiln substation), which includes a three breaker 115 kV ring bus and a 115/34.5 kV, 56 MVA transformer, a new Green Mountain Power 34.5 kV five breaker ring bus substation (GMP Lime Kiln substation), and the underground line between the two new substations. The VELCO and GMP Lime Kiln substations will be located in South Burlington off of Berard Drive, across the Winooski River from the existing GMP Gorge substation in Colchester;
- A major upgrade of the existing GMP Gorge substation, which is located off Gorge Road in Colchester. The upgrade will require an expansion of the existing substation fence;
- Reconstruction of approximately 700 feet of Green Mountain Power's existing 3307/3308 34.5 kV lines between the GMP Lime Kiln substation and the GMP Gorge substation;
- The upgrades will allow for the removal of approximately 4.2 miles of Green Mountain Power's 3323 and 3328, 34.5 kV lines located between the McNeil substation located off of Intervale Road in Burlington and the Green Mountain Power Queen City substation located in South Burlington. The proposed activities include complete removal of approximately 1.5 miles of existing structures and equipment associated with the 3323/3328 lines between the McNeil substation and the Moran substation located on the Burlington Waterfront, and removal of the upper-most circuits between the Moran substation and the GMP Queen City substation. The poles on this segment will remain in place if the Burlington Electric Light Department distribution lines remain on them, otherwise the poles will be removed along with GMP's lines.

Alternatives Evaluated

Petitioners evaluated both transmission alternatives (“TA”) and non-transmission alternative (“NTA”) options. These alternatives are described in the testimony and exhibits submitted to the Public Service Board today. While the TAs -- which evaluated potential new substation facilities in South Burlington, Colchester and Winooski -- meet the reliability criteria, they were not chosen as preferred options due to cost, aesthetics and feasibility. NTAs, including energy efficiency, demand response and generation, were also evaluated. However, the analysis indicates that energy efficiency and demand response alternatives would not avoid or defer the need for the Project.

Green Mountain Power has evaluated potential new generation at the location of its existing Gorge generation site in Colchester, adjacent to the Gorge substation. Further detailed study work, which is anticipated to be completed this fall, must be completed and reviewed before a recommendation can be made. Nevertheless, Petitioners are submitting a petition to initiate regulatory review of the Project now, for several important reasons. First, even if this generation NTA were found to be a better alternative option to the Project, a substantial portion of the Project – the expansion of the GMP Gorge substation – would be a required part of this alternative. So initiating the process now makes sense.

Second, waiting until the generation NTA is fully analyzed could jeopardize service area reliability by delaying the in-service date of the Project. The planning study work conducted by VELCO and GMP demonstrates that if Petitioners take no action, the portion of the system relating to the Project will experience planning criteria violations and possible loss of significant customer load if either of two system contingencies discussed above occur in the 2010-2011 timeframe. Petitioners have an obligation to provide reliable and adequate service to their customers, and therefore cannot ignore this pressing need.

Third, the baseline electric load forecast used to assess timing of need for the Project, uses conservative assumptions. The critical loads could be reached sooner than the predicted 2010-2011 timeframe if Vermont experiences extreme weather over the next several summers, or if there is unexpected development in the Project load area. Given that it is currently mid-2008, Petitioners project that the current permitting and construction schedule will allow the proposed Project upgrades in service to avoid the identified Green Mountain Power planning criteria violations and possible associated outages. However, delaying the Project filing any further than mid-July 2008 would create unacceptable risk that Petitioners would not have time to complete Project permitting and construction prior to the projected date of need.

For all of these reasons, which are not mutually exclusive, Petitioners believe that the appropriate course of action is to proceed now with the permitting for the proposed transmission upgrades.



Anticipated Project Schedule

Based upon existing conditions and facilities, forecasted loads and supporting studies, the Project is needed by summer (June) of 2011. Currently, the schedule contemplates receipt of all required approvals, including a Certificate of Public Good approving construction of the Project, by June, 2009. Construction is scheduled to take place from the 3rd quarter of 2009 through the 2nd quarter of 2011.

Request for Prehearing Conference

In order to meet the Project schedule and reliability need that the Project is designed to address, Petitioners respectfully request the Board to hold a prehearing conference on this matter on or by September 1, 2008.

Thank you in advance for your attention to this matter.

Sincerely,

DOWNS RACHLIN MARTIN PLLC
Attorneys for Vermont Electric Power Company, Inc.,
and Vermont Transco LLC

By: Kimberly K. Hayden /m.t.
Kimberly K. Hayden, Esq.
Downs Rachlin Martin PLLC
Courthouse Plaza
199 Main Street, 6th Floor
PO Box 190
Burlington, VT 05402-0190

Enclosures

cc: John Donleavy, VELCO
Leslie A. Cadwell, Esq., VELCO
Donald J. Rendall, Jr., Esq., Green Mountain Power
Benjamin Marks, Esq.
Gerald Ostrander, VELCO
Josh Castonguay, Green Mountain Power

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