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STAR Group, LLC

Date: August 23, 2006
 To: Members of the Southern Loop Community Working Group
 From: Chris Kenny, Process Manager
 Re: Notes from July 27, 2006 CWG Meeting

| <u>Members Present</u> | <u>Members Absent</u> |
|--|--|
| Rick Foley, Keene State College | Craig Miskovich, Downs, Rachlin & Martin |
| Marge Fish, Londonderry Rescue Squad | Lee Krohn, Town of Manchester |
| Tad Montgomery, Brattleboro Climate Protection | Ellen Viereck, Forest Watch |
| Kevin Dailey, Mack Molding | Rick Gauthier, Bennington Police Department |
| Hervey Scudder, Northeast Center for Social Issues Studies | John Haugsrud, Quadra-Tek/Arlington Industries |
| Debbie Boyle, Brattleboro Development Corporation | Mark Gilmore, Vermont Yankee |
| Eric Stevens, Windham Regional Commission | Greg Wordon, Town of Brattleboro |
| Jenna Pugliese, Stratton Mountain | Alan Dann, Progressive Party |
| John Cueman, Bromley Mountain | |
| Bill Calfee, Consultant (via telephone) | <u>Guests Present</u> |
| Brian Keefe, Office of Senator Jim Jeffords | Rep. Sarah Edwards, Leadership Team |
| Rachael Pendleton, Efficiency Vermont | Stephen Wark, DPS |
| Audrey Garfield, Town of Brattleboro | David Lamont, DPS |
| Kevin Duby, Brattleboro Retreat Healthcare | Ralph Roam, VELCO |
| Lissa Luke, Bennington Regional Commission | Craig Armstrong, VELCO |
| Kim Jones, CVPS | Bruce Bentley, CVPS |
| Rip Kirby, CVPS | Greg White, CVPS |
| Dean LaForest, VELCO | Morris Pierce, University of Rochester |

The Southern Loop Community Working Group (“CWG”) held a meeting at the Brattleboro Retreat on Thursday, July 27, 2006 from 3 – 6:30 p.m. After welcome and introductions, Chris Kenny of STAR Group reviewed the Southern Loop Problem Statement, the CWG Purpose, and the group’s recommendation from the March CWG meeting regarding the order in which the CWG wanted to

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consider the Utility Search Conference recommendations. Chris then explained that the focus of today's meeting was to focus on the specific DSM and DG opportunities that could cost-effectively address the Problem Statement.

The group was given a tour of the combined heat and power (CHP) facility operated by Kevin Duby at the Brattleboro Retreat. Kevin discussed plant operations, the relationship of the Retreat's generating system to CVPS's grid, and answered questions regarding costs, effectiveness and maintenance issues.

The group then turned to a discussion of DSM and DG opportunities within the Southern Loop, which were the subject of the Optimal and La Capra studies, respectively (copies of which were distributed to the CWG members following the May meeting). In reviewing the matrix of options under consideration, the group also asked the following:

Q: In its cost calculations, how did CVPS determine the savings that would result from DSM initiatives?

A: We relied on the analysis and conclusions reached by our outside consultants, Optimal.

Q: Can you define the term "avoided cost"?

A: Avoided costs include (1) externalities not included in traditional economic analysis, such as emissions, (2) avoided electrical losses, (3) avoid transmission & distribution investment, and (4) avoided power

Q: If DG is so uneconomical, why is a company moving forward with plans to build a DG facility near Ludlow?

A: That particular facility is located near a stable fuel source (wood) and existing transmission infrastructure, so it is marginally competitive. The economics become even better for the operator if they qualify for renewable energy credits.

Q: Instead of constructing the Dummerston injection using a traditional substation, wouldn't it make sense to build a 10 MW plant there instead?

A: 10 MW of generation would not be enough to offset the reliability issues at Brattleboro. In addition, West Dummerston would not be the most effective place to site new generation to address Brattleboro's needs.

Q: What is CVPS's objection to the Glebe Mountain wind farm project?

A: CVPS has no objection to the Glebe Mountain project. In fact, before the developer canceled the project, CVPS had entered into a long term contract to purchase the total output of the proposed facility. Wind turbines are a good source of energy, but they would not provide enough continuous capacity to offset the need for transmission upgrades. We might need to build a line to interconnect to Glebe or the project would

need to include controls that would enable a connection to CVPS's existing line.

Q: Is the existing Southern Loop infrastructure robust enough to handle the proposed wind generators at Equinox and at Glebe Mountain?

A: The existing infrastructure is adequate at Equinox. Glebe Mountain would connect to CVPS's system at a radial substation near Londonderry, which likely would need to be upgraded first.

Q: What about installing wind-diesel hybrids on the Southern Loop, since they are currently being made operational in Canada?

A: CVPS is committed to all cost-effective DSM and DG options and will be happy to investigate these technologies.

Q: In the analysis of bio-diesel, did you only consider ASTM certified bio-diesel fuel (which is much more expensive than other available bio-diesel fuels)?

A: Diesel fired generation is not economical when compared with standard fuels and we did not think there was enough food-waste or other local bio-diesel fuels available for tens of MW of generation. If such bio-diesel is available in small amounts and it is economic then it may play a role in the solution.

Q: If the current cost projections are accurate for some of the traditional infrastructure improvements we're considering, it looks as if the members of ISO-NE will foot the bill for roughly \$100 million in new transmission within Vermont. Why don't they pump \$100 million into new, local generation instead?

A: At present, ISO-NE's funding formula does not include generation. We will continue to discuss this issue with them and to seek such funding.

Q: I'm very concerned that Vermont remains so dependent on the rest of New England for its energy supply. If we build the A-B line next to the existing Vermont Yankee – Coolidge line, which way will the electrons be flowing (into or out of Vermont)?

A: Approximately 1/3 of Vermont's electricity comes into Vermont on the Vermont Yankee – Coolidge line. That number may be higher at various times of the year (such as on particularly hot days). The construction of the A-B line would not alter that equation but would address a significant reliability issue across Vermont's electrical grid.

Chris then asked the group to identify the 4 options the group felt should be presented to the general public as the "preliminary preferred" options for feedback and comment at a series of Informational Open House meetings. Many in the group expressed reservations about participating in this exercise out of concern that (a) they had not been advised that they would be asked to reach any

conclusions at the meeting, (b) the group had received additional information at the meeting and needed to digest that information, and (c) several members of the CWG were not present or had already left the meeting.

After several minutes of discussion, the group agreed to proceed with the poll, provided (1) the entire CWG membership would be given the opportunity to have their remaining questions answered via email, (2) after the questions had been asked and answered, Chris would conduct the poll again by email, (3) anyone present at today's meeting who felt uncomfortable in identifying their preferences could abstain from the poll, and (4) all 10 options contained on the matrix would be presented at the Informational Open House meetings (not just the 4 identified as "preliminary preferred").

Each person was eligible to identify up to 4 separate options that they believed should be presented as the "preliminary preferred" options at the Informational Open House meetings in September. Not everyone utilized all 4 votes (e.g., some only voted for 1 option, others only 2 options, etc.). Of the 13 non-CVPS/non-VELCO CWG members present (guests were not allowed to participate) at the time the poll was conducted, 12 submitted a list.

The top 4 options identified by the CWG were: Option 7, Option 4, Option 2 and Option 9 (2 and 9 were included by an equal number of CWG members). Detail of the July 27 poll follows:

| <u>Option</u> | <u>Number of CWG Members Identifying the Option as Preferred</u> |
|---------------|--|
| 1 | 1 |
| 2 | 5 |
| 3 | 1 |
| 4 | 7 |
| 5 | 0 |
| 6 | 0 |
| 7 | 12 |
| 8 | 1 |
| 9 | 5 |
| 10 | 0 |

Our next CWG meeting will be held at the Inn at Stratton Mountain on Thursday, August 24, 2006 from 4 – 6 p.m. The meeting will focus on the September 12, 13 and 14 Informational open house meetings.