

**STATE OF VERMONT
PUBLIC SERVICE BOARD**

Petition of Vermont Transco, LLC, and)
Vermont Electric Power Company, Inc.)
(collectively, "VELCO"), and Central Vermont)
Public Service Corporation ("CVPS") for a)
Certificate of Public Good, pursuant to 30)
V.S.A. § 248, for the "**Southern Loop Project**,")
located in Vernon, Guilford, Brattleboro,)
Dummerston, Newfane, Brookline, Townshend,)
Grafton, Windham, Andover, Chester, Ludlow)
and Cavendish, Vermont, consisting of the)
following elements: (1) a new, approximately)
51-mile, 345 kV transmission line between)
Vernon-Cavendish, to be built parallel to and)
within the same utility right-of-way as)
VELCO's existing Vernon-Cavendish 345 kV)
line; (2) a new VELCO 345/115 kV Vernon)
substation, to be located just north of the)
Vermont Yankee Nuclear Power Station; (3) a)
new 345/115/46 kV Newfane substation; (4) a)
new, approximately one-mile, 345 kV)
transmission line loop between the new)
Newfane substation and the new Vernon-)
Cavendish 345 kV line; (5) expansion of)
VELCO's Coolidge substation in Cavendish,)
Vermont; and (6) the implementing of)
incremental of energy efficiency to defer)
transmission upgrades in Southern Vermont)

Docket No. _____

PETITION FOR A CERTIFICATE OF PUBLIC GOOD

NOW COME Vermont Electric Power Company, Inc. and Vermont Transco, LLC ("collectively "VELCO") and Central Vermont Public Service Corporation ("CVPS")(collectively the "Petitioners") and file this Petition, pursuant to 30 V.S.A. § 248 and Public Service Board ("Board") Rule 5.400, requesting the Board to issue a Certificate of Public Good approving the so-called "Southern Loop Project" transmission upgrade.

By this Petition, the Petitioners represent the following:

1. VELCO and CVPS are each a “company” as defined by Section 201 of Title 30, Vermont Statutes Annotated, and as such, are subject to the Board’s jurisdiction pursuant to Section 203 of Title 30.
2. VELCO’s offices are located at 366 Pinnacle Ridge Road, Rutland, Vermont 05401.
3. CVPS’s offices are located at 77 Grove Street, Rutland, Vermont 05701.
4. VELCO owns, operates and plans for the Vermont bulk electric transmission system (115 kV and above) that integrates the Vermont electrical systems with the northeastern transmission system. The bulk power system also serves the electric load of the local sub-transmission and distribution networks in Vermont and neighboring states.
5. CVPS owns, operates and plans for an electric distribution and sub-transmission system serving customers within its service area throughout the state of Vermont.

Electric Reliability Standards

6. Petitioners have an obligation pursuant to Section 219 of Title 30, Vermont Statutes Annotated, to furnish reasonably adequate service, accommodations and facilities to the public.
7. As a transmission operator of Vermont’s bulk power system, and pursuant to the restated New England Power Pool Agreement and the New England Open Access Transmission Tariff, VELCO’s transmission system must meet the design and operating Reliability Standards of ISO New England (“ISO-NE”), the Northeast

Power Coordinating Council (“NPCC”), as well as the national Reliability Standards established by the NERC Corporation (“NERC”).

8. On August 8, 2005, the Energy Policy Act of 2005, codified at 16 U.S.C § 8240, was enacted into law, adding a new Section 215 to the Federal Power Act. Pursuant to Section 215, the Federal Energy Regulatory Commission (“FERC”) has certified NERC as the nation’s new Electric Reliability Organization (“ERO”) to oversee development of mandatory and enforceable Reliability Standards for the bulk power system. Rules Concerning Certification of the Electric Reliability Organization; Procedures for the Establishment, Approval and Enforcement of Electric Reliability Standards, Order 672, 71 FR 8662 (Feb. 17, 2006), order on reh’g., Order No. 672-A.
9. On March 16, 2007, FERC issued Order No. 693, which approved 83 new electric Reliability Standards proposed by NERC. The new federal Reliability Standards became mandatory June 4, 2007. Mandatory Reliability Standards for the Bulk-Power System, Order 693 at P21, 72 Fed. Reg. 16,416 (April 4, 2007), order on reh’g., Order No. 693-A, 120 FERC ¶ 61, 053 (2007).
10. Effective June 4, 2007, VELCO, its owners and possibly Vermont ratepayers may face enforcement actions including penalties of up to \$1,000,000 per day if VELCO violates the federal Reliability Standards.

The Reliability Problems

11. At today's summer peak electric demand levels with the existing regional transmission infrastructure, the reliability of the regional bulk power transmission system that connects southern Vermont, southwestern New Hampshire, north central Massachusetts and eastern New York, is at risk of voltage collapse, or blackouts with increasing reliability risk as regional demand levels increase.
12. VELCO's transmission planning analyses indicate that by 2010, the transmission system in Vermont will not meet NERC Planning Standard TPL-003-0, titled ***System Performance Following Loss of Two or More Bulk Electric System Elements (Category C)***. Category C outages (or outages including the loss of two or more (multiple) elements) include those tests that account for the "N-1-1" design standard used within New England.
13. The reliability standards of NPCC and ISO-NE must at least conform to those of NERC. Since the studied 2010 system performance, left uncorrected, violates NERC standard TPL-003-0, then the studied system performance, left uncorrected, also violates NPCC and ISO-NE standards.
14. The loss of the existing Vernon to Cavendish 345 kV line (the "340 line") and the loss of the Vermont Yankee 345/115 kV transformer located at the southern end of the Vernon to Cavendish 345 kV line, are the two most significant regional reliability concerns. The existing Vernon-Cavendish 345 kV line serves critical east – west and north – south energy transfers within New England and into and out of New York. If this line is lost at either current or studied future summer peak demand levels, numerous 115 kV lines can be overloaded in multiple states,

potentially resulting in voltage collapse and blackouts impacting an area extending from north of the Capital District Area in New York (Albany, Schenectady and Troy) through Glens Falls, Saratoga and Whitehall, into central and northern Vermont, and to areas in and around central and northern New Hampshire. Under this scenario, greater than 85% of Vermont's electric customers could be impacted. Approximately 1000 MW of Vermont load, 580 MW of New York load, and 250 MW of New Hampshire load is at risk of voltage collapse or blackout in the event of an outage involving this 345 kV line.

15. The second regional reliability problem arises due to loss of the Vermont Yankee 345/115 kV transformer located at the Vermont Yankee substation in Vernon (at the southern end of the Vernon to Cavendish 345 kV line).¹ Loss of this transformer places all local load in southeastern Vermont and southwestern New Hampshire on the 115 kV network supplied solely out of Public Service Company of New Hampshire ("PSNH")'s New Hampshire network, and CVPS's 46 kV network supplied remotely from Bennington. Outages on these remaining local transmission (115 kV) and local sub-transmission (46 kV) facilities lead to loss of local load until the lost facilities are restored. In these scenarios 30 to 50 MW of CVPS load in southeastern Vermont and 150 to 200 MW of load in southwestern New Hampshire could be lost.
16. As New England peak load increases, Vermont peak load must actually decrease, to maintain system reliability. Load levels modeled in New Hampshire have a noticeable impact. ISO-NE's 2007 CELT forecast predicts that these loads will increase at a rate of 2.5 to 3% per year over the next five years.

¹ This is true whether or not the Vermont Yankee Nuclear Power Station is in service.

17. In addition to the regional reliability problems just described, electrical sub-transmission facilities in southern Vermont owned by CVPS have limited ability to support increased electrical demand and are unable to withstand failures of, or to have preventive maintenance conducted on, key components at present demand levels. The CVPS system reliability problem stretches from southwestern to southeastern Vermont, covering the areas from Brattleboro-Stratton and Stratton-Bennington and potentially impacts 40,000 customers. During sixty-six percent (66%) of the hours in the year the loss of certain individual line segments or other equipment could result in a power outage to some or all of the customers in this load area of southern Vermont.

The Southern Loop Project Solves the Reliability Problems

18. By this Petition, Petitioners request the Board to approve, pursuant to Section 248 of Title 30, Vermont Statutes Annotated, a series of transmission line and substation upgrades in southern and central Vermont, known as the Southern Loop Project (“Project”). The Project is necessary to solve the serious regional and local reliability problems described herein, to comply with mandatory federal Reliability Standards, and to fulfill Petitioners’ obligations to provide reliable and adequate electric service to the public.
19. The regional need for this Project was identified in the Critical Load Study prepared by VELCO for the Northwest Vermont Reliability Project (“NRP”), in which VELCO reported that a PV-20 outage with loss of the Vernon to Coolidge 345 kV line would result in voltage collapse at an 1165 MW load level (with NRP

upgrades in service). It was also identified in the 2006 Long Range Transmission Plan Analysis as the most significant problem on the system. As a result, VELCO and the other signatories to the Docket No. 7081 Memorandum of Understanding (“Docket 7081 MOU”) identified the Southern Loop Project as part of the transition plan set forth in the Docket 7081 MOU. Current analyses show that with other planned system upgrades in service, the Project is needed by the summer of 2010, at a 1155 MW statewide load level.

20. The Project as proposed consists of the following elements:

1. Second 51-Mile, Vernon to Cavendish 345 kV Transmission Line: The Project involves the construction of a second Vernon to Cavendish 345 kV line (the “360” line) to be located within VELCO’s existing transmission right of way (“ROW”) that extends from VELCO’s Coolidge substation located in Cavendish, Vermont, to a proposed new 345 kV substation (the “Vernon substation”), proposed to be located on a currently vacant field owned by Entergy, just north of the Vermont Yankee substation in Vernon, Vermont. The new 345 kV line will pass through thirteen (13) towns: Vernon, Guilford, Brattleboro, Dummerston, Newfane, Brookline, Townshend, Grafton, Windham, Andover, Chester, Ludlow and Cavendish, Vermont. The new 345 kV line will be located west of and parallel to VELCO’s existing 345 kV Vernon to Cavendish 340 line. The configuration of the 360 line will match the 340 line to the extent possible. Most of the 360 line, with the exception of the first approximately one-mile segment out of the Vernon substation, will utilize wood H-Frame structures, similar to the existing line. Single pole steel structures will be utilized along the first approximately one-mile segment, matching the existing single steel poles in that location.

2. New 345/115 kV Vernon Substation: The Project includes the construction of a new, approximately 13 acre, 345/115 kV substation that is proposed to be located on a currently vacant field owned by Entergy, just north of the Vermont Yankee substation.

3. New 345/115/46 kV Newfane Substation: The Petitioners plan to construct a new approximately 8 acre, 345/115/46kV substation at the site of an abandoned gravel pit off of River Road, in the Town of Newfane, to provide a source to reinforce the local 46 kV system.

4. New Newfane Loop: In order to access the new Newfane substation, Petitioners propose to install nine single-pole steel poles carrying two new 345 kV

circuits (to form a “loop”) for approximately one-mile, from a point on the new 345 kV Vernon to Cavendish line in Dummerston, into the new Newfane substation, utilizing the existing CVPS 150-foot 46 kV corridor. The Newfane Loop and substation will provide local reliability support to CVPS’s subtransmission system in southern Vermont

5. Expansion of the Coolidge Substation: VELCO’s existing approximately 6 acre Coolidge substation site, located at Quent Phelan Road in Cavendish, will need to be expanded to connect the new 345 kV transmission line from Vernon. The existing 345 kV switchyard will be expanded into a three-bay breaker-and-one-half switching station, with associated breakers, switches and other equipment. Expansion of the existing substation yard (including fence expansion) is necessary to accommodate new equipment included in this scope, modify the substation’s design according to current bulk power system design standards, as well as provision for a future T2 transformer as shown on the conceptual general arrangements. In addition, 115 kV station equipment is being replaced now to allow full use of the existing 345/115 kV Coolidge autotransformer’s rating and remove undersized and outdated station equipment concurrent with this station upgrade.

21. In addition, CVPS has filed a separate petition to develop a new substation and synchronous condenser installation in Winhall, Vermont as a part of its remedy for reliability deficiencies affecting its sub transmission system, which petition is the subject of investigation by the Board in Docket No. 7246.

Non Transmission Alternatives

22. Petitioners have evaluated potential transmission and non-transmission alternative (“NTA”) solutions to the Project. VELCO retained La Capra Associates, Inc. (“La Capra”) to perform economic and financial comparisons of non-transmission alternatives to the Project. CVPS studied non-transmission alternatives for its local reliability concern in southern Vermont. CVPS’s analysis proposes the construction of the synchronous condensers and associated substation equipment that is the subject of proceeding before the Board in Docket No. 7246, the

Newfane substation (connecting the 360 line to the local 46 kV network) and deployment of incremental energy efficiency and generation on customer sites to reduce local peak demand to defer a 49 mile, 115 kV transmission line upgrade between Dummerston and Bennington via Stratton.

23. La Capra examined the economic and financial performance of a broad set of potential alternatives to the Coolidge Connector component of the Southern Loop Project, including energy efficiency (“EE”), demand response (“DR”), new generation resources, and various combinations thereof. La Capra developed four alternative resource configurations (“ARCs”) to the Project.

- ARC 1: Achievable EE and DR, plus three new 25MW combustion turbine units
- ARC 2: Eight new 25MW combustion turbine units
- ARC 3: Achievable EE plus three new 25MW combustion turbine (CT) units (installed earlier than assumed in ARC 1)
- ARC 4: Achievable EE and DR, plus three new 25MW wood-fired biomass units

ARC 1 and ARC 4 are identical except for the type of new generation installed.

24. La Capra evaluated the cost-effectiveness of the ARCs against each other and as compared to the Coolidge Connector or line 360 component of the Southern Loop Project. For economic comparisons, La Capra evaluated societal costs, system costs, capital costs, impact of regional cost support through Pool Transmission Facilities (“PTF”) rate treatment, and relative rate impacts.

25. From the perspective of the Vermont Societal Test, ARC 1 has the lowest net present value (“NPV”) societal costs, followed by very closely ARC 3 and then the Southern Loop Project. Associated with each ARC’s economic outcomes are different capital requirements and rate impacts. The Southern Loop Project has

the lowest capital costs to Vermont (approximately \$13 million assuming PTF rate treatment as compared to ARC 4 at \$735 million, ARC 1 at \$517 million). The Project also yields the lowest average retail rates. By contrast, ARC 4 produces the highest rates.

26. Every component of every alternative solution, including transmission and non-transmission options, carries some uncertainty and risk that it might not be feasible to implement fully or it might perform differently than expected. According to La Capra, the biggest risk associated with the cost of the transmission alternative stems from potential escalation and capital interests cost that are associated with a prolonged permitting process. Permitting risks are somewhat high, as abutters to such projects often oppose them. In this situation, VELCO proposes to utilize an existing ROW with an expansion in cleared width. Once constructed, transmission upgrades pose very little operating risk, as they have no moving parts and are highly reliable, but are subject to outages primarily due to trees and storm events that can be managed with proper right-of-way maintenance.
27. On the other hand, La Capra concluded that there are significant risks inherent in the assumptions included in its study regarding Demand Response. La Capra also concluded that permitting new generating units, even peaking-only units, is difficult and uncertain.
28. The Achievable EE scenario calls for utility expenditure of \$594 million over the next ten years. *Status quo* spending by Efficiency Vermont (“EVt”) (before any NTAs) was assumed to be \$302 million over ten years (average \$30 million per

year) in the La Capra analysis. EVt budgets approved for 2007 and 2008 are \$24 million and \$31 million respectively. This requires a substantial, long-term increase in state-wide EE budgets. La Capra's report concludes that the approval of such an aggressive budget is uncertain over the extended period of time needed for full implementation and realization of the requisite EE. Optimal Energy, Inc. also noted in its EE analysis of potential EE resources for this Project: "An important source of uncertainty, however, is the fact that no utility has ever sustained such large distributed resource commitments for so long in so many markets simultaneously and actually achieved the relative magnitudes of peak demand savings projected over the next decade as indicated in this report."

29. La Capra recommended a two-pronged, parallel path approach to mitigating the risk of implementing solutions to the identified regional reliability problem. One parallel path is to pursue permitting and construction activities for the Coolidge Connector component of the Southern Loop Project via the §248 process. The other parallel path is to pursue additional EE measures and also pursue the development of additional generation resources (gas combustion turbines or biomass generation). In this scenario, La Capra suggested that proceeding with the permitting of new generation alternatives would serve as a backstop measure and an insurance policy if the line cannot be permitted or constructed. During these parallel processes, La Capra recommended that the permitting activities of the Coolidge Connector would be monitored, as would progress made on new generation options and EE performance. Peak loads would also be monitored to ensure that the need levels do not increase faster or slower than expected.

30. The Petitioners have considered the La Capra findings and recommendations, and concludes that they must pursue the permitting and construction of this transmission Project due to the reliability exposure and proven need for a robust, reliable solution that is well defined and has an established implementation plan. Based on the best information available at the time of filing, the Petitioners no longer believe that NTAs are viable as a deferral mechanism or reliability solution for the regional reliability problem. Further, La Capra concluded that in order to implement the Achievable EE scenario in Central and Northwest Vermont load zones, Vermont and Vermont ratepayers would need to make a ten-year commitment to approximately \$594 million of capital expenditures. In addition to the capital intensity, both La Capra and Optimal Energy warn that the risks associated with achieving the savings needed for system reliability through an NTA are more than uncertain, because no utility has ever sustained such large distributed resource commitments for so long in so many markets simultaneously and actually achieved the relative magnitudes of peak demand savings projected over this period of time. In addition, a commitment would also have to be made to install new generating capacity by the beginning of 2011. If either of these options falls short of their targets, or the demand for electricity increases, mandatory Reliability Standards will not be met, and most of Vermont as well as large portions of New Hampshire and New York would be exposed to blackouts.
31. VELCO's planning evaluation identified the optimal location for generation components of the NTAs. As of the time of this filing, no firm commitments exist to site generation at any of the locations identified.

32. Monitoring of the 2007 peak loads has indicated the need for the line is increasing and can no longer be deferred.
33. CVPS will implement NTAs in Southern Vermont to defer an approximately 49 mile 115 kV upgrade along CVPS's existing 46 kV "Southern Loop." The implementation of NTAs in Southern Vermont is consistent with recommendations received during the public involvement process. Combining CVPS's implementation of NTAs in Southern Vermont with VELCO's pursuit of the Coolidge Connector is consistent the recommendation of the Southern Loop Community Working Group.

Supporting Material

34. With this Petition, Petitioners respectfully submit prefiled testimony and exhibits from the following witnesses that, together, address all of the statutory criteria of Section 248(b) of Title 30, Vermont Statutes Annotated, as well as the requirements of new Board Rule 5.400:

Witness

Subject

- | | |
|---|--|
| 1. Dean L. LaForest
(VELCO) | Introduces other Petitioners' witnesses; provides an overview of the transmission system and Project need; summarizes the Project elements; and discusses the expected Project cost treatment, Project schedule and timing of needed CPG approvals. |
| 2. Dean L. LaForest and
Christopher Diebold
(VELCO) | Explain the VELCO and regional transmission system and the bulk system need for system improvements; describe federal, state and regional planning criteria; describe analysis performed to evaluate potential transmission alternatives; and describe consistency of the Project with the DPS 20-year plan. |

- | | |
|--|---|
| 13. Timothy Upton
(CVPS) | Addresses Orderly Development of the Region. |
| 14. Kerrick Johnson
(VELCO) | Describes the Public Outreach process for the Project. |
| 15. Hope Luhman, Ph.D.
(The Louis Berger Group, Inc.) | Describes the Project's potential effects upon above-ground historic properties. |
| 16. Hope Luhman, Ph.D. and
Roger Ciuffo
(The Louis Berger Group, Inc.) and
Michael J. Buscher
(T.J. Boyle Associates, LLC) | Describes the Project's potential effects upon archeological resources. |
| 17. Peter Alexis Valberg,
Ph.D.
(Gradient Corporation) | Addresses the electric and magnetic fields associated with the Project. |
| 18. Kenneth Kaliski, P.E.
(Resources Systems Group) | Describes the Project's potential noise effects and recommended mitigation measures. |
| 19. John Stamatov
(VELCO) | Explains construction access issues, approach to archeologically sensitive areas, and discusses waste disposal, water conservation, sufficiency of water & burden on existing water supply, educational services, municipal services, and areas of public investment. |

Request for Relief

WHEREFORE, Petitioners respectfully request the Board to:

- A. Docket this Petition and schedule a prehearing conference in this matter as expeditiously as possible, on or before December 5, 2007;
- B. Hold hearings as the Board determines necessary;
- C. Make findings as required by 30 V.S.A. § 248;

- D. Issue final Findings, a final Order and Certificate of Public Good (“CPG”) approving the Southern Loop Project by December, 2008, with an Order and CPG substantially in the form attached hereto as Attachment I (proposed Order) and Attachment II (proposed CPG);
- E. Take such other action as may be required for the expeditious review of this Petition.

DATED this 8 day of November, 2007

VERMONT ELECTRIC POWER COMPANY,
INC. AND VERMONT TRANSCO, LLC

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ATTACHMENT I – PROPOSED ORDER

STATE OF VERMONT
PUBLIC SERVICE BOARD

Petition of Vermont Transco, LLC, and)
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incremental energy efficiency to defer)
transmission upgrades in Southern Vermont)

Docket No. _____

ORDER

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

1. The proposed Project, in accordance with the evidence and plans submitted in this proceeding, will promote the general good of the State of Vermont in accordance with 30 V.S.A. § 248, and a certificate of public good to that effect shall be issued with the conditions set forth in paragraphs 2 through 5 below.

2. Prior to proceeding with construction, Petitioners shall file, for the Board's approval, final construction plans for the Project's Vernon-Cavendish 345 kV line, the Newfane Loop and the substation upgrades, which Project plans shall conform substantially to the Project plans approved by the Order.

3. Prior to proceeding with construction, Petitioners shall file with the Board and parties, a list of all required permits (including the name of the issuing agency) not yet obtained as of the date of the Order, and Petitioners shall file all such required permits, plans and approvals with the Board and the parties.

4. Petitioners shall conduct pre-and post-construction noise measurements at all substations and file the results with the Board and the parties.

5. Construction, operation, and maintenance of the proposed Project shall be in accordance with the findings and requirements set forth in this Order.

Dated at Montpelier, Vermont, this ____ day of December, 2008.

_____) PUBLIC SERVICE
_____) BOARD
_____) OF VERMONT
_____)

OFFICE OF THE CLERK

FILED: _____

ATTEST: _____

Clerk of the Board

ATTACHMENT II – PROPOSED CERTIFICATE OF PUBLIC GOOD

STATE OF VERMONT
PUBLIC SERVICE BOARD

Petition of Vermont Transco, LLC, and)
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incremental energy efficiency to defer)
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Docket No. _____

Entered: _____

CERTIFICATE OF PUBLIC GOOD ISSUED
PURSUANT TO 30 V.S.A § 248

IT IS HEREBY CERTIFIED that the Public Service Board of the State of Vermont (“Board”) this day found and adjudged that the construction of the proposed Southern Loop Project, described in the Board’s December ____, 2008 Order in this Docket (the “Order”), will promote the general good of the State of Vermont, and a Certificate of Public Good is hereby issued to Vermont Electric Power Company, Inc. and Vermont Transco, LLC (collectively “VELCO”) and Central Vermont Public Service

Corporation (“CVPS”)(collectively with VELCO, the “Petitioners”), subject to the following conditions:

1. Prior to proceeding with construction, Petitioners shall file, for the Board’s approval, final construction plans for the Project’s Vernon-Cavendish 345 kV line, the Newfane Loop and the substation upgrades, which Project plans shall conform substantially to the Project plans approved by the Order.
2. Prior to proceeding with construction, Petitioners shall file with the Board and parties, a list of all required permits (including the name of the issuing agency) not yet obtained as of the date of the Order, and Petitioners shall file all such required permits, plans and approvals with the Board and the parties.
3. Petitioners shall conduct pre-and post-construction noise measurements at all substations and file the results with the Board and the parties.
4. Construction, operation and maintenance of the proposed Project shall be in accordance with the findings and requirements set forth in the Order.
5. This Certificate of Public Good shall not be transferred without prior approval of the Board.

DATED at Montpelier, Vermont, this ___ day of December, 2008.

_____)
_____) PUBLIC SERVICE
_____)
_____) BOARD
_____)
_____) OF VERMONT
_____)

OFFICE OF THE CLERK

FILED: _____

ATTEST: _____

Clerk of the Board