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STAR Group, LLC

Date: January 3, 2007
 To: Members of the Coolidge Connector Community Working Group
 From: Chris Kenny, Process Manager
 Re: Notes from December 14, 2006 CCCWG Meeting
[Revised from Notes dated December 20, 2006]

<u>Members Present</u>	<u>Members Absent</u>
Kathy Pellett, State Representative	Susan Spaulding, Chester Town Manager
Frank Heald, Ludlow Municipal Manager	Jane Pixley, Cavendish Town Clerk
Andrew Perchlik, Renewable Energy Vermont	Richard Svec, Cavendish Town Manager
Jack Collins, Ludlow Electric	Thomas Kennedy, Southern Windsor County Regional Planning Commission
Jim Matteau, Wyndham Regional Commission	Joyce Meehl, Brookline Select Board
Dean LaForest, VELCO	Bill Driscoll, AIV
Jeff Predom, VELCO	Jeffrey Lewis, Brattleboro Development Credit Corp.
Kim Jones, CVPS	
Bruce Bentley, CVPS	
Rip Kirby, CVPS	
	<u>Guests Present</u>
	Kerrick Johnson, VELCO
	Steve Costello, CVPS
	Ralph Roam, VELCO
	Steve Wark, DPS

The initial meeting of the Coolidge Connector Community Working Group (“CCCWG”) was held at Newsbank’s Fletcher House on Thursday, December 14, 2006 from 4 – 6:00 p.m. The group was provided with copies of the Background Report and Supplemental Technical Report for the Southern Loop. These two documents, together with other important reference tools (such as the Optimal and La Capra reports on demand side management and distributed generation opportunities for deferring new transmission within the Southern Loop area) as well as notes from each of the Southern Loop public outreach

meetings, are available at the Coolidge Connector Southern Loop web site: <http://www.velco.com/Templates/default.asp?pagelD=48>).

Kerrick Johnson and Steve Costello began the meeting by expressing their appreciation, on behalf of VELCO and CVPS, respectively, for the CCCWG members' willingness to be a part of the companies' ongoing effort to obtain meaningful recommendations from Vermonters on the study and selection of possible solutions to the Southern Loop Problem Statement. Chris Kenny explained that the focus of today's meeting was to provide background information to the CCCWG concerning the Southern Loop outreach process and resulting recommendations, as well as to discuss the CCCWG's role in providing input to VELCO and CVPS regarding the identification and assessment of alternatives to help resolve reliability deficiencies affecting the Coolidge Connector. He also explained that STAR Group's role in the process is to facilitate, but not direct, the conversation at all CCCWG meetings, as well as to assist with the exchange of information and ideas among members both during and in between face-to-face meetings.

Following introductions of members and guests, Dean LaForest and Kim Jones provided an overview of the Southern Loop Problem Statement and the principal issues involved. These are: (1) the inability to maintain voltage across the Southern Loop as load demand increases; (2) the inability to conduct routine maintenance on the Southern Loop; (3) the increased risk of blackout throughout the Southern Loop in the event of a failure of one or more key pieces of equipment; and (4) the increased risk of blackouts in southeastern Vermont and elsewhere along the Vermont and New England electric grids in the event the single 345kV line that runs from Brattleboro to Cavendish is compromised.

Chris Kenny provided an overview of the Southern Loop outreach process. Rip Kirby then explained each of the final recommendations that had been developed by the Southern Loop CWG from March – September, 2006.

The balance of the meeting was spent discussing questions from the CCCWG members regarding the information presented. The key questions were:

Q: What exactly do you mean by the term "Southern Loop"?

A: The Southern Loop is made up of an existing 66-mile, 46 thousand volt (46kV) transmission line and related substations that traverse southern Vermont from Bennington, through Stratton, to Brattleboro. Because issues pertaining to the Southern Loop have an impact on, and are impacted by, regional electrical planning issues, the Southern Loop Problem Statement and analysis addressed those issues as well.

- Q: Why wasn't one of the final recommendations for the Southern Loop a solution based solely on demand side management and/or distributed generation, with no transmission component?
- A: The Southern Loop CWG spent months deliberating potential solutions. After studying the issue, the group concluded that the Problem Statement could not be resolved adequately without some form of transmission included in the solution.
- Q: What is the "Coolidge Connector"?
- A: The Coolidge Connector would be a new line that would be constructed within VELCO's existing right-of-way between Dummerston and Cavendish, parallel to an existing 115kV transmission line. This new line would be operated at 345 kV. The existing transmission line, which presently operates at 345kV, would operate at 115kV.
- Q: What purposes would the Coolidge Connector serve?
- A: If built, the Coolidge Connector would serve 3 major functions:
1. It would provide voltage support to the Southern Loop.
 2. It would help the proposed "A" line segment, which was recommended by the Southern Loop Community Working Group to help prevent power outages within the Southern Loop.
 3. It would provide voltage support for the state and regional electric grid.
- Q: What does the term "Pooled Transmission Facilities" (PTF) mean and why is it relevant to the recommendations for the Southern Loop?
- A: PTF refers to those facilities that connect to and support the New England transmission grid. It is relevant to potential solutions for the Southern Loop because of the cost-sharing formula that applies to PTF improvements.
- To qualify as PTF, a transmission facility must (a) serve at least 115kV and (b) be connected entirely to the New England transmission network.
Example: a 115kV line that is connected at one end to the New England grid but that terminates at a CVPS substation that serves only local loads at 46kV would not qualify as PTF because it terminates at a substation that is not designed to support the New England grid); if instead that 115kV line were connected to a 115kV substation that was also connected to the New England grid, that line would qualify as PTF and the above cost-sharing capital and operating cost principles described in the next bullet point would apply.
 - If a system improvement qualifies as PTF, the capital and operational costs of such an improvement are shared by ratepayers throughout New England based on each state's respective percentage of peak electricity demand. Because Vermont represents just under 5% of the total peak demand in New England, the capital and operating costs of any transmission improvements in Vermont that qualify as PTF are split between Vermont ratepayers and non-Vermont New England ratepayers at a (roughly) 5%:95% ratio.

Example: if a PTF facility built in Vermont costs \$1,000,000, Vermont ratepayers would pay \$50,000 of the cost; the other \$950,000 would be paid by non-Vermont New England ratepayers).

Q: What is Vermont’s “societal test” and how does it factor into the analysis of possible transmission and nontransmission solutions for the electric system?

A: Vermont requires that electric system upgrades be assessed to determine if they are cost-effective. Unlike a traditional cost-effectiveness test that is focused on the direct costs associated with a study option, the “societal test” includes recognition of the indirect costs, or external costs, associated with the options. In this context, cost-effectiveness must include an analysis of a project’s “total cost,” including both economic and environmental costs and risks, regardless of who bears such costs. The goal of this effort is to find solutions, after safety concerns are addressed, that have the lowest present value life cycle cost, including environmental and economic costs, through strategies combining investments and expenditures on energy supply, transmission and distribution capacity, transmission and distribution efficiency, and energy efficiency programs.

- In the example provided above (the construction of a new 115kV transmission line that qualifies for PTF), even though Vermont ratepayers might only pay 5% of the capital and operational costs of the new 115kV transmission line, the project’s “total cost” (for purposes of determining the project’s cost-effectiveness in comparison to other transmission and non-transmission alternatives to the line) would include the 95% cost borne by non-Vermont New England ratepayers. In other words, in determining the cost-effectiveness of a project, the question of “who pays” the total cost of the project is not relevant. This analysis would also consider other attendant economic and environmental costs.

The group was asked what additional information or resources they felt they might need prior to the next CCCWG meeting. The group requested the following:

- A table showing the final recommendations identified by the Southern Loop CWG.
- January and February CCCWG meeting dates
- A statement of the benefits of the Coolidge Connector

The group was then asked to recommend other stakeholder groups that, based on the information discussed this evening, should be contacted as possible CCCWG participants. Kerrick Johnson identified the stakeholder groups that had been contacted and had declined to participate on the CCCWG. Based on this additional information, the group identified the following additional stakeholder groups:

- Green Mountain Power/other utilities (contact the Utility Planning Group)
- VPIRG

Members will email Chris (ckenny@stargroupconsulting.com) if other possible stakeholder groups come to mind.

The group was asked what they thought had gone well during today’s meeting and what they would have liked to have seen done differently. The group noted the following in this “Plus/Delta” exercise:

<u>Plus</u>	<u>Delta</u>
Information presented	Location was difficult to find
Visual aids	Not enough members attended
Questions asked	Less time on presentations; more time on questions and group discussion
	Distribute the meeting agenda and relevant documents in advance of the meeting

The next CCCWG meeting will be held on **Monday, January 8, 2007** from 4 -6 p.m. in the Ludlow Town Hall. January’s meeting will focus on issues pertaining to a transmission line (should a new line be recommended and constructed).

February’s CCCWG meeting will be held on **Monday, February 26, 2007** (location is TBD). The purpose of the February meeting will be to review the Non-Transmission Analysis (NTA) report (which presently is scheduled to be delivered to VELCO in mid-February).