

INTRODUCTION TO THE VERMONT PUBLIC SERVICE BOARD

NARUC Energy Regulatory Partnership Program

*The Energy Regulatory Commission of the Republic of Macedonia
and
The Vermont Public Service Board*

by

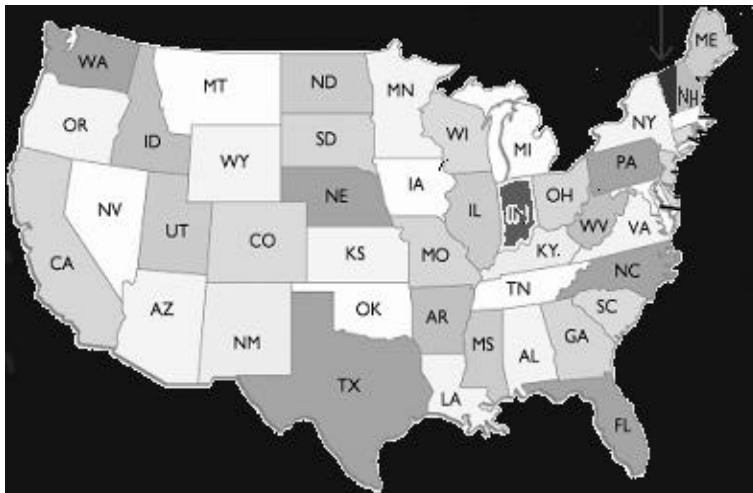
Michael H. Dworkin, Chairman

Vermont Public Service Board

March 20-26, 2004

LOCATION/NEIGHBORS

Vermont



State of Vermont

- ❖ Vermont is a small, mountainous, rural state
 - Canada is to our north; New York state is to our west
 - Area is 9,250 square miles
 - Population is 608,827
 - Bordered by more than 100 miles of Lake Champlain
- ❖ Employment Base
 - Production of electronic components (IBM), machine tools, stone products, printing
 - Dairy farming, maple syrup production, apples, honey, eggs, trees and lumber products
 - Manufacturing is declining but slower than in other states
 - Agriculture is under stress

Utilities Regulated by the PSB

- ❖ Electric
- ❖ Gas
- ❖ Telecommunications
- ❖ Water
- ❖ Cable

Jurisdiction for Electricity Regulation

- ❖ Generation
 - ❖ Wholesale = FERC
 - ❖ Retail = PSB
- ❖ Transmission
 - ❖ FERC
- ❖ Distribution
 - ❖ PSB

Vermont Energy Utilities

- ❖ 22 Electric utilities
 - Five are investor-owned
 - Fifteen are municipal utilities
 - Two are cooperatives
 - Smallest has only 311 customers; largest has approx. 140,000 customers
 - 350,000 meters statewide
- ❖ 1 Gas utility

Vermont Electric Usage

- ❖ Peak load in 2003 was approx. 1,000 MW
- ❖ Annual average residential consumption of 7,113 kWh/customer
- ❖ Northeast electric rates are highest in the U.S.
 - Vermont is in median range of NE rates (2002)
 - ◆ Average residential rate is \$.1286 per kWh
 - ◆ Average commercial rate is \$.1121 per kWh
 - ◆ Average industrial rate is \$.0787 per kWh
 - But average monthly bills are lower due to aggressive energy efficiency policies

What Do Customers Want Most?

1. Reliable service
2. Lower prices, lower bills
3. Minimize environmental impacts
4. Energy efficiency
5. Protection for low-income customers
6. Rate stability

Mission of the Public Service Board (PSB)

“The best long-term balance of

- choice
- value, and
- cost (including unpriced social and environmental costs)

in utility services for today’s and tomorrow’s Vermonters.”

Paraphrasing, 30 V.S.A. 218(c)

PSB Duties

❖ Broad Statutory Duty

- 30 V.S.A. § 9 gives the PSB “the powers of a court of record in the determination and adjudication of all matters over which it is given jurisdiction”; this includes rates, terms & conditions of service.
- 30 V.S.A. § 219 requires utilities to “furnish reasonably adequate service, accommodation and facilities to the public”
- 30 V.S.A. Sec. 248 creates “one-stop permitting” for major utility investments and siting decisions.

❖ PSB options include:

- Setting a utility’s rate of return to optimize investment
- Investigation and curative order if service quality is inadequate
- Conditioning merger approvals
- Revoking a utility’s certificate or appointing a trustee to manage a utility

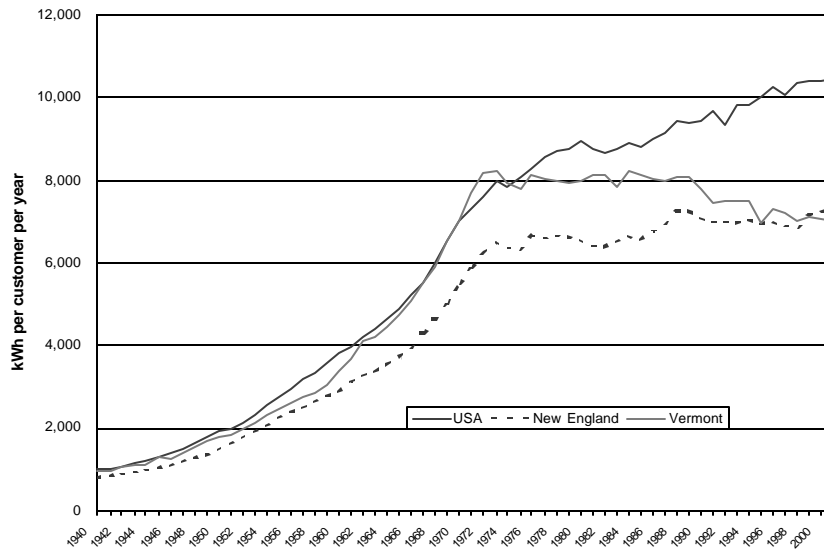
PSB and Major Investments

- ❖ PSB approval needed for new in-state electric generation and for major power contracts and transmission investments
- ❖ PSB can approve only if proposal is needed to “meet the need ... that could not otherwise be met” by lower cost alternatives: 30 V.S.A. §248(b)(2)

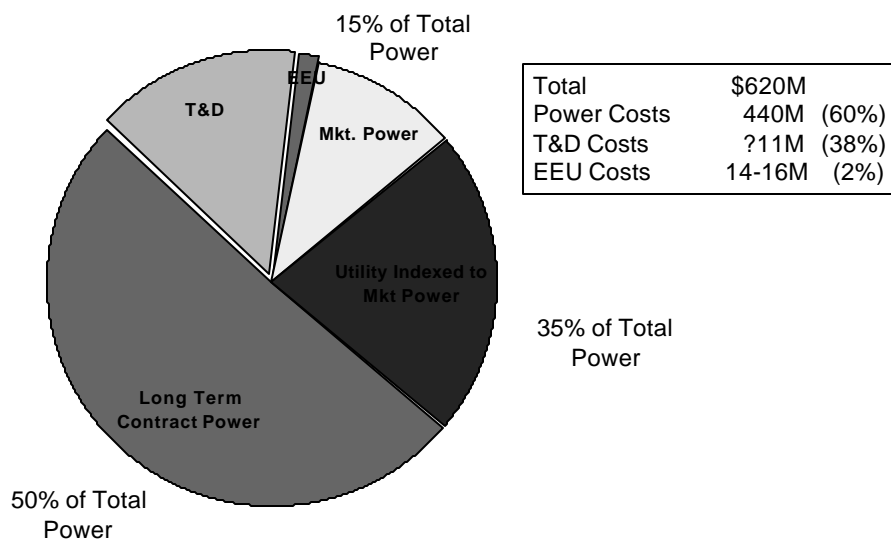
Structural Elements

- ❖ Vermont still has vertically integrated utilities
- ❖ Vermont has not yet adopted retail customer choice
- ❖ But Vermont does participate in an advanced regional wholesale market for electricity

Residential Electricity Use
kWh per customer per year, 1940-2001



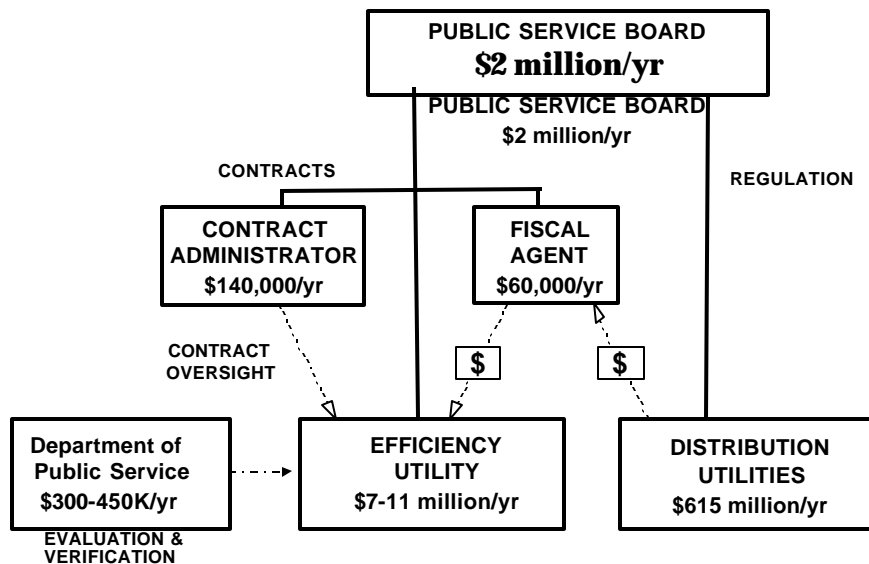
Components of Vermont's Electric Costs



Vermont's Electric Needs

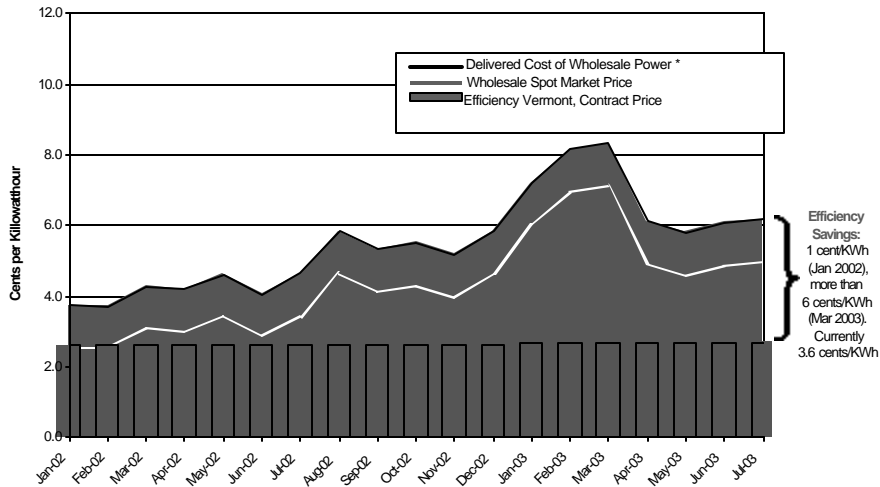
- ❖ **1,000 MW peak demand now**
 - Growing at about 2 MW per year since 1992
 - 100 MW 1984-92
 - 550 MW will need to be replaced in 2012- 2015 timeframe!!
- ❖ **Current Sources**
 - Vermont Yankee
 - ♦ Contract Expires 2012
 - Hydro Quebec
 - ♦ Contract expires from 2012 to 2020, most expiring in 2015
 - Independent Power Producers (all renewable)
 - ♦ Contracts expire 2008 to 2020+
- ❖ **Other sources - about 30% of demand and 27% of energy**

EEU Structure



Power Costs vs. Efficiency Vermont Costs for 2002 & 2003

NE-ISO Average Monthly Price



Summary

- ❖ The independent PSB has authority over the rates, terms and conditions of electric service in the state
- ❖ The Department of Public Service is an important component of participant in utility matters
- ❖ We look to the future

*Our Future: Major Options and
Some Pros and Cons of Each*

- Efficiency and Conservation
- VT Yankee
- Shift to Fossil Plants
- New Cogen in VT
- Spot Market
- Major In-State Renewables
- HQ
- Lower Churchill River
- Small Distributed Generation
- **Blended Balance**