

VERMONT INDEPENDENT POWER PRODUCERS ASSOCIATION (VIPPA)

Existing hydroelectric power plants in Vermont operate under a hodge-podge of different contracts in terms of duration and price. Bringing consistency and longer-term contracts to this sector of electric generation assures their place in Vermont's green energy mix.

VIPPA seeks to have long-term contractual relationships within Vermont, so that our power can stay in Vermont and be counted toward the 2017 green energy goals.

The attached amendment proposes to modify slightly the way prices are set for existing, independent hydroelectric power plants in Vermont. The current price-setting statute for these facilities (the price for the so-called "standard offer contract" for existing hydroelectric plants) has not accomplished its goals because it does not:

- Recognize the changing marketplace for green power in Vermont;
- Provide a sustainable price for existing facilities at reasonable cost to ratepayers; and
- Facilitate long-term, stable relationships that will keep green power in the state and help it achieve its green power goals.

The proposed amendment:

- Removes reference to the Low Impact Hydropower Institute of Portland, ME (LIHI) (line 17 p. 1 and lines 16-18 p.2)
- Removes language putting an artificial cap on the price of a standard offer contract (lines 20-22, p.1)
- Makes the price-setting exercise a purely market-based approach, using the market rate or "spot rate" for power and other market-based factors [new subsection (p)(3)(A)(i – v)] when setting the price for the standard offer contract
- Changes the annual price setting date (line 9, p. 2)
- Simplifies the process for establishing the value of certain standard rate elements (i.e., line losses, environmental attributes, contract value) by referencing values set under subsection (f) (lines 21-22, p.2)

- Removes further price-limiting language that would contradict the market-based approach proposed in the earlier section (lines 23-25 p. 2 and lines 1-2 on p. 3)
- Eliminates an incorrect cross-reference (lines 1-2 p.3); and
- Adjusts dates for the price setting process.

Background:

The 1980s in Vermont saw the development of about 70 MW of independent hydroelectric and wood-fired generation, still on line today.

The existing hydroelectric projects were all constructed from 1984 to 1993 at existing, but otherwise unused dams, many of which were formerly industrial sites, but not equipped for electric generation.

The Public Utility Regulatory Policies Act (PURPA) of 1978 allowed this redevelopment. Federal law requires that utilities buy the output of Qualifying Facilities, at the same price they are paying for comparable resources, on a non-discriminatory basis.

These independent power producer (IPP) projects operate in full compliance with their federal and state permits and licenses.

After 1993, no new hydroelectric plants were built in Vermont until 2010, when the first Sustainably Priced Energy Enterprise Development (SPEED) Standard Offer facility came on line.

Of the IPP hydro projects now operating:

- 16 (total 41 Mw) are selling to Vermont Electric Power Producers Inc. (VEPPI) under long-term contracts.
- 5 (total 13 Mw) are selling under short-term contracts to Independent System Operator New England Inc. (ISO-NE) or the interconnecting utility.
- 6 (total 5 Mw) are under the SPEED program.
- 7 (total 2 Mw) are less than 500Kw and are selling under the net metering program.