

**STATE OF VERMONT  
PUBLIC SERVICE BOARD**

**Docket No. 7770**

**Joint Petition of Central Vermont Public Service Corporation, Danaus Vermont Corp., Northern New England Energy Corporation for itself and as agent for Gaz Métro Limited Partnership and its parents, Green Mountain Power Corporation and Vermont Low Income Trust for Electricity, Inc. for approval of: (1) the merger of Danaus into and with Central Vermont, (2) the acquisition of Northern New England of the common stock of Central Vermont, (3) the amendment to Central Vermont's Articles of Association, (4) the merger of Central Vermont into and with Green Mountain, and (5) the acquisition by VLITE of a controlling interest in Vermont Electric Power Company, Inc.**

**PREFILED DIRECT TESTIMONY  
OF  
JEFFERY M. WRIGHT  
ON BEHALF OF  
VERMONT ELECTRIC COOPERATIVE, INC.**

**Summary of Testimony:**

Mr. Wright's testimony summarizes a Memorandum of Understanding (MOU) between Vermont Electric Cooperative, Inc. (VEC) and Green Mountain Power Corporation (GMP) concerning negotiating an ownership or operating agreement for a transmission line from Irasburg to Fairfax which GMP will acquire if the Public Service Board approves its petition. His testimony also supports the position articulated by the Vermont Public Power Supply Authority (VPPSA) witness David Mullett as it relates to VELCO governance issues.

Mr. Wright sponsors Exhibit VEC-JMW-1, which is the Memorandum of Understanding.

**I. Introduction**

**Q1. Please state your name and your position.**

A1. My name is Jeffery M. Wright, and I am Chief Operating Officer of Vermont Electric Cooperative, Inc. (VEC). I have held this position since January 2008.

**Q2. What is your educational and professional background?**

A2. I have an Associates Degree in accounting and more than twenty years of utility experience, all with Vermont utilities. I have more than twelve years of hands-on field experience working for Central Vermont Public Service Corporation (CVPS) on its transmission line and substation crews. I then worked for Vermont Electric Power Company, Inc. (VELCO) as a system operator for nearly four years before becoming a manager. As a manager for VELCO, I oversaw the maintenance of all the VELCO assets, including substations, transmission lines, right-of-ways and general plant. Before leaving VELCO to take my current job at VEC, I managed VELCO's NERC compliance program.

**Q3. Have you previously testified before the Vermont Public Service Board?**

A3. Yes. I have testified before the Public Service Board (PSB) on behalf of VEC and VELCO.

**Q4. What is the purpose of your testimony?**

A4. VEC's interest in this case focuses on two main issues raised by the proposed merger: (1) reliability issues that VEC has experienced involving a CVPS transmission line that serves thousands of VEC members and is located, almost in its entirety, within

the service territories of VEC, the Village of Hyde Park Electric Department (“Hyde Park”) and the Village of Johnson Water and Light Department (“Johnson”); and (2) changes in the structure of the VELCO board of directors.

My testimony will summarize a Memorandum of Understanding (MOU) that VEC has reached with GMP which we hope will provide a means of improving the reliability of transmission service from the CVPS transmission line. The MOU is Exhibit VEC-JMW-1 to my testimony. My testimony will also support the position articulated by the Vermont Public Power Supply Authority (VPPSA) witness David Mullett as it relates to VELCO governance issues.

## **II. Transmission Reliability Issues**

### **Q5. Please describe the reliability problems that VEC has experienced.**

A5. CVPS owns certain transmission facilities (which I will refer to as the “Transmission Facilities”) that run from Irasburg to East Fairfax, through the heart of VEC’s service territory. The Transmission Facilities feed VEC substations and interconnections in the towns of Lowell, Eden, Johnson, and Cambridge. At this time, the Facilities serve, directly or indirectly, eight VEC substations and/or metering points, none of which has an alternative means to be served in the event of a CVPS transmission line outage. (The Facilities are depicted on a map that is attached as Exhibit A to the MOU.)

There are 5,211 VEC member/customer accounts served from these lines, including the Smugglers’ Notch ski resort, VEC’s fifth largest consumer. These accounts

represent approximately 13.83% of VEC's total retail accounts. The Transmission Facilities also provide service to Hyde Park and Johnson, as well as to several CVPS substations (Eden Mines, North Hyde Park and Jeffersonville). My estimate of each company's percentage share of the load served by the Transmission Facilities is roughly 70% VEC, 10% CVPS, 10% Hyde Park, and 10% Johnson.

These Transmission Facilities have had a poor reliability record, which in my opinion is mainly due to the lack of automated switching capabilities and the remoteness of the nearest service center. These deficiencies have resulted in too many and unnecessarily lengthy outages for VEC member/customers.

For example, this past September, VEC's members served from our Johnson 14 substation were subject to two outages to allow CVPS to sectionalize their 34.5 kV transmission line for maintenance purposes. These two outages affected 594 VEC members for eleven and fourteen minutes, respectively. The outages would not have been necessary if CVPS had followed through on plans to install load break switches in strategic locations along the transmission line, as VEC has done on its transmission facilities between Highgate, Newport and Irasburg and in elsewhere on our system. VEC has worked very hard to improve reliability in the Johnson area, and these unnecessary outages interfere with that effort, to the frustration of customers in that area. These outages also increased our outage frequency index (SAIFI) for the Johnson area from 1.92 to 3.92 for 2011. (Our system-wide target is 2.5.)

In other cases, outages have been unnecessarily long because of the distance which CVPS line crews need to travel (from St. Albans or St. Johnsbury) to respond to an outage in Johnson. In one case, following a transmission fault on the line between Lowell and Eden Mines, VEC dispatched crews immediately to assist in restoring the line to service. VEC crews located the problem but had to wait at sectionalizing points, while CVPS crews made their way on icy roads from their St. Albans service center. CVPS denied my request to allow our line workers to operate their switches, delaying restoration by at least an hour. CVPS also denied a subsequent request following this incident to qualify VEC switchmen for the CVPS switching and tagging list.

VEC believes that it is preferable to automate sectionalizing switches at critical locations on any transmission line, which would totally eliminate the need for switchmen in the initial fault sectionalizing process. Particularly when there is a long distance to be traveled to perform manual switching, automated switching should be a priority. That being said, it is perhaps not surprising that this line might not be a high priority for CVPS, since the line predominantly serves VEC customers. While a single outage on these facilities could affect thousands of VEC customers, for purposes of CVPS's SAIFI reporting, an outage shows up as affecting a single customer.

**Q6. Has VEC raised these issues with CVPS?**

A6. We have raised the need for automatic sectionalizing capability on the line on many occasions. When we learned that CVPS was considering selling their assets, VEC

met with their senior management to request some form of joint ownership agreement or an outright purchase of these assets. The discussions with CVPS did not bear fruit.

When it became clear that the new owner of the Transmission Facilities may be GMP, VEC identified another opportunity to address our reliability concerns. VEC has been able to work collaboratively with GMP to resolve other operational issues and currently we have joint ownership arrangements at two substations – Tafts Corners and Richmond. Such arrangements have worked well from both a cost and an operations perspective. In fact, we recently entered into a third joint ownership agreement with GMP for the transmission facilities that run from the Lowell substation to the VELCO Jay substation, as part of GMP's Kingdom Community Wind project. Given this successful collaboration in the past, VEC approached GMP to discuss joint ownership of the Irasburg-to-Fairfax Transmission Facilities.

**Q7. What kind of agreement have you reached?**

A7. Although VEC had originally believed that joint ownership of the Transmission Facilities would be the best approach, we are open to considering different kind of models. To that end, GMP and VEC have agreed to commence negotiations immediately with the goal of agreeing to a mutually acceptable model for the ownership and operation of the Transmission Facilities by July 15, 2012. We have agreed to consider all viable models for ownership and operation, prioritizing those models that best serve the interests of the customers served by the Transmission Facilities – including customers of Hyde Park and Johnson -- from the perspective of reliability, serviceability, and cost. Our

agreement was memorialized in the Memorandum of Understanding that is Exhibit VEC-JMW-1 to my testimony.

This process gives VEC the opportunity to assess the condition of the Transmission Facilities, and GMP has agreed to make sure that VEC has access to information it needs to conduct such due diligence.

The parties have also agreed that either party can request the participation of the Department of Public Service in drafting and/or reviewing the negotiated agreement, to ensure that the focus remains on the interests of the customers served by the Facilities. By agreement of the parties, disputes can be brought to the Public Service Board, as allowed by Title 30.

**Q8. Does this agreement promote the public good?**

A8. Yes. It provides an avenue for resolving reliability concerns that have persisted for many years, while allowing for recourse to Vermont regulators if a satisfactory agreement cannot be reached. With this MOU, the customers served by the Transmission Facilities stand a good chance of seeing fewer and less lengthy outages. I also believe that the proper ownership or operating model will ultimately result in lower costs to all ratepayers served by the Facilities.

**III. VELCO Governance Issues**

**Q9. What is VEC's view of the VELCO governance issues that have been raised in this docket?**

A9. VEC was pleased to see that GMP acknowledged in its petition that it was important to ensure that post-merger GMP would not have majority control of VELCO. VEC believes that any number of mechanisms could achieve that objective. VEC is concerned, however, about proposals that would dramatically change the governance structure of VELCO. VEC sits on the VELCO Board of Directors and participates in the CFO Forum. I personally have been active on the VELCO Operations Committee. In VEC's view, the VELCO board has historically operated very well in providing direction focused on meeting the transmission needs of its utility owners. We caution against any radical changes in the VELCO governance structure.

**Q10. Does VEC have a proposal to offer?**

A10. VEC has reviewed the testimony of David Mullett on behalf of Vermont Public Power Supply Authority (VPPSA) and we fully support the VPPSA position reflected in his responses to Questions 11-16 (pages 6 – 10).

**Q11. What would you like the Board to do?**

A11. VEC asks the Board to adopt the conditions proposed by VPPSA to resolve issues related to the governance of VELCO. VEC believes that, with those conditions, the proposed merger is in the public good of Vermont and supports Board approval.

**Q12. Does this conclude your testimony?**

Q12. Yes, it does.