

Memorandum

Vermont Public Service Department

To: Hon. Peter Shumlin, Governor
From: Christopher Recchia, Commissioner
Subject: Briefing Report for meeting with Premier Marios, Quebec Province
Date: February 15, 2013

Below is a bulleted briefing of two energy-related issues in preparation for the upcoming meeting with Premier Marios. The first is related to Hydro Quebec power – both the status of new contracts to our utilities and issues regarding transmission to southern New England States. The second issue is related to the concern about tar sands oil being exported from Canada through Portland, Maine. As you know, a portion of that pipeline passes through Vermont.

Attached is a more detailed discussion of these issues.

Please let me know if you have any questions or require anything further. Thank you.

Hydro Quebec

Primary issues are: transition to new HQ contract; power delivery to southern NE states and transmission challenges, along with coordinated procurement efforts on the regional level.

Power Purchases

- In 2011 the PSB approved a power purchase agreement (PPA) between HydroQuebec Energy Services U.S., and the majority of the Vermont utilities.
- Currently, the New England states, as well as New York, have limits on the capacity of hydroelectric resources that can satisfy the Renewable Portfolio standards in those states.
- Vermont is the only state that includes large-scale hydro (HQ capacity) in the definition of renewable energy.
- The 2011 PPA is phased in over several years to transition existing contracts with HQ to the new contract through 2016 (Vermont utilities have historical contracts with differing expiration dates).
- The PPA price starts at \$58/MWh and is adjusted each year based upon the average wholesale electricity prices in New England, with a price ceiling and floor on the amount that the price can fluctuate over time.
- Due to low electricity prices in the past year, the price has declined since taking effect.



Power Delivery

- Power under the HQUS PPA is delivered through the Highgate, Vermont DC to AC converter. The converter and HQ transmission system limit the amount of power that can be delivered to Vermont.
- HQ serves a portion of northeastern Vermont directly through “block loading.” Under this arrangement a portion of Vermont Electric Cooperative’s service territory is disconnected from the U.S. electric system and tied directly to the HQ system.
- Generation from the Lowell wind project has recently been curtailed by ISO-NE due to transmission issues in the area. GMP and VEC are examining the possibility of not accepting any block loading from HQ until that issue is resolved.
- Vermont, Massachusetts and Connecticut are working to address transmission infrastructure challenge to delivering large-scale hydroelectric power to southern New England.

Coordinated Procurement

Large-scale hydroelectric

- New England States Committee on Electricity (NESCOE) is developing a coordinated RFP for renewable resources that will satisfy states’ renewable portfolio standards.
- Large-scale hydro electric will not be included in the RFP since Vermont is the only state that defines large-scale hydro as renewable.
- As far as I know, there is no effort to try to change the definition of “renewable” in the other states.
- We will continue to work with Massachusetts and Connecticut about ways to enable HQ power to go to So. New England through a coordinated procurement effort hopefully combining with the effort to conduct coordinated procurement of wind power in the Summer of 2013.
- There are transmission challenges with the existing 450 kV DC line from Norton, VT to Monroe, NH. This would need to be upgraded or a second line added. Both would require additional rights-of-way.

Tar Sands Oil Pipeline

Ontario to Montreal

- July 2012 - Canadian National Energy Board (NEB) permits Enbridge Pipelines, Inc to reverse the flow on the existing pipeline from Sarnia, Ontario to Westover, Ontario.
- November 2012 - Enbridge filed petition with NEB to reverse the flow of an existing oil pipeline from Westover, Ontario to Montreal, and increase the capacity of the pipeline from Sarnia to Montreal and allow the transportation of heavy crude.
- Vermont is disinclined to engage in this approval process, though we are considering sending comments.

Montreal to Portland

- Oil pipeline from Montreal to Portland is owned by Montreal Pipe Line Limited (MPLL) from Montreal to the U.S. border, and by the Portland Pipe Line Corporation (PPLC) - a wholly owned subsidiary of MPLL - from the border to Portland.
- MPLL says it has no plans to reverse the flow of the pipeline; however, it received approval from Maine DEP to do so, and from So. Portland to make pier modifications that would enable it to export heavy crude.