

Paul Peterson  
Synapse Energy Economics  
Summary of VELCO Northwest Reliability Testimony Docket No. 6860  
September 20, 2006

Re: Analysis of ISO's Determination of Local and Regional Costs with regard to Ferry Road area in Charlotte

ISO New England is responsible for making determinations of Local Costs and Regional Costs for new transmission facilities pursuant to filed rules at FERC. Local Costs are paid through the transmission and distribution tariffs of the local utility through billings to local customers. Regional Costs are paid through the Regional Network System (RNS) rate on a pro rata basis by all New England electric consumers.

Under the FERC approved rules, ISO New England establishes a "baseline" cost for the new transmission facilities that is eligible for support through the RNS rate. The baseline is an actual or hypothetical route for the transmission facility which is electrically complete, uses good utility practices, and would be the least cost among all route options, regardless of local or state permitting requirements. Almost all additional costs above the baseline cost are treated as Local Costs under ISO PP-4. The NStar 345kV project in Massachusetts and the CL&P Phase I project in Connecticut provide recent examples of how this policy has been implemented by the ISO.

For the NRP, VT Transco has proposed several routes through the Ferry Road area in Charlotte, and indeed additional routes are possible, which do not include moving or removing the Waldorf School, and do not include sharing the right-of-way of the railroad line operated by Vermont Railway. It is reasonable to anticipate that the ISO will rule that there is no need to move the school and no need to share the railroad right-of-way in order for the line to be constructed in a way that is electrically complete and meets good utility practices. It is also reasonable to anticipate that the ISO will rule that a route which does not require the school to be moved or the railroad right-of-way to be shared would be lower in cost than other routes, and so this route will likely be considered the baseline route.

Therefore, it is reasonable to assume that the incremental costs (above the baseline) associated with the moving of the Waldorf School and the use of the railroad right of way (as well as the undergrounding of distribution lines and landscape mitigation) will be considered Local Costs by the ISO.