

PRESIDENT'S REPORT



Vermont Energy Partnership

By Brad Ferland

Welcome to the Vermont Energy Partnership's (VTEP) inaugural member newsletter. In this first issue you will read about many of the activities that VTEP is involved with and some of our goals and challenges as we move forward. Please allow me to take this opportunity to review how the Partnership was formed and highlight some of our accomplishments.

The Vermont Energy Partnership was formed in January 2005. The primary need for the Partnership became abundantly clear through many group discussions about Vermont's current energy mix and prospects for our energy future in the face of constantly growing demand. The coalition is comprised of a diverse group of business, labor, and community leaders who provide fact-based and real economy perspectives to the debate about Vermont's electric supply future while maintaining our green heritage.

Noteworthy in our early research was the fact that Hydro Québec and Vermont Yankee provide Vermonters with two thirds of their current electricity supply. Preservation of these suppliers require renewed contracts or power purchase agreements as early as 2012. Achieving this goal requires immediate planning and policy review on how the state is working towards meeting Vermonters, electricity needs.

The original 25-founding members of the Vermont Energy Partnership recognized that electricity policy is a critical component of Vermont's energy future and proper and adequate planning is essential. Today our membership consists of nearly 50 Vermont-based organizations and professionals and is steadily growing.

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Vermont Pressing Energy Needs

Vermont faces serious energy challenges in the coming years. The sooner they are addressed, the better the state will ensure its own economic vitality. If matters go ignored, the region's energy supply and energy future could literally fall off a cliff.

According to the Vermont Department of Public Service, energy consumption is expected to grow at one percent annually, raising serious concerns about how to meet this demand in the future.

A key component of the state energy portfolio is the Vermont Yankee Nuclear Plant, which according to the Energy Information Administration of the U.S. Department of Energy produced 4,444 million megawatt hours of electricity in 2003. That figure represents nearly 74 percent of the total electricity generation within the state's borders.

Also, according to the 2005 Vermont Electric Plan, Vermont Yankee produces "about 35 percent of Vermont's energy

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VTEP Members Contribute to Big Turnout of Plant Supporters at Public Hearing

Members of the Vermont Energy Partnership were in attendance at a June 7 Nuclear Regulatory Commission (NRC) "environmental scoping" hearing in support of the relicensing of the Vermont Yankee Nuclear Power Plant, owned by Entergy, Inc. (a member of VTEP). The hearing drew more than 100 people to the Latchis Theatre in Brattleboro.



Governor Thomas P. Salmon

Thomas P. Salmon, former Governor of Vermont and a founding member of the Partnership, was the first speaker during the evening hearing which focused on examining two key matters:

the environmental impact that might result from the plant operating for an additional 20 years and safety aspects of how the company has managed the aging of the plant.

"Since 1972 when the Vernon plant came on line, the State of Vermont has avoided some 100 million metric tons of fossil fuel pollution, and that's not an inconsequential environmental fact of life," said Governor Salmon. "This plant has been both safe and environmentally friendly over these many years and in that context in terms of its contribution, or I should say non-contribution to pollution in this state, it's helped make Vermont a cleaner place in which to live."

Governor Salmon's statement drew strong applause from the audience, and was not the only support expressed for the continued operation of the plant by a community leader.

Duane Marsh, President of the Vermont Chamber of Commerce, said in a written statement, "having reliable and abundant power is critical to making sure that Vermont stays a great place to live and work."

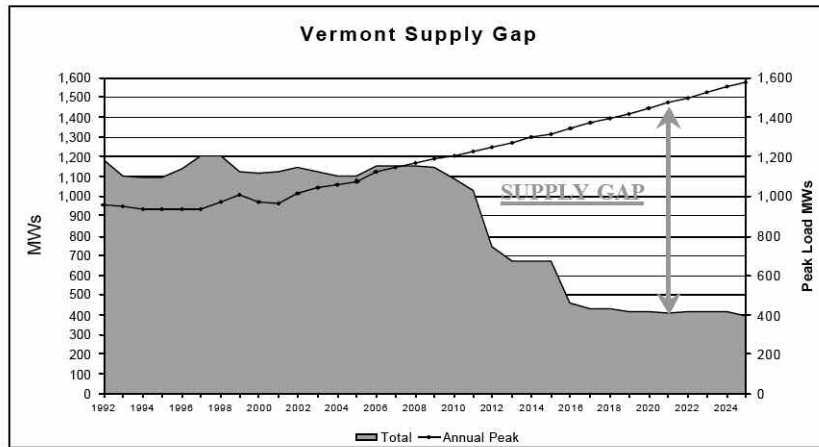
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Our members realize that the state's future sources of electricity must be safe, reliable, affordable, and clean. They support the continued operation of existing sources of electricity, notably the contracts with the Hydro Québec dams in Canada, and the Vermont Yankee Nuclear Power Plant in Vernon.

VTEP supports supplementing Vermont's current base-load power with cost competitive renewable and traditional electric generation sources, so the state can support a balanced energy portfolio. Members have encouraged the consideration of new power generation concepts and technologies, acknowledging that the state must look within and outside of its borders for additional solutions.

One of our goals in planning Vermont's energy future is to understand the viability of each power source that is currently in the power mix and to evaluate the future potential for each as we move forward. VTEP has encouraged a discussion on the feasibility of renewable energy sources, such as wind power; however it has become clear this year that wind power in Vermont is facing more entrenched local opposition and broader-based challenges than anyone ever predicted. In order to inform our members as well as elected officials about wind power, VTEP coordinated a tour of the Searsburg Wind Farm in



2005 Vermont Energy Plan, Department of Public Service, January 19, 2005

October of 2005 that served as a useful educational tool. Now VTEP has developed a white paper, published on August 9, 2006, addressing some of the challenges faced by this renewable form of energy and providing observations about the viability of wind power in Vermont.

Through other white papers or issue briefs, VTEP has looked at how the Vermont Electric Power Company (VELCO) strategically fits into the region's power mix, the challenges associated with hydro technology, and how to better educate Vermonters on energy efficiency. Topics that have been addressed in recent white papers or briefs by VTEP include:

- Hydro Quebec
- The Locational Installed Capacity Plan (LICAP)
- Federal Tax Credits for Homeowners

It is important that the Vermont Energy Partnership has a voice in planning for our energy future and the issues related to it, and that we have some influence on policy as these discussions move forward.

We look forward to membership growth, communication with Governor Douglas and his administration including the Department of Public Service, and to conducting legislative outreach to better educate our lawmakers on these many important issues.

We will also continue to conduct outreach to the news media and to better establish new communications platforms to better educate and collaborate with all Vermonters on energy issues.

The Vermont Energy Partnership strives to provide research to stakeholders on important energy matters and offer a balanced voice on these issues. This will add a needed perspective to the energy debate that was lacking in the past, particularly when key energy consumers and economic providers in the state were overlooked by the decision makers. We are optimistic that our work can ultimately provide a better way of life for Vermonters.

For more information about VTEP programs and activities, please contact us at our office in Montpelier at (802) 223-0575.



Yes! I want to join the Vermont Energy Partnership

I support your efforts to educate communities regarding the necessity for safe, reliable energy and advocacy to ensure that Vermont has an ample and reliable electricity supply and economic prosperity for years to come.* Enclosed is my tax-deductible contribution of:

Associate Member: \$50 Other \$ _____

Business/Labor Member: Contribution Amount: \$ _____

Check Enclosed

Mail to: 45 State Street, Suite 152, Montpelier, Vermont 05602

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* Conditions of membership apply. For more details send inquiries to info@vtep.org. Vermont Energy Partnership is a 501(c)(6) IRS Tax-Exempt Organization that advocates for reliable, affordable, and clean energy solutions, as well as conservation measures, for all of Vermont.

VELCO: the Northwest Reliability Project



As demand for electricity in Vermont has continued to rise, increased stress and pressure has been placed on Vermont's high-voltage electric transmission system, jeopardizing its ability to provide reliable, stable electricity to Vermonters.

This summer, Vermont broke its record for electricity usage with a peak demand recorded at 1,118 MW on August 2, 2006, breaking the state record last set in the winter of 2004. With Vermont's transmission system capable of delivering up to 1,100 MW safely and reliably, the demands of a hot summer are pushing the system closer to exceeding its capacity.

Without a reliable transmission system, Vermont is at greater risk for more frequent energy disruptions or possible

long-term power outages, which would impact the state's economic vitality and public safety.

Seeking to strengthen and upgrade the state's transmission grid, the Vermont Electric Power Company (VELCO) has been hard at work on its Northwest Reliability Project. Once completed, the project will provide a more reliable system with increased capacity and make available more efficient backups in the event of problems with existing power lines.

This project consists of constructing approximately 36 miles of new electric transmission lines between West Rutland and New Haven, and replacing roughly 27 miles of electric transmission lines between New Haven and South Burlington. Additionally, 12 substations

along New Haven and South Burlington and approximately six miles of electric lines from Williamstown to Barre will be replaced.

The Public Service Board, in issuing a permit to VELCO for the project, found "that increased electric demand in northwestern Vermont, both in the recent past and expected in the future, make it necessary to strengthen the transmission grid serving that area in order to achieve and maintain desirable levels of reliability."

For more information about this critical system upgrade in the more heavily populated northwest part of the state, you can go to VELCO's project webpage on the Internet at: <http://www.velco.com/Templates/default.asp?pageID=8>. •

VTEP Members Contribute to Big Turnout at Hearing

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"The most important and common sense steps that Vermont can take to assure our energy future is to renew the license of Vermont Yankee, which has consistently secured the NRC's highest safety ratings, and look to renew long-term contracts with Hydro-Québec," he said in support of Vermont Yankee.

Although Vermont Yankee received a green rating for safety – the highest offered by the commission – NRC officials were still confronted by plant critics and anti-nuclear activists complaining that their relicensing review was too narrow.

"Our review is based on a set of technical statutes," said Richard Emch, Project Manager for the NRC environmental review. "There is nothing in our process that calls for a vote on whether the license shall be renewed."

Among the topics discussed at the hearing was the reduction of pollution caused by fossil fuel burning plants (the likely alternative to the nuclear power produced by Vermont Yankee), the jobs Vermont Yankee has created, and the lack of viable power sources to replace the "base load" power (operating 24 hours a day, 7 days a week) that would be lost if Yankee were denied its license extension. •

Vermont Pressing Energy Needs

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requirements and almost 28 percent of the peak capacity requirements of the State." (See separate article in this edition about the Vermont Energy Partnership's support for Vermont Yankee at a recent relicensing hearing on page 1.)

In 2012, Vermont Yankee's license will be up for renewal. If the Vermont Yankee facility is not re-licensed, the state would face the challenge of replacing one-third of its electricity generating capacity, a task that would require tremendous statewide capital investment. This is an even more daunting challenge considering that beginning in approximately 2016, the state could lose an additional third of its power supply from Hydro Québec, the world's largest producer of hydroelectric power. Canada's own rising demand for energy could cause that country to cease exporting power to the Northeastern U.S. and solely generate energy for its own domestic consumption.

Vermont's rising energy demand is fueled by many factors. This includes growth in the population and commerce, more use of energy intensive appliances, central air conditioning, and developments in technology.

To ensure that Vermont has a bright energy future the state must protect and maintain reliable sources of power and look for ways to cleanly and efficiently increase production in the coming years. •

The Vermont Energy Partnership released its recent issue brief, "Wind Power in Vermont - A Primer." The document discusses:

- Why wind power has growing appeal in Vermont and nationwide;
- The benefits and challenges of this power source;
- How wind power works and the dynamics that determine the price of this power source;
- A synopsis of key wind proposals in the state; and
- Why wind power can and should be a bigger part of the state's electricity portfolio in the future.

To read this document go to www.vtep.org

Energy Efficiencies Benefit Businesses Across Vermont

As businesses across the U.S. struggle with higher energy prices, companies in Vermont are lowering costs by investing in energy efficiency. Here's a glance at how four such businesses have worked with Efficiency Vermont, the statewide energy-efficiency utility and VTEP member, to improve their facilities and strengthen their bottom-lines.

Black River Produce, Springfield

Fresh produce distributor
www.blackriverproduce.com

Black River Produce recently purchased and transformed the former Idlenot Dairy processing plant, which has been closed since 1992, into a highly-efficient produce distribution center. Working with Springfield Regional Development Corporation and Efficiency Vermont, Black River completely revamped the 54,000-square-foot facility to incorporate high-performance lighting, heating, ventilation and air conditioning (HVAC) systems and a customized 25,000-square-foot refrigeration system.



Black River Produce will save approximately 300,000 kilowatt-hours (kWh) annually, which translates into \$24,000 in annual energy savings. With a rebate from Efficiency Vermont, Black River Produce will be able to recoup its investment in less than two and a half years. It is estimated that the company's reduced energy use saves enough energy to power more than 37 households in Vermont and is equivalent to taking 200 cars off the road.

Owners Mark Curran and Steve Birge cite the project's positive environmental impact and statewide energy savings as additional beneficial results. Bob Flint of the Springfield Regional Development Corporation recognizes the plant upgrade as a "great example of how large companies can benefit from working with Efficiency Vermont."

Columbia Forest Products, Newport

Producer of hardwood veneer
www.columbiaforestproducts.com

When one of Columbia Forest Product's two main air compressors failed, Columbia decided to contact Efficiency Vermont to conduct an energy



use assessment of the factory and determine what size compressors would be most appropriate for the factory.

Efficiency Vermont helped find a number of air leaks. By minimizing these leaks, the company was able to replace the old compressors with smaller, more efficient models.

Columbia Forest will save approximately \$55,000 in energy costs and 690,000 kWh annually as a result. Efficiency Vermont provided a rebate that will help Columbia Forest cover the costs of the energy-efficient upgrades. The changes have also resulted in improved air quality and quieter operation.

Harbour Industries, Shelburne

Manufacturer of high-temperature and high-performance cable
www.harbourind.com

In early 2005, Harbour Industries enlisted Grainger, a leading distributor of facilities maintenance supplies, to perform a lighting audit and to come up with recommendations on how to make its operations more efficient while improving the overall work environment. Grainger worked with Efficiency Vermont to come up with two different energy-saving plans.



The first plan required a simple change to reduced-wattage bulbs. The second, which required a larger capital investment by Harbour, involved installing all new energy-efficient fixtures. The higher energy savings made possible through the second plan led Harbour's to select this option. Efficiency Vermont provided a rebate to help Harbour cover the costs of the upgrade.

Harbour Industries will save approximately 511,000 kWh and \$4,000 in energy costs annually. Plant Manager Charles Peet also finds that the change makes the plant and warehouse brighter, quieter and cooler, which has contributed to better employee morale.

NSA Industries, Lyndonville

A manufacturer and fabricator of sheet metal and other related metal products.

Working with Green Mountain Electric Supply, Compressor Energy Services and Efficiency Vermont, NSA Industries was able to implement much-needed

improvements to its antiquated lighting and air compressors with minimal disruption to its operations. After an energy audit was conducted, NSA Industries decided to replace inefficient air compressors with energy-smart compressors, resulting in improved air quality, quieter operation, regulated air pressure and increased compressed air capacity.

General Manager Emery Noyes reports that by installing 200 energy-efficient light fixtures in their two plants, NSA Industries made their facilities brighter and gave employees better visibility while operating machinery. The new lights don't produce as much heat, which is a significant benefit in the metal fabrication environment.

Efficiency Vermont provided an incentive that covered about 25 percent of the lighting upgrade, and also coordinated and paid for the removal and recycling of the old mercury-containing metal halide lamps. NSA Industries will save approximately 568,000 kWh annually. That means a savings of \$56,000 in energy costs per year.

Efficiency Vermont can be contacted toll free at 888-921-5990 or online at www.efficiencyvermont.com. •



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Vermont must secure an energy portfolio to stabilize costs

Vermont consumers are currently paying approximately \$200 million more each year for their electricity than if Vermont's electric rates were equal to the U.S. national average. These costs have a negative impact on the local economy and consumer confidence.

Ironically, the state has one of the cleanest electric portfolios in the country, dominated by renewable and non-carbon emitting sources. Vermont policy makers have generally favored a high quality, stable, non-polluting power supply.

The design of the portfolio protects the state from the price volatility and supply disruptions that plague other states in the U.S. This is readily apparent in New England as increasing natural gas prices have put upward pressure on wholesale electric rates.

Additionally, Vermont's, financially challenged utilities have not seen a substantial energy source come online in the last 20 years. It is imperative that discussions about new facilities begin today, since it requires a minimum of five years to design and construct major base-load power plants capable of meeting future energy needs.

During the 2006 legislative session the Vermont General Assembly took on a number of energy related issues that are of interest to members of the Vermont Energy Partnership.

Greenhouse Gas

H.860, the Regional Greenhouse Gas Initiative (RGGI) bill, has become law, intending to reduce greenhouse gas emissions in Vermont by establishing a cap and trade program for electric generation throughout the region.

This program intends to allow trading of greenhouse gas emissions credits within the states that belong to the RGGI and would assure that the proceeds from the sale of these credits will be used for the benefit of electricity consumers according to principles established in the bill.

An amendment offered by Senator George Copenrath (R-Caledonia) would

have allowed the carbon credits earned by Vermont to be applied towards rate reductions for Vermont power consumers, but it failed.

Appliance Standards

H.253 establishes minimum energy efficiency standards for appliances including new residential furnaces, residential boilers, transformers, lamp fixtures and others which are sold or installed in the state. The rules will be adopted not later than June 1, 2007, with phased-in implementations starting on January 1, 2008. This legislation has been enacted by the Governor.

Price Gouging

The legislature passed S.228, a bill dealing with price gouging for petroleum products and pre-buy contracts for heating fuels. The bill was then sent to Governor Douglas.

The bill makes it a violation of the consumer fraud act for anybody in the petroleum business to charge "unconscionable prices" during a "market emergency," a period which could be declared by the Governor as a result of a natural disaster or market disruption. The final language also allows the Attorney General's office to look back by seven days prior to the declaration when investigating a gouging complaint.

The final bill did not include a provision that would have allowed private right of action against a petroleum supplier.

S.228 is now devoid of a provision that would have required notification to the AG's office before the sale of a petroleum business. In July, S.228 was enacted into law.

Wind Generation Moratorium

H.822 proposes to authorize expenditures from the municipal and regional planning fund, to finance the costs of representing a municipality in response to a proposal to site a wind turbine. It establishes a moratorium on the authorization of wind turbine construction, to run until 12 months elapse, after the commencement of the operation of wind facilities in East Haven. This bill was introduced, but no action was taken.

However, in late February during the House debate over H.859 an amendment to the omnibus energy bill was offered to put a moratorium on wind power generation. The amendment failed by a wide margin of 36-87.

Public Service: Act 250 Wind Generation

H.823 was proposed to address situations in which the holder of an Act 250 permit would like to construct a wind turbine that will generate electricity. The bill proposes that wind turbine construction will be regulated under Act 250 and not regulated by the public service board under 30 V.S.A. § 248. This bill was introduced without any action.

Vermont Energy Security and Reliability Act

H.859 was introduced to establish a process for engaging the public in power planning issues, reducing the need for public power purchases.

The state's electrical supply is in question as the contracts between the State of Vermont and Hydro-Quebec and Vermont Yankee near expiration in 2015 and 2012 respectively. The bill also serves as an addendum to Act 61, the energy bill that was passed in 2005. H.859 has been enacted into law, codifying the following legislative items:

- Establishes a public engagement process intended to encourage Vermonters to participate in the energy planning process;
- Authorizes the clean energy fund to finance transmission line upgrades for farm metering systems;
- Authorizes the Commissioner of Public Service to amend commercial building energy standards (placing an emphasis on efficiency);
- Prioritizes the reduction of greenhouse gases;
- Requires the promotion of efficient use of natural gas and electricity through the Public Service Board, and expands the type of renewable sources that are eligible for net metering. •

Report Says New England's Five Nuclear Plants are Backbone of the Region's Electricity Grid

In April the New England Council, the country's oldest business organization, and The New England Energy Alliance (NEEA), a coalition of energy providers, and business and trade organizations, developed a report entitled "Nuclear Energy in New England." The 14- page document provides a detailed analysis of the role and benefits of nuclear energy in the region.

The report found that New England's five nuclear energy plants, represent the "backbone" of the region's electricity grid, generating 26 percent of New England's total electricity supply.

According to the study, New England's demand for energy has increased annually. Future projections conclude that demand can be expected to rise by another 15 percent over the next ten years. To meet this increased demand, the report found that New England would have to build one new generating plant every year for the next ten years.

The NEAA report also concluded that "in generating electricity, nuclear energy plants produce no nitrogen oxide or sulfur dioxide that cause smog and acid rain, and no carbon dioxide, a major greenhouse gas...which has been linked

to public health effects." Further, as the region's energy needs grow, "nuclear energy...has provided an essential and reliable source of electricity that maintains the grid's stability."

The report also found that nuclear energy has the "lowest production costs of any major source of electricity – less than a third of the cost of natural gas-fired generation." A contributing factor noted for nuclear power's ability to be more cost-efficient is its independence from petroleum market forces, which have caused the costs of heating oil, natural gas and gasoline to skyrocket in recent years.

Citing the large demand for energy, the report suggests that the reliability of nuclear plants are key to meeting the region's "fluctuating demand" which can be very high on hot and humid summer days and somewhat low on cool spring and fall days. "The reliability of these plants, which can run up to 500 days without refueling, is an invaluable asset to the electrical grid," the report stated.

The report also describes nuclear power uprates, a process which has allowed the plants to increase electrical generation output. New England has gained an extra

220 MW of power from NRC – approved uprates since 1979.

The report states that renewing the licenses for New England's nuclear power plants will eliminate the need to build replacement plants and also reduces the need to construct additional transmission lines, helping to keep energy prices lower.

The report gives three recommendations for policymakers to seriously consider:

- Recognize nuclear power as New England's second greatest source of power, while contributing no greenhouse gases to the atmosphere;
- Support nuclear power plant license renewals as they arise;
- Consider the construction of additional nuclear plants and encourage the federal government to meet its obligation of permanent storage of spent nuclear fuel.

The full version of the report can be found on the New England Energy Alliance website at: www.newenglandenergyalliance.org/downloads/NuclearBackgrounder.pdf. •



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