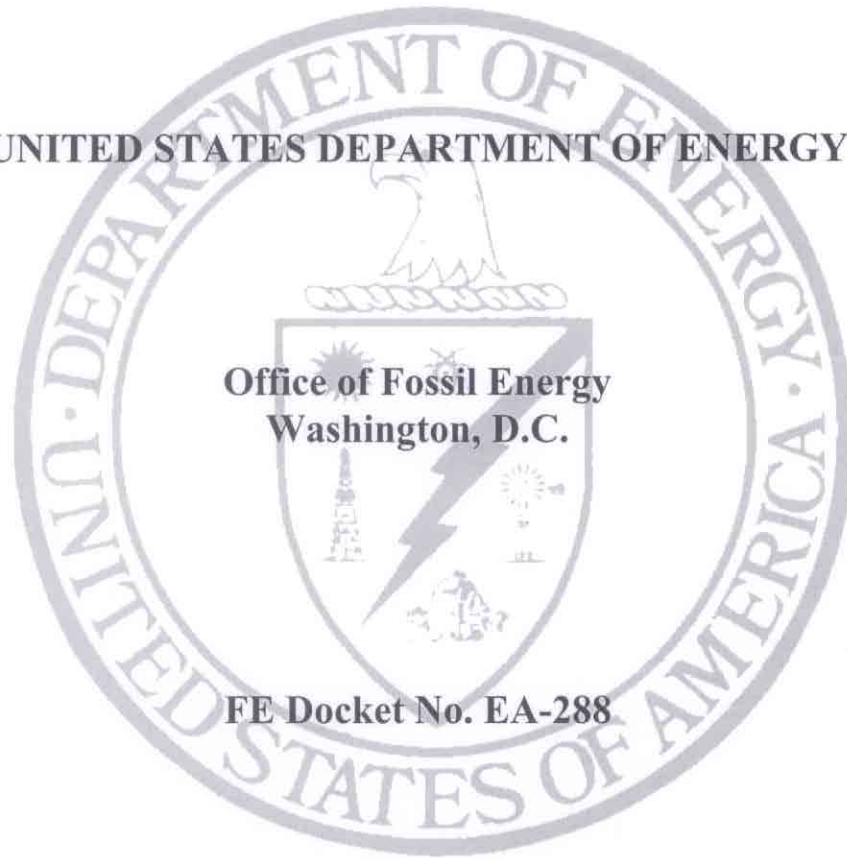


UNITED STATES DEPARTMENT OF ENERGY



FE Docket No. EA-288

Vermont Electric Cooperative, Inc.

Order Authorizing Electricity Exports to Canada

Order No. EA-288

March 31, 2004

Vermont Electric Cooperative, Inc.

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I. BACKGROUND

Exports of electricity from the United States to a foreign country are regulated and require authorization under section 202(e) of the Federal Power Act (FPA) (16 U.S.C. §824a(e)).

On February 13, 1995, the Office of Fossil Energy (FE) of the Department of Energy (DOE) issued Electricity Export Authorization EA-66-B to Citizens Utilities Company (now Citizens Communications Company; "Citizens"). That Order authorized Citizens to export up to 50,000 megawatt-hours (MWh) per year of electric energy to Hydro-Quebec at a maximum rate of transmission of 50 megawatts (MW), consistent with the terms of an interconnection agreement between Citizens and Hydro-Quebec dated January 25, 1988. Electricity exported to Canada by Citizens pursuant to EA-66-B was transmitted using the existing 120,000 volt (120-kV) international transmission facilities located at Derby Line, Vermont.¹

On December 17, 2003, Citizens and Vermont Electric Cooperative (VEC) filed a joint application with FE to rescind Order EA-66-B and concurrently issue an electricity export authorization to VEC under the same terms and conditions as those held by Citizens. The request was occasioned by a series of transactions by which Citizens intends to sell its Vermont electric generation, transmission and distribution assets and exit the electric utility business in Vermont.

VEC is a consumer-owned electric distribution cooperative providing retail service primarily in rural areas of Vermont. VEC is a "public utility" as defined by the FPA and subject to the jurisdiction of the Federal Energy Regulatory Commission (FERC). VEC does not own any generating facilities and relies on power supply contracts to meet its power needs. In addition, VEC receives an allocated share of power from the New York Power Authority and other various Qualifying Facilities (as that term is defined by FERC) under arrangements with the Vermont Electric Power Producers, Inc. In the application VEC asserts that it will only export electric energy on an as-available basis.

¹On November 5, 2003, DOE issued Presidential Permit PP-66-1 to Vermont Electric Power Company, Inc. (VELCO). That Order transferred ownership of the 120-kV international transmission line at Derby Line, Vermont, from Citizens to VELCO upon financial closing of transfer of ownership of those facilities. Financial closing occurred December 1, 2003, at which time VELCO assumed ownership of the 120-kV transmission facilities at Derby Line, Vermont. The Presidential permit issued to Citizens on June 21, 1979, was simultaneously rescinded.

In a related docket, PP-66-2, VELCO applied to DOE on September 8, 2003, to change the operation of the facilities subject to PP-66, as part of the "Northern Loop Project." The proposed change is intended to improve the reliability of VELCO's bulk-transmission system in northern Vermont. That proceeding is still pending at DOE.

Notice of this proceeding was published in the *Federal Register* on February 13, 2004, (69 FR 7211) requesting that comments, protests, and petitions to intervene be submitted to DOE by March 15, 2004. None were received.

II. DISCUSSION

The international transmission facilities VEC proposes to use to transmit electric energy to Canada were authorized in Presidential Permit PP-66, issued to Citizens on June 21, 1979. The facilities were constructed for the purpose of importing electric energy into the United States from the system of Hydro-Quebec, the provincial utility of Canada's Province of Quebec. In January, 1988, Hydro-Quebec and Citizens executed an interconnection agreement. Provisions of the agreement include mutual assistance during emergencies and improved reliability of the bulk power supply system through coordinated operations.

As a result of a need for system upgrades in Canada, Hydro-Quebec requested that Citizens use the PP-66 international transmission facilities to supply electric energy to a small area in Canada that would experience a temporary outage as a result of the upgrades. Citizens notified DOE of the Hydro-Quebec request on March 31, 1993, and further requested immediate permission to perform a test back-feed. On that same day, DOE authorized Citizens to test the existing PP-66 facilities in the export mode.² On May 28, 1993, DOE issued EA-66-A authorizing Citizens to export electric energy to Canada during the upgrades using the PP-66 facilities for a period not to exceed 15 days during September, 1993.

On October 12, 1994, Citizens applied to DOE for a "permanent" export authorization. Citizens asserted that a permanent export authorization would provide Citizens and Hydro-Quebec greater flexibility in operating the PP-66 transmission facilities. Specifically, Citizens requested authority to export up to the maximum capacity of the interconnected facilities, 50 megawatts (MW), and that the maximum annual export would not exceed 50,000 megawatt hours (MWh). DOE granted this request in EA-66-B on February 13, 1995.

In their application in this docket, supplemented on March 29, 2004, the applicants demonstrated that the rights and obligations of the interconnection agreement between Citizens and Hydro Quebec will be transferred from Citizens to VEC upon the financial closing of the transfer of ownership of certain of Citizens' transmission and distribution facilities in Vermont to VEC. The financial closing is expected to occur on April 1, 2004.

In the DOE Reliability Determination in Docket EA-66-B, DOE found that supplying electric energy to Canada under the terms and conditions of the Citizens' and Hydro Quebec

²In DOE's same-day authorizing of the test of the PP-66 facilities in the export mode, DOE conditioned its approval on the completion of a full and public proceeding. Notice of the application appeared in the *Federal Register* on April 6, 1993 (58 FR 17881). No comments were received.

interconnection agreement would constitute connection of a radial load to the Citizens' system and that the addition of a 50 MW radial load to the system of New England Power Pool would have a diminimus impact on system operation. Because the terms and conditions under which VEC would be exporting to Canada will be identical to those of Citizens in the EA-66-B export authorization, the reliability conclusions reached in the EA-66-B proceeding are still valid and no further reliability analysis is required in this proceeding.

III. FINDING

Based on the above discussion and analysis, DOE has determined that the export of electric energy to Canada by VEC, as ordered below, would not impair the sufficiency of electric power supply within the United States and would not impede or tend to impede the coordination in the public interest of facilities within the meaning of section 202(e) of the FPA.

DOE also has determined that this action is among those classes of actions not normally requiring preparation of an environmental assessment or an environmental impact statement and, therefore, is eligible for categorical exclusion under Appendix B to Subpart D, paragraph B4.2 of the revised DOE Regulations implementing NEPA. Specifically, this categorical exclusion is provided for transmission of electric energy using existing transmission systems. Documentation of the use of this categorical exclusion has been placed in this Docket.

IV. ORDER

Based on the above finding, it is hereby ordered that VEC is authorized to export electric energy to Canada under the following terms and conditions:

(A) The electric energy exported by VEC pursuant to this Order may be delivered to Canada only over the 120-kV international transmission facilities authorized in Presidential Permit PP-66, as amended, presently owned by Vermont Electric Power Company located at Derby Line, Vermont.

(B) Exports authorized herein shall not cause the total exports on the facilities authorized by Presidential Permit PP-66, as amended, to exceed an instantaneous transmission rate of 50MW. The gross amount of energy which VEC may export over the PP-66 facilities shall not exceed 50,000 MWh annually.

(C) In scheduling the delivery of electricity exports to Canada, VEC shall comply with all reliability criteria, standards, and guides of the North American Electric Reliability Council, Regional Councils, or independent system operators, as appropriate, on such terms as expressed therein, and as such criteria, standards, and guides may be amended from time to time.

(D) VEC shall conduct all operations pursuant to the authorization hereby granted in accordance with the provisions of the Federal Power Act and pertinent rules, regulations, and orders adopted

or issued thereunder, including the comparable open access provisions of FERC Order No. 888, as amended.

(E) The authorization herein granted may be modified from time to time or terminated by further order of the DOE. In no event shall such authorization to export extend beyond the date of termination of Presidential Permit PP-66, as amended.

(F) This authorization shall be without prejudice to the authority of any State or State regulatory commission for the exercise of any lawful authority vested in such State or State regulatory commission.

(G) VEC shall make and preserve full and complete records with respect to the electric energy exported to Canada. VEC shall furnish annual reports to DOE, by the 15th of February each year, detailing for each month of the previous year: (1) the gross amount of electricity exported to Canada, in kilowatt hours; (2) the consideration associated with the export; and (3) the maximum hourly rate of transmission, in kilowatts. Annual reports must be filed regardless of current activity and whether or not electric energy has been delivered or received. If no transactions have been made, a one-sentence report indicating "no activity" for the previous year is sufficient.

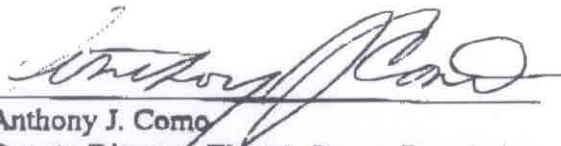
Reports shall be submitted to the U.S. Department of Energy, Office of Fossil Energy, FE-27, 1000 Independence Avenue, SW, Washington, D.C. 20585-0305. Properly identified quarterly reports will also be accepted via facsimile at (202) 287-5736 to meet time requirements, but original copies should still be filed at the above address.

(H) In accordance with 10 C.F.R. §205.305, this authorization is not transferable or assignable, except in the event of the involuntary transfer of this authority by operation of law. Provided written notice of the involuntary transfer is given DOE within 30 days, this authorization shall continue in effect temporarily. This continuance also is contingent on the filing of an application for permanent authorization within 60 days of the involuntary transfer; the authorization shall then remain effective until a decision is made on the new application. In the event of a proposed voluntary transfer of this authority to export electricity, the transferee and the transferor shall file jointly an application for a new export authorization, together with a statement of reasons for the transfer.

(I) Exports authorized herein shall be reduced or suspended, as appropriate, whenever a continuation of those exports would impair or tend to impair the reliability of the U.S. electric power supply system.

(J) This electricity export authorization shall become effective upon the financial closing of the transfer of ownership of certain of Citizens' transmission and distribution facilities in Vermont to VEC. Within a reasonable period of time, VEC shall notify DOE of the date on which the financial closing took place. Upon the effective date of that action, Electricity Export Authorization EA-66, as amended, issued to Citizens, is thereby rescinded.

Issued in Washington, D.C., on March 31, 2004.



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