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Vermont Public Power Supply Authority

MINUTES OF THE BOARD OF DIRECTORS MEETING

February 7, 2018

Directors present (X indicates attendance in person, P indicates attendance by phone):

P	Evan Riordan, Barton		James Pallotta, Ludlow
X	Jonathan Elwell, Enosburg	X	Bill Humphrey, Lyndonville
X	Mike Sullivan, Hardwick	X	Craig Myotte, Morrisville
P	Carol Robertson, Hyde Park	X	Stephen Fitzhugh, Northfield
	Joseph Winter, Jacksonville	X	John Morley, Orleans
	Meredith Birkett, Johnson	X	Reginald Beliveau, Swanton

Alternates present:

Others present:

Ken Nolan, VPPSA	Crystal Currier, VPPSA	Steve Farman, VPPSA
Amy Parah, VPPSA	TJ Poor, VPPSA	

(numbers in bold type correspond with agenda item numbers)

- (1) The meeting was called to order at 9:30 a.m. at the office of the Authority, located at 5195 Waterbury-Stowe Road, Waterbury Ctr., Vermont.
- (2) Chairman Beliveau asked if there were requests for changes and/or modifications to the current agenda. There were none.
- (3) Chairman Beliveau asked if there were public comments and/or individuals who would like to address the Board. There was no public presence and therefore no comments were made.
- (4) Director Elwell made a motion to accept the minutes of the Regular Board of Director's meeting held on December 6, 2017. The motion was seconded by Director Myotte. Motion approved.
- (5) Director Morley made a motion to accept the Treasurer's report as presented. Director Humphrey seconded motion.

VPPSA staff provided a verbal financial report, as well as, the operational budget vs. actual summary related to VPPSA's operational costs. The year-ended with operational expenses being under-budget by approximately 11%. This includes payroll that are under-budget by 5.5% and overheads that are under-budget by 7.3%. Office supplies and expenses are under-budget by approximately 26%. For the year, revenues exceed expenses by approximately \$228K.



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A brief overview of the project financial results was also provided. It was noted that the annual audit is under-way and the auditors will be on-site the week of February 12th. The full audit report will be presented at the April Board of Directors meeting.

The motion was approved.

(6) Board Resolution 2018-01, Ratification of Prior Actions was presented to the Board. The Board was reminded that this Resolution is presented to the Board annually for their approval. Director Elwell made a motion to approve Resolution 2018-01 as presented. The motion was seconded by Director Morley. The motion was approved.

(7) Board Resolution 2018-02, Investment Policy Statement, was presented to the Board. The Board was reminded that this Resolution is presented to the Board annually for their review and approval. The Investment Policy Statement provides the Board with an opportunity to review VPPSA's pension/457 Plan Investment Policy Statement and the roles and responsibilities identified within the policy. It was noted that in Part IV (Roles & Responsibilities), the policy indicates that the Chairman and General Manager in their respective roles of Trustee and Administrator are responsible for 1) maintaining the Investment Policy Statement, 2) periodically evaluating the Plan's investment performance and 3) recommending investment option changes and providing plan participant investment education and communication.

The Investment Policy Statement was presented at the Advisory and Risk Management Committee and the Committee raised several questions regarding the role of the Board in the overall review process. The General Manager noted that after reviewing the various Plan documents, it is his interpretation that the Administrator (General Manager) is responsible for the day-to-day operation of the Plan, for reviewing Plan performance and making recommendations for changes as needed. To the extent changes are suggested those need to be reviewed and agreed to by the Trustee (Chairman) and any significant changes need to be ratified by the Board. No changes were recommended at this time; however, it was requested that the Board ratify the Resolution.

The Board was also provided with the annual fee disclosure reports (as of January 9, 2018) and the Annual Statement of Plan Information for both the Pension and 457 Plans.

Director Fitzhugh made a motion to adopt Board Resolution 2018-02 (Investment Policy Statement) as presented. Director Myotte seconded the motion. The motion was approved.

(8) Board Resolution 2018-03, Project #10 Reserve and Contingency Fund True-up, was presented to the Board. As supplement to the Resolution, the annual calculation was also provided to the Board. The Board was reminded that Project participants pay into the R & C fund on a monthly basis for the purpose of funding capital improvements. The fund is true-up annual and any excess funds may be used for other purposes. The Generation and Other Assets committee discussed this at their last meeting and recommends approval of the Resolution as presented which authorizes the transfer of the excess funds related to the P10 R&C fund true-up

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to the Project #10 reserve fund. It was further noted that the Reserve fund will be evaluated as the Project capital plan is developed and a recommendation for funding the reserve will be presented with the capital plan later this year. The Board discussed the capital needs at the facility, improvements made to date and the current balance in the reserve fund. Director Sullivan inquired as to what type of account the reserve funds are in and whether the Project is earning an investment on those funds. VPPSA staff indicated that the General Bond Resolution has restrictions on the types of investments that are allowed. The Board discussed potential alternatives and the General Manager noted that staff will review the Bond Resolution to determine what options are available.

Director Fitzhugh made a motion to approve Resolution 2018-03 as presented. The motion was seconded by Director Myotte. The motion was approved.

(9) The General Manager presented a draft KPI workplan for FY18 developed by the staff. The Board reviewed the projects and key deliverables as listed. It is expected that staff will begin to undertake the identified projects and then annually staff will update and revise the strategic plan, develop a budget based on that plan, develop projects and key performance indicator expectations to implement the budget, and conduct performance reviews and company assessments based on the KPI outcomes. The Board had a brief discussion regarding AMI and the alternatives and functionality that are available. The Board expressed concern with this topic and the need to find the correct product that meets the needs of the Members.

(10) The General Manager reminded the Board that VPPSA has been sharing staff with BED for several months and both entities feel this arrangement is working well. BED has expressed interest in formalizing the relationship by potentially entering into some variation of membership. In an effort to bring other public power systems back into the VPPSA umbrella, the member relationship has been reviewed to determine if amendments to the VPPSA Bylaws might provide a possible solution. VPPSA's legal counsel has reviewed the Bylaws and recommended the addition of a "strategic membership" as a starting point for discussion. It was noted that as drafted, a "strategic member" may attend Board meetings but would not have voting authority. Strategic members would further pay the basic monthly fee (presently \$500) and an agreed upon hourly rate for any services VPPSA provides.

The General Manager further updated the Board on Hyde Park's notice to withdraw from VPPSA and the ongoing discussions that have incurred. Hyde Park has indicated that they would consider something less than a full withdrawal if the fees they paid were tied to only the services they desire.

Director Elwell expressed concern with allowing other entities to choose specific services, pay for only those services, while inadvertently receiving other member services without paying the cost of full membership. Director Elwell also indicated that he would like the General Manager to continue to explore the various options. Director Fitzhugh indicated that the benefit of providing services to non-members is that the Board sets the rate for those services and that could ultimately benefit the Members.

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(11) VPPSA staff reviewed the various solar projects and the responses to the Solar RFP issued in 2017. Eight vendors responded to the RFP providing bids for over twenty (20) different sites. Most responses were at prices that remain above the forecasted price at which similar market products could be obtained. Nonetheless, VPPSA recommended to proceed by requesting that certain respondents provide binding bids on four (4) member locations and six (6) developer proposed locations for a second round of evaluation. Final build costs and financing assumptions, along with member's desire to host solar in their territory will ultimately determine whether a particular site moves forward. The Board briefly discussed battery storage and the difference between project ownership vs. PPAs.

The General Manager indicated that more information will be forthcoming once the final bids are received.

(12) Director Myotte provided a brief update on the recent Generation and Other Assets committee meeting. It was noted that most items were previously discussed under other agenda items. Items discussed at the Committee meeting not previously discussed include: an update on the Load Reducing Hydro units and other Project updates (Barton solar, Standard Offer projects, Kearsarge, etc.).

(13) VPPSA staff provided a brief report on Legislative and Regulatory activities. It was noted that the EV flyer for the RES project has been finalized and once printed, the flyers will be sent to the members for distribution. The legislative front is relatively quiet; however, it was noted that there is a pilot for industrial customers included in a bill that would allow the industrial customer to use efficiency funds for their own efficiency measures rather than paying those funds to Efficiency Vermont.

(14) The General Manager indicated that the VELCO Board met on Thursday February 1st. The primary topics that were highlighted include: the Shei limit, high energy prices in December and the recent sale of Utopus. As background, the General Manager reminded the Board that VELCO has a 10% share in Utopus. Vestas has been in negotiations to purchase Utopus over the last several weeks and the sale recently closed. As a result of the sale, Vt. Transco will be distributing approximately \$10M to the "owners" of Vt Transco in April.

The General Manager informed the Board that the nominations for the Independent Public Power Directors for the VELCO Board are due in April. Director Myotte coordinated the effort to request information from the public power entities and as a result Susan Anderson and Steve Kaminski will be included on the ballot in April.

Director Myotte provided a brief report on the most recent VELCO Operating Committee. The two primary topics discussed were the Shei limit and the weather energy prices for December.

(15) The General Manager informed the Board that due to the high December market prices, VPPSA needed to borrow from the line-of-credit to cover general operating needs. The situation also triggered a closer look at the power supply policy and corresponding coverage ratio procedures.

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(16) Other Business:

Director Sullivan asked if there was any information regarding the effect on transmission costs as a result of tax reform. The General Manager provided a brief report on the effect of tax reform to Vt. Transco and how the reduction in the corporate tax rate will flow back to the Distribution utilities.

The meeting was adjourned at 11:55 a.m.

Respectfully submitted,

Crystal L Currier

Crystal Currier, Secretary