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Vermont Public Power Supply Authority

MINUTES OF THE BOARD OF DIRECTORS MEETING

June 6, 2018

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

X	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
	Vacant, Jacksonville	John Morley, Orleans
X	Meredith Birkett, Johnson	Reginald Beliveau, Swanton

Alternates present:

Lynn Paradis, Swanton	Penny Jones, Morrisville
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Others present:

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

(numbers in bold type correspond with agenda item numbers)

- (1)** The meeting was called to order at 9:35 a.m. at the office of the Authority, located at 5195 Waterbury-Stowe Road, Waterbury Ctr., Vermont.
- (2)** Vice-Chairman Myotte asked if there were requests for changes and/or modifications to the current agenda. There were none.
- (3)** Vice-Chairman Myotte 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 Sullivan made a motion to accept the minutes of the Regular Board of Director's meeting held on April 4, 2018. The motion was seconded by Director Elwell. Motion approved.

Director Elwell made a motion to accept the minutes of the Board of Director's workshop held on April 4, 2018. The motion was seconded by Director Humphrey. Motion approved.
- (5)** Director Elwell made a motion to accept the Treasurer's report as presented. Director Birkett seconded motion.



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VPPSA staff provided a brief update related to the operational budget vs. actual summary of VPPSA's operational costs. The financial results for the period ending April 30, 2018 indicate operational expenses being under-budget by approximately 3%. This includes payroll and overheads that are under-budget by 2.2% and office supplies and expenses are under-budget by approximately 4.4%. For the year to date, expenses exceed revenues by approximately \$47K. Staff expects this to correct by yearend.

The motion was approved.

(6) The General Manager reminded the Board that both VPPSA and BED have been sharing regulatory and power supply staff and legal services for nearly a year. Part of the agreement was to evaluate the arrangement after one year to determine if the arrangement was working and if it was, to take steps to formalize the arrangement. The primary sharing efforts to date have been focused on power supply and regulatory services. Both entities continue to believe the arrangement provides benefits and with the recent announcement of BED's present General Manager, Neale Lunderville's departure in early July, the discussion has taken on some urgency.

The General Manager noted that he has been working with Bill Ellis for several months to develop language in the VPPSA bylaws that would allow a new class of Member, called Strategic Membership. This concept was initially discussed at the April Board meeting and two concerns were brought up at that meeting - they include 1) that the strategic member be in a position to provide value added services to VPPSA and 2) that the amendments encourage full membership rather than strategic membership. The Board reviewed and discussed the proposed bylaw amendment.

The concept of this amendment would allow a Membership level that could only be held by utilities that would otherwise qualify for full Membership and that had specific capabilities that the VPPSA Board felt would provide substantial benefits to VPPSA as a whole. The Strategic Member would be allowed to participate in Board meetings but would not have a right to vote at the meetings. There was additional discussion related to the fee structure of Strategic Membership vs. full Membership and the pros and cons of offering Strategic Membership.

Director Fitzhugh made a motion to approve VPPSA Bylaw amendments as presented. Director Humphrey seconded the motion. The motion was approved. Hyde Park abstained.

(7) VPPSA staff presented the fiscal year budget for Project 10 noting that this was primarily a requirement of the Project 10 PSA, so staff tried to minimize any changes from the approved calendar year budget. Two changes that were worth noting include: 1) fuel cost projections were updated using the latest pricing data resulting in a slight increase, and 2) IGAP value was removed from the projected credits resulting in a roughly \$800,000 decrease in projected credits for the plant. The IGAP change made the plant look less valuable but had no effect on billings to members. The General Manager then explained staff's rationale for the change in approach, noting that IGAP was not explicitly linked to a particular generator, and that including it in the Project 10 budget reports was arbitrary. In attempting to make all member valuation reports consistent, staff feels it is appropriate to leave IGAP out of all generation value reporting.

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The Controller updated the Board on the balance of the Project 10 reserve fund – based on expected invoicing for the remainder of 2018, the expected balance in the reserve fund at 12/31/18 will be approximately \$3.3M.

Director Humphrey made a motion to accept the Project #10 fiscal year budget as presented. Director Fitzhugh seconded the motion. The motion was approved.

(8) The General Manager updated the Board on the staff's continued effort to implement a more collaborative and structured annual budgeting process in conjunction with the strategic planning process. For FY19, this includes:

- a. April-June: Annual reviews for all staff
- b. June 27th: Staff all day offsite retreat to update 5-yr strategic plan and develop 2019 project list.
- c. July 1st: Merit raises implemented for VPPSA staff based on review and effectiveness in completing strategic plan priorities
- d. August 1st: BOD meeting held offsite followed by afternoon workshop to review strategic plan and staff identified priorities for 2019.
- e. Aug-Sep: Staff prepares initial FY19 budget, present to Committees in September
- f. October: Draft FY19 Budget presented to Board.
- g. Nov-Dec: Revised draft budgets reviewed with Committees and then presented to Board for Approval.

The Board discussed the timeline and the Board's interest in participation in Board workshops/retreats. The Board did not have objections to the proposed timeline but indicated some interest in a more robust Board retreat process.

(9) The General Manager informed the Board that in May staff began reviewing the status of member IRP's, the timeline for the next IRP submittals and issues that had surfaced during the last IRP preparation and approval process. During this review it became apparent that the IRP's for the first two members (Ludlow and Northfield) are due in April 2019. It was noted that the method of preparing IRP's, namely preparing a "VPPSA Composite" power supply section and individual Member T&D sections ended up causing issues by the time the last member's IRP's were reviewed by the regulators. For the next round of IRP's, staff is proposing that we develop joint assumptions related to various end-use appliances and generation options but that the IRP's be prepared on an individual basis so that the effects of particular decision paths can be understood by each member. The Board discussed the IRP process and the various components that are required in the filings.

The Board agreed with the methodology proposed.

(10) The General Manager informed the Board that the Hometown Connections, Inc. is now up and running. Separately, VPPSA issued an RFP for consultant services to perform several functions related to AMI technologies and capabilities to determine if AMI is appropriate for the

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members. It was noted that five (5) responses to the RFP were received. The proposals have not been fully evaluated but it is expected this process should be complete in June.

(11) The General Manager informed the Board that VPPSA staff has been working with VELCO and the other utilities to identify the present SHEI boundaries and to identify potential solutions. The Board reviewed a one-line diagram prepared by VELCO that delineates the electrical boundaries of the SHEI constraint. In addition, the General Manager presented additional information related to VELCO's long range plan as it pertains to SHEI constraints and the maximum solar PV that may be hosted with minimal system upgrades. There is a lot of discussion as to where generation can be placed and the nature of the SHEI solutions are continually changing. VELCO recently shared with the utility staff looking at market impacts that they believed the thermal limits on lines in SHEI could be addressed through changes in how ISO-NE rates the lines; specifically, by changing to more dynamic monthly temperature ratings. That conclusion changes the focus of solutions under consideration to those more capable of addressing voltage constraints.

(12) The General Manager noted that the borescope at P10 was completed the week of May 28th. Director Riordan requested past borescope reports. No other additional information related to the Generation and Other Assets committee was provided.

(13) Director Elwell provided a brief report on the Legislative and Regulatory Affairs Committee meeting.

(14) The General Manager provided a brief report on the activities of the VELCO Board. The next VELCO Board meeting will be held on Thursday June 7th. There are two items to note:

- 1) VELCO has hired a replacement for the position vacated by Kerrick Johnson. This individual will be introduced to the Board on Thursday.
- 2) VELCO is proposing changes to the Operating Agreement related to how non-utility revenues are distributed to better align the distribution with how transmission costs are paid.

Director Fitzhugh provided a brief report of the VELCO Operating committee activities. Topics include battery storage, VELCO's long-range plan, SHEI constraints, and solar issues.

(15) The General Manager reminded the Board of the recent meeting with the USDA representatives. The take-away from that meeting was that those representatives would find other municipal utilities that have taken advantage of the program. This has been more difficult than originally expected.

(16) Other Business: NONE

The meeting was adjourned at 12:02 p.m.

Respectfully submitted,



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Crystal L Currier

Crystal Currier, Secretary