

**VERMONT PUBLIC POWER SUPPLY AUTHORITY
MINUTES OF REGULAR MEETING OF THE BOARD OF DIRECTORS**
(numbers in bold type correspond with agenda item numbers)

February 1, 2017

Directors present (X indicates present):

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

Alternates present:

Tim Yarrow, Hyde Park	
Jeff Schulz, Northfield (by Phone)	

Others present:

Ken Nolan, VPPSA	Crystal Currier, VPPSA	Amanda Simard, VPPSA
Brian Callnan, VPPSA	Steven Farman, VPPSA	T.J. Poor, VPPSA
Melissa Bailey, VPPSA	Ken St. Amour, VPPSA	

- (1) The meeting was called to order at 9:36 a.m. at the office of the Authority, located at 5195 Waterbury-Stowe Road, Waterbury Ctr., Vermont.
- (2) Chairman Morley asked if there were requests for changes and/or modifications to the current agenda. Two requests were made - the General Manager requested an executive session for the purpose of discussing a personnel matter and Director Sullivan requested an executive session for the purpose of discussing a personnel matter, but for Board of Directors only – both will take place under other business.
- (3) Chairman Morley 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 Directors meeting held December 7, 2016, as presented. The motion was seconded by Director Myotte and so approved.
- (5) VPPSA staff provided a verbal financial report, as well as, the operational budget vs. actual summary related to VPPSA’s operational costs. Operational expenses for the year were under-budget by less than 2%. This includes payroll that is over-budget by 3.4% and overheads that are under-budget by 1.0%. Office supplies and expenses are under-budget by approximately 11.5%. For the year, revenues exceeded expenses by approximately \$12K.

The project financial results for 2016 were reviewed as well.

Director Beliveau made a motion to accept the Treasurer's report for the period ending December 31, 2016 as presented. The motion was seconded by Director Pallotta and so approved.

(6) Resolution 2017-01, Ratification of Prior Actions was presented to the Board. Director Elwell made a motion to accept Resolution 2017-01 as presented in the February 2017 Board packet. The motion was seconded by Director Myotte and so approved.

(7) Resolution 2017-02, Investment Policy Statement was presented to the Board. Director Elwell made a motion to accept Resolution 2017-02 as presented in the February 2017 Board packet. The motion was seconded by Director Myotte and so approved.

(8) Director Elwell made a motion to find that premature public disclosure of VPPSA's 2017 Standard Offer auction strategies would place the Authority or another person involved at a substantial disadvantage. The motion was seconded by Director Sullivan seconded and so approved.

Director Elwell made a motion to enter Executive Session to discuss VPPSA's 2017 Standard Offer auction strategies per 1 VSA 313 (a)(1)(A) and to allow staff to be present. The motion was seconded by Director Myotte and was so approved. The Board entered executive session at 9:50 a.m.

The Board returned to regular session at 10:05 a.m.

Director Sullivan made a motion to authorize the General Manager to take all actions necessary for VPPSA to submit offers in response to the Vermont Public Service Board's 2017 Standard Offer Request for Proposals. The motion was seconded by Director Beliveau and so approved.

(9) Director Myotte reminded the Board that Public Power was given the right to nominate two (2) members of the VELCO Board in addition to the seats held by VPPSA, BED, and VEC. These seats are currently up for re-election at VELCO's annual meeting in April, so the public power utilities need to decide on their nominees. Director Myotte indicated that he will send out a ballot and requested that replies from those who would like to participate in the process be received no later than February 15th. Once the data is compiled, Director Myotte will send out the results.

(10) The General Manager updated the Board on the activities surrounding the proposed sale of the Highgate facility. It was noted that the General Manager and VPPSA staff met with VELCO staff to discuss ways to mitigate potential impacts of a sale to VPPSA members due to overheads that VPPSA currently allocates to the project. VPPSA staff proposed a specific mitigation measure that would include an amendment to the Transco Operating Agreement. This amendment would allow VPPSA the ability to purchase \$750,000 of Transco Equity above the net book value to offset the overhead allocations that had been assigned to Highgate but would return to VPPSA under a sale.

The VELCO Board is meeting on Thursday, February 2nd and the VELCO Board will be asked to authorize proceeding with the transaction.

The General Manager indicated that he met with both Stowe and WEC individually since the two entities are Highgate project participants under VPPSA's joint ownership but they are not VPPSA members who would benefit from the Highgate presentation at the VPPSA Board meeting.

Alternate Director Yarrow expressed concern the party who might purchase the facility and questioned whether VPPSA has considered who the new owner will be and how that ownership might affect Vermont utilities. It was noted that it is expected that VELCO will be the purchaser of the facility and it would become part of VELCO's current transmission infrastructure and therefore, considered a PTF facility. As a PTF facility, the costs related to the infrastructure would be recovered from all of New England.

Alternate Director Yarrow requested that VPPSA staff present the Highgate analysis. The General Manager reviewed the numbers within the analysis and identified the benefits of the various scenarios.

(11) The General Manager reviewed the cost of APPA member dues for each VPPSA member and VPPSA as a Joint Action Agency. If all VPPSA members participate as APPA members, the Joint Action agency sees a significant reduction in its membership cost; however, if any VPPSA member does not participate, the cost to the Joint Action Agency increases from \$550 to approximately \$7,300. It was questioned whether APPA provides value to the extent that each member should continue to be individual APPA members or if VPPSA should be the sole APPA member. Questions that were previously directed to APPA staff regarding APPA Deed Membership had not been addressed at the time of the meeting but the General Manager indicated that he would reach out to the membership coordinator at APPA to address those outstanding concerns. A straw poll was taken and the Board indicated a consensus to proceed with only VPPSA being an APPA member unless staff found a subsequent problem with that approach. The Board will revisit this issue once staff discussions with APPA are complete.

(12) The General Manager updated the Board that VPPSA is in the final stages of implementing the 2015 Standard Offer Project. A brief discussion was held regarding the possibility of using the Standard Offer contract revenues to offset member fees rather than passing those revenues back to individual members. If this arrangement was favorable, VPPSA staff would need to file an update regarding the accounting treatment that was previously filed with the regulators under the assumed PSA structure. The proposed structure avoids the need to enter into PSAs with each VPPSA member. A few questions were raised regarding the counterparty (Green Lantern Capital) and the Board discussed those concerns. The Board was supportive of treating the revenue as offsetting VPPSA dues and suggested that the staff pursue discussions with regulators to ascertain whether the change in treatment would be acceptable.

(13) VPPSA staff provided an update on the negotiations of the PPA whereby VPPSA would purchase the energy, capacity and ancillary services from five companies that own hydroelectric

facilities in New England (“New England Hydro”). A question was raised regarding whether the VPPSA members would need a public vote in order to enter into the Power Sales Agreements (PSA’s) with VPPSA and VPPSA staff explained that public votes were not required. VPPSA staff indicated that the PSA’s would be delivered to the members within the next month and VPPSA staff will be available to meet with individual members to address any questions and/or concerns they have regarding the purchase and the process of entering into the PSA with VPPSA.

(14) VPPSA staff reviewed the 2016 power supply budget vs. actual results. The overall variance was 3.2% under-budget. An overview regarding the primary reasons for the variances was explained, including McNeil revenues, load forecasts, ISO-NE charges, hydro generation variances, etc.

(15) VPPSA staff provided a high-level summary of the 2017-2021 power supply budgets. A chart was presented that displayed the historical to forecasted power supply unit cost for 2016 actual, and the 2017 – 2021 budgets. The major changes that are included in the future budgets were highlighted.

(16) VPPSA staff reviewed Vermont’s Renewable Energy Standard (RES), enacted through Act 56 that was passed in 2015. This standard obligates utilities to purchase specified amounts for energy from both existing renewable generators and new small-scale renewable generators located in Vermont. This obligation begins in 2017; however, VPPSA secured a two-year delay for the start of energy transformation tier (Tier 3) obligations for small municipal utilities. While this requirement doesn’t begin until 2019, VPPSA staff recommends that VPPSA implement a Tier 3 program on a pilot basis in late 2017 and 2018. Programs that VPPSA staff has initially explored include biofuels for home heating, electric vehicles and EV charging infrastructure, weatherization and heat pumps, batteries and storage, and custom cost-effective options in member systems’ territories. A portfolio sample of the various programs was presented to the Board.

The Board was requested to provide feedback regarding whether VPPSA should proceed with the recommended pilot program, whether the VPPSA members should aggregate Tier 3 programs for all VPPSA members, and provide feedback on the types of programs VPPSA should pursue. There was a brief discussion as to how the costs and benefits of the programs would be allocated to the VPPSA members.

The General Manager noted that he has had initial conversations with Burlington Electric Department (BED) and others to see if there are other programs that can be developed outside of the EVT options.

Alternate Director Yarrow asked if a utility could install a utility-wide battery storage unit for consideration for Tier 3 benefits. VPPSA staff indicated that such a project is possible but that the savings are not known at this time, and the option continues to be explored.

A survey of the Board was taken regarding the Board’s direction on several issues:

- a. Does the Board wish to run Tier 3 Pilot Programs in 2017 & 2018?

- i. General Consensus was yes, with identified concerns.*
- b. Does the Board wish to run these programs in the aggregate for the VPPSA Member systems?
 - i. General Consensus was yes, with questions about allocating costs.*
- c. What is the preferred mix of measures to include in the Pilot Programs?
 - i. General Consensus was that VPPSA proposal was a reasonable starting point.*
- d. Does the board support a phased approach of rolling out programs throughout the summer of 2017 and into 2018?
 - i. General Consensus was yes with the caveat to structure the program to minimize 2017 costs and allow budgeting in 2018.*

(17) Director Beliveau provided a report of the Generation and Other Assets Committee meeting held on January 18, 2017. Several topics discussed at the committee meeting include the Highgate Converter sale, NE Hydro purchase, Standard Offer projects, Project #10 (topped off fuel tanks, 97.5% performance, financial economics, etc.), and Load Reducer Hydro Performance. There was a brief discussion regarding the possibility of creating a new committee specific to members who own hydro facilities.

(18) VPPSA staff provided a report of the Legislative & Regulatory Affairs Committee meeting held on January 18, 2017. Topics discussed include: restructured committees at the legislature, legislative bills that are seeing activity, net metering, and Efficiency Vermont standard data requests.

(19) VPPSA power supply staff updated the Board on several misc. items. The General Manager pointed out that the staff report is a new format that demonstrates a brief summary of the activities from each department, rather than individual department reports. A few items that the General Manager specifically touched on include changes at FERC, McNeil RECs, the telephone upgrade, the availability of staff, and AMI opportunities from AMP Ohio.

(20) Other Business:

Director Beliveau made a motion to find that premature public disclosure of discussions related to personnel issues would place the Authority or another person involved at a substantial disadvantage. The Motion was seconded by Director Humphrey and so approved.

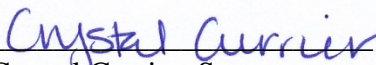
Director Beliveau made a motion to enter Executive Session to discuss personnel issues per 1 VSA 313 (a)(3) and to allow the general manager to be present for part of the discussion. The motion was seconded by Director Humphrey and was so approved. The Board entered executive session at 1:10 p.m.

The Board returned to Regular session at 1:25 p.m. Director Myotte made a motion to adjourn the meeting at 1:25 p.m. The motion was seconded by Director Sullivan and so approved.

APPROVED

Agenda Item #5

Respectfully submitted,


Crystal Currier, Secretary

APPROVED