

**VERMONT PUBLIC POWER SUPPLY AUTHORITY
MINUTES OF THE GENERATION AND OTHER ASSETS BOARD COMMITTEE**
(numbers in bold type correspond with agenda item numbers)

March 22, 2017

- (1) The meeting was called to order at 2:00 p.m. at the office of the Authority, located at 5195 Waterbury-Stowe Road, Waterbury Ctr., Vermont.

Committee Directors present (X indicates present):

X	Evan Riordan, Barton	X	Mike Sullivan, Hardwick
X	Craig Myotte, Morrisville	X	Reginald Beliveau, Swanton

Other Directors present:

Jon Morley, Orleans	
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Alternates present:

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Others present:

T. J. Poor, VPPSA	Ken Nolan, VPPSA	
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- (2) Director Morley chaired this meeting as Chairman Beliveau was only able to join the meeting via phone mid-way through. Director Morley asked if there were requests for changes and/or modifications to the current agenda. There were none.
- (3) Director 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 Morley made a motion to accept the minutes (meeting notes) of the January 18, 2017 committee meeting. The motion was seconded by Director Sullivan. Director Sullivan pointed out that the minutes reflected a large station service usage by P10, and requested follow up on this point at the next meeting. Motion approved.
- (5) Project 10 Update. Mr. Poor and Mr. Nolan provided an update on Project 10.

General: Mr. Poor highlighted that P10 has not run in 2017. Its Forward Reserve Market performance factors remain excellent – Unit 1 100% performance factor for both 10 and 30 minute ratings, and Unit 2 has a 99.9% and 97.6% performance factor for 10 and 30 minute ratings, respectively. Mr. Poor also noted that VPPSA is considering the best time for its annual outage, which traditionally has been taken in October. It is likely that a borescope will be needed for insurance purposes at that time.

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P10 Reserve & Contingency Fund: Mr. Nolan described the status of the P10 Reserve & Contingency (“R&C”) Fund, which was created by the P10 General Bond Resolution (“GBR”) for the purpose of maintaining adequate funds to cover the cost of capital improvements. Each participant pays into the R&C Fund monthly, and capital costs are trued up at the end of each calendar year. The GBR allows the Board of Directors, by resolution, to apply those funds to any other purpose of the Authority, including deposits in any funds or Accounts. 2016 ended with an excess of ~\$98k.

- Current R&C Fund balance (3/31/17) is ~\$2.3 million. At the end of the calendar year, and if excess \$98k was deposited into the fund, the fund would reach approximately \$2.7million.
- In 2013, it was identified that the likely major overhaul cost for P10 was ~\$2.2 million, applying inflation this equals \$2.7 million in 2017.
- VPPSA recommended excess funds for calendar year 2016 be transferred to the P10 reserve fund.

The Committee discussed the purpose of the Reserve Fund, noting the original goal of the fund was to have \$3 million available. There currently is no pressing concern to make upgrades – an original analysis in 2013 found some concerns with the turbine but a second borescope found no change in status and the plant has been running very well. It was noted that consideration should be given to whether funding of the R&C Fund should continue in 2018.

After the above discussion, Director Sullivan made a motion that the Generation and Other Assets Committee recommend \$98,000 be put into the Project 10 Reserve and Contingency Fund. Director Morley seconded the motion. VPPSA will put a resolution together and include on the April Board meeting agenda.

(6) Load Reducing Hydro Update. Mr. Poor provided an update on the performance of load reducing hydro generators, showing that in January and February alone the resources saved ~\$73k in transmission costs. Mr. Poor described the process for retiring Highgate Falls from the market as well, including submitting retirement bid the week of March 20. It is expected that the facility will be fully out of the ISO-NE market beginning in August of 2017.

(7) Highgate Converter Update. Mr. Nolan provided an update as to the status of the Highgate Converter Sale. The overall VPPSA value from a sale remains intact as originally presented, but Stowe’s desire to acquire Highgate has caused some changes to the structure. Hyde Park requested that 100% of their share go to Stowe on May 31st. That has resulted in a slight shift in allocations, and in Stowe acquiring roughly 56% of VPPSA’s share on May 31st (100% of their own interest, 100% of Hyde Park’s interest, and a portion of the rest). The attorneys are in process of drafting a term sheet and PSB filing. The deal assumes everyone else will sell, but is subject to necessary approvals. It was discussed that the sale has benefits in terms of acquisition of Transco Equity and the avoidance of the need to invest in capital improvements when needed. The Transco Equity call in December may be affected if VELCO because of this deal strays from its preferred debt to equity ratio.

(8) VPPSA Planned Solar Efforts. Mr. Poor described the overall structure of possible solar generation resource solicitation. Under the proposed structure VPPSA would focus on Solar at

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locations chosen by members through a two phase Request For Proposals approach. Under the first phase, interest would be solicited from developers at member-identified locations along with developer proposed sites, with possible variations on ownership and/or contract structure. The second phase would narrow the process to a selected list of developers who meet established criteria. The overall project structure (or structures) would be determined in parallel after the initial RFP round. The benefits of this approach allow members to promote solar in their territories at preferred sites, ensures developers with the best combination of price, project structure, and qualifications are selected, and shifts to a “ground-up” approach where VPPSA takes greater direction from members. The initial RFP is planned for June.

(9) 2015 Standard Offer Update. Mr. Poor updated the committee on the status of the Lyndonville Standard Offer projects. VPPSA has discussed potential revised accounting treatment with the Public Service Department (“PSD”), where instead of Power Sales Agreements with each member, the revenues would be treated as a VPPSA member “Project”. The PSD had no objections to this approach, and will file a letter of support. Similarly, the PSD had no issue with potential extension of the commissioning milestone contained in the standard offer contracts. PPA negotiations with Green Lantern Capital continue, with a late 2017 target build date.

(10) 2017 Standard Offer Update. Mr. Poor updated the Committee on the status of the 2017 standard offer projects. The Public Service Board (PSB) had issued an Order that would decrease the size of the Provider Block. VPPSA filed a motion for reconsideration as previous precedent and the plain language of the statute seem to prevent this reduction. The result of this should be known by April 3, when the PSB issues its 2017 RFP. In addition, Mr. Poor informed the committee that site control was unable to be obtained at the Garfield Road site in Morrisville. VPPSA has pivoted to the planned contingency to use a site in Brandon.

(11) New England Hydro Resource Update. Mr. Poor updated the Committee on the status of the NE Hydro Resource PPA & Power Sales Agreement (PSA) process. The PSAs are expected to be sent to members at the end of March, and VPPSA remains available to deliver presentations to members and trustees.

The meeting was adjourned at 3:30 p.m.

Respectfully submitted,

T. J. Poor

T. J. Poor, Acting Secretary
Generation and Other Assets Committee