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

August 9, 2017

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

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

Alternates present:

Timothy Yarrow, Hyde Park	Lynn Paradis, Swanton
Penny Jones, Morrisville	

Others present:

Ken Nolan, VPPSA	Crystal Currier, VPPSA	Steven Farman, VPPSA
T.J. Poor, VPPSA	Amanda Simard, VPPSA	James Gibbons, BED

- (1) The meeting was called to order at 9:34 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. Director Morley requested time to discuss “stores charges” under other business. The General Manager noted that Kerrick Johnson will not be available under agenda item #13 (he will attend a future Board meeting) but the topic will still be discussed.
- (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 Morley made a motion to accept the Minutes of the Regular Board of Directors meeting held June 7, 2017, as presented. Director Fitzhugh seconded the motion. The motion was approved.
- (5) Director Fitzhugh made a motion to accept the Treasurer’s report as presented. Director Humphrey seconded the motion.

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 are under-budget by approximately 13%. This includes payroll that are under-budget by 6.9% and

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overheads that are under-budget by 6.8%. Office supplies and expenses are under-budget by approximately 28%. For the year, revenues exceed expenses by approximately \$112K.

A brief overview of the project financial results was provided as well.

The motion was approved.

(6) Resolution 2017-08, Transco Equity Financing (Highgate), was presented to the Board. Director Morley made a motion to accept Resolution 2017-08 as presented. Director Birkett seconded the motion.

The General Manager reminded the Board that as a result of the sale of the Highgate facility, Transco will offer each of the Highgate Joint owners, and in VPPSA's case, each of the VPPSA Highgate participants, a specified amount of Transco membership units. It will also offer VPPSA 80,000 member units as "make-whole" equity. This Resolution authorizes the financing needed for VPPSA to facilitate the purchase of units assigned to VPPSA and units that VPPSA will buy directly. In addition, a 108(a) for this financing has been filed to the Public Utility Commission (PUC) and that approval is pending.

The motion was approved.

(7) Resolution 2017-09, Refinance Existing Transco Equity Debt, was presented to the Board. Director Fitzhugh made a motion to accept Resolution 2017-09 as modified with "million" added after the numerical dollar amount in bullet #1. Director Riordan seconded the motion.

The Controller informed the Board that after receiving very attractive rates for financing the Transco equity purchase related to the Highgate sale, a review of two existing notes was performed to determine if VPPSA could realize savings from the current rate environment. It was determined that VPPSA could realize significant savings by refinancing the existing debt. This Resolution authorizes the financing that will allow VPPSA to refinance two of its existing notes. In addition, a 108(a) for this financing has been filed to the PUC and that approval is pending.

The motion was approved.

(8) Resolution 2017-10, Transco Equity Financing (December), was presented to the Board. Director Fitzhugh made a motion to accept Resolution 2017-10 as presented. Director Riordan seconded the motion.

The Controller reminded the Board that Transco intends to offer \$50 million in Transco member units in December of this year. Since Transco recently filed with the PUC to obtain approval for all its equity issuances for 2017 and since VPPSA recently filed two 108(a) filings related to the financing of Transco purchases, it seemed appropriate to file the 108(a) required to facilitate the financing of the December equity. The 108(a) approval is pending; however, this Resolution provides the Board authorization to effectuate that purchase once PUC approval is received.

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The motion was Approved.

(9) The Controller reminded the Board that the Project #10 Power Sales Agreement (PSA) requires that VPPSA invoice project participants based on a previously approved budget and to true-up the budgeted values to the actual costs at June 30th of each year. The true-up for the period ending June 30, 2017 has been calculated and results in an excess amount collected of approximately \$49K. Over the past several years, excess funds as a result of the annual true-ups have been transferred into the Project #10 reserve fund. VPPSA staff recommends the excess from the 2017 true-up be transferred into the reserve fund as well.

There was a short discussion regarding the reserve fund and the current and expected balance of the fund at December 31, 2017. The fund and a targeted reserve balance will be discussed in more detail during the budget discussion at the next Board meeting.

Director Morley made a motion to transfer the excess funds of approximately \$49K as a result of the true-up, into the Project 10 reserve fund. The motion was seconded by Director Fitzhugh and the motion was approved.

(10) VPPSA staff presented the annual McNeil capital reserve true-up. The Board was reminded that the McNeil participants are billed an amount each month that is specifically dedicated to fund capital improvements. The fund is reviewed annually and true-up to actual expenditures. The true-up for the period ending June 30, 2017 results in an excess of approximately \$118K. Due to a significant amount of capital improvements that are expected during 2018 related to McNeil's periodic major turbine overhaul which occurs every seven years, VPPSA staff recommends retaining the excess funds. This will alleviate some of the additional cash flow pressure due to the pending capital improvements.

Director Fitzhugh made a motion to authorize VPPSA to retain the excess funds related to the McNeil capital reserve true-up for the period ending June 30, 2017 to specifically be utilized for future improvements at the McNeil facility. Director Humphrey seconded the motion and the motion was approved.

(11) The General Manager reminded the Board that as part of VPPSA's strategic plan, staff is updating all of VPPSA's policies. The following Operational policies were reviewed:

- OP 1 – Computer and Other Electronic Device Security
- OP 2 – Internet and E-Mail Outages (to be rescinded)
- OP 3 – Data Backup Policy
- OP 4 – Disaster Recovery Plan
- OP 5 – Use of Removable Media and electronic interfaces (to be rescinded)
- OP 6 – Building Security

Director Morley made a motion to approve the Operational policies as presented. Director Fitzhugh seconded the motion and the motion was approved.

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(12) The General Manger updated the Board on the efforts of VPPSA staff to define VPPSA's Renewable Energy Standard (RES) Pilot Program and the underlying structure for managing aggregation of VPPSA's member RES obligations.

VPPSA staff provided an overview of the RES requirements and there was a lengthy discussion regarding the various tier obligations, the aspects of the proposed structure, including: the proposed "project" concept, and the two identified pilot programs (electric vehicle incentive program with Lamoille Valley Ford and custom outreach to C&I customers for targeted conversion projects). A draft budget for the Tier III programs was reviewed. The Board expressed interest in expanding the pool of car dealerships authorized to offer VPPSA incentives to other locations in VPPSA member territories.

Next steps include: firming up participating car dealerships, identifying custom projects in member's service territories, obtaining an indication of member involvement in RES Electric Vehicle Pilot program no later than October, budget finalization in December.

There was a short discussion regarding the upcoming legislative session and future Regulatory changes to RES requirements that may affect the implemented programs and the importance of VPPSA's presence/involvement in the legislative process.

Director Fitzhugh made a motion to authorize VPPSA staff to move ahead with the pilot RES program as presented. Director Birkett seconded the motion. The motion was approved.

(13) In absence of invited guest Kerrick Johnson, the General Manager updated the Board on the status of the Vermont Weather Analytics program and its further development with IBM into a separate for-profit entity called "Utopus" in which VELCO was given an equity stake in return for its initial R & D funding. IBM has also retained a stake for providing the underlying technology and several of the original IBM project staff moved to the new company to get it established. The technology continues to be developed to include prediction of loads and renewable generation output (wind and solar) and is expanding into attempts to reduce peak loads through combining the load and generation predication capabilities to dispatch peak reduction technologies such as demand response programs, storage and customer generation.

There was a discussion regarding the information required to make the program effective, the level of participation needed from VPPSA members, what the program offers to utilities as well as others, and how the program (company) was funded.

The Board suspended the meeting for lunch at 12:05 p.m.

The Board reconvened the meeting at 12:35 p.m.

(14) The General Manager updated the Board on the staff's efforts related to VPPSA's strategic plan, the development of a new Logo/tagline and rebranding. The new logo/tagline was presented and it was noted that staff are beginning to roll out the new branding by including it in email signatures, using it on agendas and other basic documents.

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It was also noted that during a recent offsite retreat, the staff prioritized a list of projects for the CY18 strategic plan focus. The list was reviewed and the Board was encouraged to identify other items as the list gets finalized. This priority list is being used to prepare the CY18 budget, specifically, to determine where to allocate funds, identify likely legal/consultant expenses and identify whether any of our accounting structures need to be modified.

The General Manager requested feedback from the Board about any priorities they may have.

(15) Director Myotte provided a brief report on the Generation and Other Assets Committee meeting held on July 19, 2017. Topics covered at that meeting include:

- Project 10 activities - availability, summer forward reserve market auction, forward reserve market revenues, financial performance
- Update on the Load Reducing Hydro Units
- Updates on VPPSA's solar RFP, standard offer projects, New England Hydro contracts
- Project true-ups - P10, McNeil
- VPPSA's involvement with other Joint Action agencies around the country to discuss how to pool resources
- Review of Power Supply Budget vs. Actual

(16) VPPSA staff provided a report of the Legislative & Regulatory Affairs committee meeting held on July 19, 2017. Topics covered at the meeting include:

- Updates on relevant PUC proceedings – Alternative Utility Regulation
- Transmission/Wheeling charges related to Standard Offer Projects
- Docket 8316 – data transfer from utilities to EVT
- Cyber Security Protocols
- VPPSA's RES Pilot program development
- Review of the committee's 2017 work plan
- Lobbying contract with Primmer

The Board was reminded that the Net metering rule was finalized this summer and VPPSA has submitted comments on issues related to that rule since its approval. The Public Utility Commission held a workshop related to Alt Reg on Tuesday, August 8th. VPPSA is actively involved in that proceeding.

(17) No additional report on the VELCO Board since the Board did not meet in August. The Operating committee cancelled one meeting during the summer and the last meeting was via conference call. That conference call was primarily related to discussion of the SHEI limit and VELCO's RFP for a study of that constraint.

The General Manager provided a brief update on SHEI activities, the related effect to VPPSA members and VPPSA's position on the subject.

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(18) The General Manager updated the Board on several topics – 1) Amy Parah has been hired for the Staff Accountant/Administrator position; 2) BED has requested VPPSA contribute to the Vermont Energy Biz Excelerator sustainable jobs fund and the General Manager indicated that he has committed to a contribution for that fund (VPPSA will get a seat on the Board); 3) BED has requested VPPSA consider a new class of membership that would allow a two-way working collaboration (payment for services could go both ways). There was a brief discussion of the pros/cons of creating such a new membership class, resulting in a Board consensus opinion that staff should proceed in trying to develop the concept further.

(19) Other Business: Director Morley brought up a question regarding “stores” charges billed by other utilities (sometimes more than 50%). There was a brief discussion regarding what “stores” charges can be included and what they pertain to, for example labor and/or materials.

The meeting was adjourned at 1:30 p.m.

Respectfully submitted,

Crystal Currier
Crystal Currier, Secretary