

**APPROVED**

**Vermont Public Power Supply Authority**  
**ADVISORY & RISK MANAGEMENT BOARD COMMITTEE**  
**MEETING MINUTES**  
July 11, 2018

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

X	Reginald Beliveau, Swanton	Steve Fitzhugh, Northfield
P	James Pallotta, Ludlow	

*Other Directors present:*

John Morley III, Orleans	
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*Alternates present:*

None	
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*Others present:*

Ken Nolan, VPPSA	Crystal Currier, VPPSA	Amy Parah, 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)** Director Beliveau, asked if there were requests for changes and/or modifications to the current agenda. There were none.
- (3)** Director 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 Morley made a motion to accept the Committee Meeting Minutes of May 9, 2018. The motion was seconded by Director Pallotta. The motion was approved.
- (5)** The General Manager reminded the Committee that Chairman Beliveau previously requested that VPPSA staff develop an approach to activities during Public Power Week. In response to that request, staff used VPPSA's strategic planning approach to develop a project team. The team brainstormed possible activities and sent out a member survey to gauge the Member's interest in the various activities. The response from Member's resulted in a high interest in written materials such as bill stuffers and/or opinion papers that highlight public power. There was also interest in EV demonstrations and open house type events. There was very little interest in cookouts/BBQ type events.

The General Manager presented the staff's proposed approach – including: 1) Opinion piece on the value of public power that can be adapted as a bill stuffer (VPPSA created), 2) Open House



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at Member utilities, possibly with electric vehicle demo (Member) and 3) Lineworkers in schools and/or school children tours of generators (Member). The Committee discussed the various activities. Director Morley indicated that he didn't feel communities understand the value of "public power" and that information would be helpful, to either distribute during public power week or include as a bill stuffer to utility customers. Director Beliveau noted that Swanton is hoping to coordinate Public Power week with other town activities/board events including the Planning Commission, Energy Committee, etc. There was a brief discussion related to how to demonstrate electric vehicles.

The General Manager indicated that VPPSA will prepare some written documents that utilities can distribute and VPPSA will support other activities as requested. The Committee did not object to the approach as presented.

(6) The General Manager informed the Committee that he was recently notified that BED and Stowe have reached agreement to sell their share of the Highgate Converter to Nextera for a premium of 60% above net book value, plus a share of any capital upgrades made in the next 10 years. The approval of this sale has triggered a series of events for VPPSA and VELCO. Based on information provided, VELCO is putting a proposal before its Board of Directors suggesting that they exercise their Right-of-First-Refusal and acquire the BED/Stowe Highgate shares for cash, then offer additional VTTRANSCO equity on a transmission cost share equal to the 60% of net book value. This would equate to approximately \$300,000 in total equity for the VPPSA members. VELCO has scheduled a special Board of Directors meeting for July 11<sup>th</sup> to seek authority to implement the above plan.

The General Manager explained that at the time of the original sale, VPPSA looked to see if there was any third-party interest in purchasing the Highgate assets and at that time there was no interest in the market. While there was some concern that VPPSA could have received a "better" deal if they had sold to a third-party, VPPSA staff has analyzed both transactions and the "better" deal depends heavily on the assumptions used for future VTTRANSCO distribution streams. In a nutshell, if you believe the VTTRANSCO distributions will end in less than 12 years, the cash plus premium buyout is better; however, if the distribution remains in tact for a least 12 years from the date of the sale, the equity approach is better, keeping in mind that VTTRANSCO committed to not buying the Highgate equity back for at least 20 years. It was specifically noted that the Nextera transaction is for cash. BED and Stowe would not receive the equity purchase opportunity or the VPPSA specific equity that was part of VTTRANSCO's original acquisition of the other Highgate assets.

The General Manager indicated that based on the analysis that VELCO has previously presented, the sale will be beneficial to Vermont utilities and ultimately Vermont's ratepayers. Therefore, the General Manager plans to participate in VELCO's special board meeting and expects to vote in favor of the transaction. The committee did not object to this approach.

(7) The General Manager provided a history of the Phase I/II contracts and informed the Committee that the first 30 year "firm" portion of the contract is ending in 2020; however, there is an additional 20-yr renewal option. It was noted that the "Rights Holders" (that includes some of the VPPSA members), are required to notify the asset owners of their intent to continue the

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contract for the remaining 20-year option. This notification is due by the end of August. Based on information provided by Daymark Advisors (formerly LaCapra Consulting), under all realistic assumptions there is significant value in the continued ownership of the Phase I/II lines. The contract renewal has prompted some third parties to reach out to VPPSA to assess the interest level in selling access, interest which has the potential to make the rights even more valuable.

VPPSA is working with VELCO, the other utilities and Bill Ellis to ensure the agreements for the extension are sufficiently flexible to maintain member value. The General Manager noted that VPPSA will recommend that those Members who are Rights Holders execute the extension; however, he wanted to ensure that the Member's understand the issue since the contracts surrounding this line are very complex. Director Morley questioned whether there might be other opportunities as a result of the Phase I/II transaction.

(8) The General Manager informed the Committee that the VPPSA staff held its annual strategic planning retreat on June 27<sup>th</sup>. The staff discussed how things have changed over the past year and whether those changes were positive or not. They also reviewed the current list of strategic planning priorities and revised the list for FY19. The list of strategic planning activities was presented to the Committee in order of priority. It was noted that the staff intends to pursue the top ten tasks and move others forward as time allows.

There was a brief discussion regarding the potential for adding VPPSA staff that can be shared amongst the members'; specifically, in the areas of finance, truck mechanics, etc.

In an effort to gather the Board's concerns and/or feedback, it is intended that this list will be discussed at the Board retreat on August 1<sup>st</sup>.

(9) Other Business: NONE

The meeting was adjourned at 11:45 a.m.

Respectfully submitted,

*Crystal Currier*

Crystal Currier, Secretary