

APPROVED

Vermont Public Power Supply Authority
GENERATION AND OTHER ASSETS BOARD COMMITTEE
MEETING MINUTES
July 11, 2018

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

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

Other Directors present:

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Alternates present:

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Others present:

Ken Nolan, VPPSA	James Gibbons, VPPSA	Kate Conner, PAL (item 5a)
David Lucier, PAL (item 5a)	TJ Poor, VPPSA	Dave Gagne, VPPSA

(numbers in bold type correspond with agenda item numbers)

- 1) The meeting was called to order at 2:05 p.m. at the office of the Authority, located at 5195 Waterbury-Stowe Road, Waterbury Ctr., Vermont.
- 2) Chairman Beliveau asked if there were requests for changes and/or modifications to the current agenda. No changes were made.
- 3) Chairman Beliveau asked if there were public comments and/or individuals who would like to address the Board. No comments were made.
- 4) Director Riordan made a motion to accept the minutes of the 05/09/18 committee meeting. The motion was seconded by Director Myotte. Motion approved.
- 5) Project 10.
 - Borescope Results. Mr. Lucier, PAL, described the results of the recent borescope completed at P10. He reported that both units have seen no deterioration or degradation since the previous borescope. The corrosion found in the first stage buckets was identified as likely from prior to when VPPSA was in possession of the units. It was made clear that, to the extent that the corrosion is representative of the remainder of the units, then it

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signifies no issues for the operation of the facility. Mr. Lucier also clarified that there is no immediate need for active maintenance; there has been no degradation or deterioration identified since the previous borescope. The recommendation in the reports was for preventative maintenance only and may be dependent on further information such as number of starts and run time prior to VPPSA ownership. Mr. Gibbons indicated VPPSA would review records from time of purchase to provide such information prior to the next Committee meeting.

Mr. Lucier went on to describe what it would take to complete a Hot Gas Path Inspection, if VPPSA chose to complete, although it was pointed out by Mr. Gagne that if replacing buckets there is not much added value from the Inspection as the unit will already be under refurbishment and more detailed review of the turbines could be completed at that time. Mr. Lucier described a 3 week process for the Hot Gas Path Inspection (for each unit, although it may be possible to complete both in a 4-5 week timeframe if contractors and scheduling were able to be lined up properly). In addition to replacement of buckets, Mr. Lucier described ceramic coatings that could allow higher firing temperatures and higher output, although any higher output would likely be only ~1 – 1.5MW. Mr. Gagne indicated that VPPSA could reach out to suppliers in advance of any refurbishment in order to ensure that parts are available throughout the supply chain to be prepared for unexpected opportunities and challenges.

The Committee agreed to continue to review the reports, and along with the additional information from VPPSA review any next steps at the next Committee meeting.

- Capital Plan Progress. Mr. Gagne reported on progress of the items in the 2018 P10 capital plan. He noted that the Sonicwall Firewall hardware had been installed. In addition, Pump Room ceiling fans have been installed, as well as LED lighting and new heaters in combustion compartments. Refurbishment of Lube Oil Pumps is in progress, while initial steps have been taken to add a bathroom (and associated holding tank). Transformer refurbishment, along with server upgrade, are items that are expected to occur during the planned fall outage.
- Market Revenues Update. Mr. Poor described the P10 year-to-date market revenue, noting that the budget provided to members included an estimate of value for IGAP. Mr. Poor explained that the difference between budgeted market revenues and actual market revenues has largely been due to the IGAP credits not being included in the actual revenues while remaining in the budget (IGAP is not an actual market revenue – it serves to lower transmission charges. Consistent with valuation of other resources, IGAP is no longer shown in resource reporting as a “credit”.) The Committee indicated that the new format of presentation, which stacks the values of actual revenues relative to total budget, explaining any variances, was useful, and would like to also see a “budget without IGAP revenue” comparison for the rest of 2018. Estimated IGAP revenue will not be included in the 2019 budget.

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6) Load Reducing Resources.

- Mr. Poor highlighted the supplemental reports illuminating the monthly performance of load reducing resources that have since April been included in each Member's Power Bill Summary. The reports were developed pursuant to feedback from the Generation and Other Assets Committee and other Members. The Committee indicated that they found the reports valuable, and that a Member-by-Member review of resources was not necessary at future Committee meetings. However, a VPPSA wide summary would continue to be valuable to have presented to the Committee.
- Mr. Poor updated the Committee on the status of Highgate Falls Retirement. VPPSA had participated in a discussion with Swanton and FERC's investigative unit to describe the discriminatory treatment of intermittent resources in the Forward Capacity Market (whereas a fossil unit would be able to shed all obligations within a year, current ISO-NE rules require intermittent units to stay in the market for three). However, after discussions with ISO-NE, FERC has recently determined that the ISO-NE tariff is not flawed, and the facility is bound to follow it. The next step is for VPPSA to follow up with ISO-NE to determine if changes to the market (which had previously been proposed by other parties) are going to be reconsidered.

7) McNeil District Energy Update.

- Mr. Gibbons reported that there has been little recent progress on the project. Anchor tenants for the project are evaluating the economics of becoming a district heating customer.

8) Project Updates. Mr. Nolan provided a brief update on the following projects.

- VPPSA Solar RFP. After an extensive Request for Proposals process, VPPSA has entered into a Letter of Intent with Encore Renewable Energy, signaling a broad partnership to pursue development of a solar facility in each of the service territories of Northfield Electric Department and Hardwick Electric Department, and three in the service territory of the Village of Morrisville Water & Light Department. In addition, VPPSA has requested that Encore look for sites in the service territory of the Village of Johnson Water & Light Department. The broad agreement was based on Encore's bid, experience, knowledge of Vermont regulatory landscape, and chosen construction partners.

Northfield Electric Department has held one public town hearing on the proposed site in its territory, with a second public hearing scheduled for July 23 after which the Select Board, and then the Electric Commission, will determine whether to move forward. Hardwick Electric Department is considering the next steps in the project at its next commission meeting. One of the Morrisville sites has been submitted into the standard offer program (described further below) and the other two will be considered for Morrisville's or other VPPSA Member portfolios.

VPPSA and Encore are beginning negotiations on a Purchase Power Agreement that can serve as the basis for agreements on multiple projects.

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- Standard Offer Projects.
 - *2015 Standard Offer Contracts.* The Lyndonville Standard Offer projects completed construction and testing and began operating on May 17, 2018. Through the end of June, the projects have been producing more energy than forecasted, resulting in about \$9,000 of net revenue for VPPSA that directly lowers Member dues.
 - *2017 Standard Offer Contracts.* The developer for these projects has informed VPPSA that they can no longer construct the Trombley Hill Project at the agreed upon rate due largely to the effects of the federal solar tariff implemented earlier this year. VPPSA requested that the developer seek alternative vendors that may be able to construct the project in 2018. Encore is currently completing due diligence on the project to determine if they can take ownership. Regarding the Blackberry Lane project in Green Mountain Power's territory, GMP has estimated interconnection costs at over \$400,000 – roughly 4 times their initial estimate and at a level that if holds would cause the project to no longer be economic to construct. VPPSA and the Developer are completing due diligence on GMP's interconnection cost estimate.
 - *2018 Standard Offer Bid.* Following the RFP process, VPPSA after discussions with Morrisville Water & Light has selected one of the sites in their territory to be a standard offer project. VPPSA submitted a successful bid for a 1 MW facility on Randolph Road in Morrisville. The contract between VPPSA and the State of Vermont is expected to be signed in the coming weeks.

- Barton Solar. Barton Aldrich Lane Solar has withdrawn its application for a net metered facility in the service territory of Barton Village Electric Department, after VPPSA and the Developer could not come to terms that would make the project viable.

9) Other Business. There was no other business brought before the committee

The meeting was adjourned at 3:51 p.m.

Respectfully submitted,

TJ Poor

TJ Poor, Secretary
Generation and Other Assets Committee