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Vermont Public Power Supply Authority

MINUTES OF THE BOARD OF DIRECTORS MEETING

December 6, 2017

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

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

Alternates present:

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

Others present:

Ken Nolan, VPPSA	Crystal Currier, VPPSA	Steve Farman, VPPSA

(numbers in bold type correspond with agenda item numbers)

- (1) The meeting was called to order at 9:45 a.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. Director Myotte requested a short time to address the Board under Other Business to discuss the designation of the Independent Public Power Director on the VELCO Board.
- (3) Chairman 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 Elwell made a motion to accept the minutes of the Regular Board of Director's meeting held on October 4, 2017. The motion was seconded by Director Humphrey. Motion approved.
- (5) Director Elwell made a motion to accept the minutes of the Special Board of Director's meeting held on November 3, 2017. The motion was seconded by Director Morley. Motion approved.
- (6) Director Elwell made a motion to accept the Treasurer's report as presented. Director Morley seconded motion.



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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 10%. This includes payroll that are under-budget by 4.2% and overheads that are under-budget by 3.8%. Office supplies and expenses are under-budget by approximately 25.1%. For the year, revenues exceed expenses by approximately \$149K.

A brief overview of the project financial results and VPPSA's pending financings/re-financings was provided as well.

The motion was approved.

(7) The General Manager reminded the Board that at the October Board meeting, power supply policy P3 was presented and subsequently approved. During the policy discussion, it was noted that policy P3 incorporated information from several other policies; however, the other policies were not reviewed. Policies P1 & P2 were provided to the Board with the recommendation that the Board officially rescind these policies since the information contained within them, was incorporated into policy P3.

Director Fitzhugh made a motion to officially rescind Power Supply Policy P1, P2 and BOD Resolution #2014-04. The motion was seconded by Director Humphrey. The motion was Approved.

(8) The General Manager presented VPPSA Policy F7 (Tax Compliance) and VPPSA Internal Operating Procedure F3 (Continuing Disclosure Compliance) to the Board. At the Special Board meeting on November 3rd, the Board was informed that as part of the Project #10 refinancing efforts, some significant issues related to VPPSA's compliance with the existing bonds' continuing disclosure requirements were brought to light.

Both VPPSA's bond counsel and Keybank Capital Market's bond counsel have informed VPPSA that the failures could represent a hurdle to selling the new bonds, and could be actionable by the SEC as an enforcement action. Recent rulings by the SEC and IRS have found similar failures to comply with disclosure requirements to be "fraud" under federal law and have resulted in parties being stripped of their tax-exempt status.

At the November meeting, VPPSA's Bond Counsel, (Thomas Melloni) indicated that there are two elements 1) the continuing disclosure requirements (SEC going after governmental filers for non-compliance) and 2) the official policy related to tax compliance. It was noted that as part of the bond issuance, VPPSA will be issuing a document whereby VPPSA will be certifying that it has a policy related to tax compliance and the absence of such certification raises red flags to the IRS. These policies/procedures are prepared as a preventative measure to ensure that VPPSA is compliant with its tax-exempt status.

The Board was reminded that the request is to approve Policy F7 (Tax Compliance) and that the Internal Operating Procedure F3 (Continuing Disclosure) will be approved by the General

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Manager; however, since the two are inter-related, both are being provided to the Board for their review.

Director Elwell made a motion to adopt VPPSA Policy F7 (Tax Compliance) as presented. The motion was seconded by Director Myotte. The motion was Approved.

(9) The General Manager informed the Board that per VPPSA's annual process, staff has reviewed the Personnel Guidelines to insure they continue to comply with the latest legal requirements, and to address any ambiguities that surfaced in the past year. This year the revisions are minor and mostly intended to conform the Guidelines to Internal Operating Procedures that have been put in place. The changes were reviewed briefly. Director Myotte made a motion to adopt the VPPSA Benefits Guidelines as presented, with an effective date of January 1, 2018. The motion was seconded by Director Fitzhugh. The motion was Approved.

(10) The General Manager reviewed the Board's decision at its October meeting to move the bi-monthly committee meetings from the third Wednesday to the second Wednesday in January, March, May, July, September, and November.

The November committee meetings were warned as "special meetings" and the proposed Resolution would merely codify the new meeting dates and make them regular committee meetings. Director Humphrey made a motion to approve Resolution 2017-12 as presented. The motion was seconded by Director Myotte. The motion was approved.

(11) The General Manager presented the final draft of the proposed 2018 Operating budgets. The changes (since the October version) in the general operating revenues and expenses were reviewed. With these changes, the overall general budget results in an *increase* of approximately \$14,013 or .6% when compared to the 2017 budget; however, it was noted that this budget includes \$27K of lobbying costs that were previously passed through to the members. Without this addition, the budget would have seen a *decrease* of approximately \$10,987 or .5%.

The McNeil budget was reviewed and results in an increase of approximately \$490K or 8.4%. The primary increase is due to an increase in expected capital improvements due to the major turbine overhaul that will take place in 2018.

The Project 10 budget includes the updated debt service due to the bond refunding and maintains the reserve funding at \$400K (level with 2017). This results in an overall *decrease* of approximately \$415K or 11.3%. It was also noted that the market credits are expected to increase by approximately \$1.75M and the capital budgets for forward years (2019-2022) will continue to be refined over the next year.

The RES Budget is new to 2018 and the most significant changes between the October draft budget and this version occurred in the RES budget. Based on feedback after the October Board meeting VPPSA staff re-evaluated how the VPPSA overheads are associated with generally managing the RES program and regulatory efforts versus those specifically needed to manage the EV pilot. This analysis resulted in a significant reduction in the RES budgeted cost when compared to the version presented in October. The Project cost for 2018 is budgeted at \$353K.

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The Metering Project budget also had significant changes since the October draft. This was a direct result of Member feedback on the need for the project, specific individual member needs (various issues members were having managing net metering credits, especially with group systems) and the overall cost of the project. The General Manager noted that the existing software VPPSA provides is not designed to address the latest net metering rules. The new software would revise the existing software to comply with the new rules (as opposed to the previous recommendation to start from scratch developing an entirely new program). This recommendation was a result of several members who have indicated that they would NOT participate in the Net Metering Project.

Director Morley made a motion to approve VPPSA's 2018 Operating Budgets. Director Riordan seconded the motion. The motion was Approved. Hyde Park abstained.

(12) Director Myotte indicated that the majority of topics discussed at the Generation & Other Assets committee meeting held on November 16, 2017, were discussed within other agenda items during this meeting. The committee meeting minutes were distributed with the Board packet and a summary of those topics discussed include:

- a. Project Budgets – focused on McNeil and Project 10 budgets
- b. Project 10 Operations – update on the P10 bond refunding, the 2018 and future capital budgets, Unit 2's failure to meet 10-minute starts
- c. Load Reducing Hydro Update – load reducing hydro performance, efforts to remove Highgate Falls from the ISO-NE markets.
- d. Project Updates – updates on VPPSA's Solar RFP, 2105 Standard Offer Project, 2017 Standard Offer Project, Kearsarge Lead ISO Participant and Barton Solar

(13) The General Manager indicated that the minutes for the Legislative and Regulatory Affairs committee meeting held on November 16, 2017 were distributed within the Board packet. In addition, it was noted that the General Manager and VPPSA staff will be attending an upcoming meeting with BED to collaborate on the positions taken, to ensure the needs of both entities are covered.

On the Legislative front, the General Manager indicated that activities are starting to move quickly in anticipation of the new Legislative session and it was noted that VPPSA staff will be reaching out to the members on a number of issues. Director Morley noted that it may be important for members to attend the upcoming Legislative and Regulatory Affairs committee meetings to keep on top of these activities.

(14) The General Manager provided a brief report related to the VELCO Board activities. It was noted that the VELCO Board meeting will be held on Thursday, December 7th – the three major topics expected to be discussed include 1) VELCO's Operating Budget, 2) the SHEI transmission issue and 3) the Granite State (National Grid) transmission line.

Director Myotte provided a brief report related to the activities of the VELCO Operating committee. The major item discussed recently is the SHEI issue. VELCO is conducting

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numerous studies related to this issue and there was a short discussion regarding the entities responsible for the costs related to this issue.

(15) No additional staff reports were provided. Director Morley expressed thanks to the General Manager and the VPPSA staff for the efforts that have occurred over the year.

(16) Other Business: Director Myotte informed the Board that nominations for the Independent Public Power Directors for the VELCO Board are due in April (current Public Power Directors are Susan Anderson and Steve Kaminski). Director Myotte will be coordinating this effort and indicated that he will be sending out a request for information and timeline when that information is due.

The meeting was adjourned at 11:55 a.m.

Respectfully submitted,

Crystal L Currier

Crystal Currier, Secretary