

Vermont Public Power Supply Authority

Generations and Other Assets Committee Meeting

March 13, 2019

2:00 p.m.

VPPSA Board Room

5195 Waterbury-Stowe Road, Waterbury Center, VT

CALL IN NUMBER: 1-773-231-9226 MEETING ID: 802 244 7678#

COMMITTEE DIRECTORS

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

AGENDA

Allotted number of minutes set forth in bold type after each item

1. Call to Order
2. Consideration of changes/modifications to agenda (**2**)
3. Public comment (**2**)
4. Review of 11/14/18 Minutes Draft (**2**)
5. Project 10 (**30**)
 - a. Capital Plan Update
 - b. Market Revenues Update
 - c. General Performance Update
6. Load Reducing Resources (**10**)
 - a. Valuation Report Summary
7. Project Updates (**10**)
 - a. VPPSA Solar Projects
 - b. Standard Offer Project Updates
8. Power Supply Staff Transition (**10**)
9. Other Business

cc:

Tin Barton Caplin, Barton	Jonathan Elwell, Enosburg	Gary Denton, Enosburg
Carol Robertson, Hyde Park	Frederika French, Hyde Park	Mac Butova, Jacksonville
Pam Moore, Jacksonville	Meredith Birkett, Johnson	Walter Pomroy, Johnson
Jim Pallotta, Ludlow	Vacant, Ludlow	Bill Humphrey, Lyndonville
Clay Bailey, Lyndonville	Penny Jones, Morrisville	Stephen Fitzhugh, Northfield
Jeff Schulz, Northfield	John Morley III, Orleans	Marilyn Prue, Orleans
Lynn Paradis, Swanton		

DRAFT

Vermont Public Power Supply Authority

GENERATION AND OTHER ASSETS BOARD COMMITTEE

MEETING MINUTES

November 14, 2018

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

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

Other Directors present:

John Morley, Orleans	

Alternates present:

Others present:

Ken Nolan, VPPSA	James Gibbons, BED	
Dave Gagne, VPPSA (phone)	Shawn Enterline, VPPSA	

(numbers below correspond with agenda item numbers)

1. Call to Order

The meeting was called to order by Director Morley at 2:10 PM.

2. Consideration of changes/modifications to agenda (2)

There were no changes to the agenda.

3. Public comment (2)

No members of the public were present.

4. Review of 09/12/18 Meeting Minutes Draft (2)

Motion was made by Director Myotte, second by Director Beliveau, to approve the minutes of September 12, 2018. Motion was approved unanimously.

5. Project Budgets (25)

DRAFT

a. Project 10

The General Manager reported that the draft CY19 budget has increase of \$57K (1.5%) over last year the draft provided in September due to two changes: 1) fuel prices were updated to reflect estimated production and the latest pricing, and 2) a minor change to the depreciation schedule occurred. It was also noted that the reserve fund contribution remains at \$400,000 for FY19 and is anticipated to be reduced to \$300,000 in FY20. This will align the reserve fund with anticipated expenditures in the 5-year capital plan.

D. Gagne reported that he has reached out to an alternative fuel supplier who can provide daily fuel prices via e-mail, as well as a free lube oil analysis. He also has received the report from 3C Electric, which indicated “no substantial findings”. The transformer oil change and oil leak repair have been completed.

Director Sullivan questioned the need to paint the transformer. D. Gagne noted that this was recommended by both 3C and the insurance company. The General Manager agreed to investigate the issue further before proceeding. Director Sullivan noted that he has used a product in transformers in the past that bonds to rust and minimizes painting cost. D. Gagne will follow up to learn more about this product.

b. McNeil

The General Manager reported that VPPSA has now received the McNeil budget from BED and it is down 15% from last year. This results from a number of items. First, the major overhaul was been delayed from FY18 to FY19. Most of the larger parts for the overhaul were acquired in FY18 and stored until needed resulting in less overhaul cost in FY19. Secondly, the wood fuel cost per ton is down from last year. Since wood fuel is McNeil’s largest expense, a small change in price can have a substantial effect on the budget.

The General Manager also noted that \$500,000 has been added to the FY19 budget to perform a scan of the water wall tubes in the boiler, and repair any defects identified. This work is needed because McNeil has started experiencing random leaks inside the boiler have that resulted in protracted forced outages. This effort will help get ahead of any significant problems. J. Gibbons reported that there have also been leaks in the economizer but those have less impact since they are outside of the boiler. It was decided to do this work as part of the planned outage in 2019 to avoid paying twice for the scanning, scaffolding, etc.

6. Project 10 (30)

a. Capital Plan Update

The General Manager reported that the plan is unchanged from September’s meeting. Staff is still considering how to handle the two major upgrades: 1) the hot gas bypass inspection, and 2) control system upgrades. With the AIG

DRAFT

insurance report complete, and it including a recommendation to replace the turbine buckets the hot gas bypass discussion will move to the forefront. Staff will be meeting in December to develop a recommended path forward.

b. Market Revenues Update

J. Gibbons reported that September revenues are up due to the Labor Day shortage event. Specifically, energy revenues were up due to several hours of \$2,700/MWH energy pricing. Capacity revenues from the Pay for Performance program were also received because of Project 10's performance on that day. The shortage event was due to hotter than expected temps, lower than expected solar production due to cloudiness, and unexpected outages.

c. General Update

D. Gagne reported that the Lube Oil Pumps do not need to be replaced due to changes in the maintenance program, and the bathroom upgrade remains pending awaiting local and state permits.

7. Load Reducing Resources (10)

a. Valuation Report Summary

J. Gibbons presented the three-year history of the value of load reducing resources. 2018 capacity value was down due to low water conditions for the hydro units. Since results this year are reflected in payments next year, capacity values from the behind-the-meter resources can be expected to drop from 3 MW to 300 kW next year as the effects of the dry summer are felt in the following year's capacity values.

Transmission benefits were less effected by the lack of water, since they are calculated based on monthly results and are reflected in value with a one-month lag, but a reduction still occurred for the month of August due to lack of water.

b. Highgate Falls Status

No change in status.

8. 2018-19 Winter Purchase (20)

J. Gibbons reported that VPPSA is monitoring market prices, and the price of Dec-Jan power has been increasing since the spring. This is also pulling up the annual energy purchase costs. As a result, VPPSA chose not to proceed with a 5-year contract purchase. Instead, only the winter 18/19 period was purchased, per VPPSA procurement policy, to hedge this winter's price exposure. VPPSA will look again at the 5-year period in the spring when prices normally would show a decline.

The General Manager added that the review process and decision to only make a winter purchase highlighted one of the strengths of the VPPSA/BED

DRAFT

collaboration. BED maintains a historical database of market prices that VPPSA was able to utilize in analyzing the best approach.

9. McNeil District Energy Update (5)

J. Gibbons reported that Senator Leahy is touring the plant tomorrow. He may work to find grant funding for the project.

10. Project Updates (10)**a. VPPSA RFP Solar Projects**

No update.

b. Standard Offer Project Updates

The General Manager reported that the 2015 Standard Offer projects are up and running, and revenue is coming in.

However, the 2017 Standard Offer projects are running into difficulty. The Brandon project is unlikely to go forward due to high interconnection costs from GMP. A project is in front of VPPSA in the interconnection queue, which is causing the interconnection cost estimate to be upwards of \$400,000.

The Trombley Hill project in Morrisville is pending finalization of the PPA with Encore Renewables. The General Manager decided not to sign the final draft because Goldman Sachs, Encore's financial partner on the project, had inserted a termination payment in the PPA that could be triggered even if the project was not built. VPPSA and Encore are discussing alternatives and believe a solution has been identified. Draft language has been received from Encore and Bill Ellis is reviewing. The parties are working toward PPA execution this week, with construction to quickly follow.

11. Other Business

There was no other business.

The meeting was adjourned at 3:07 p.m.

Respectfully submitted,

Shawn Enterline

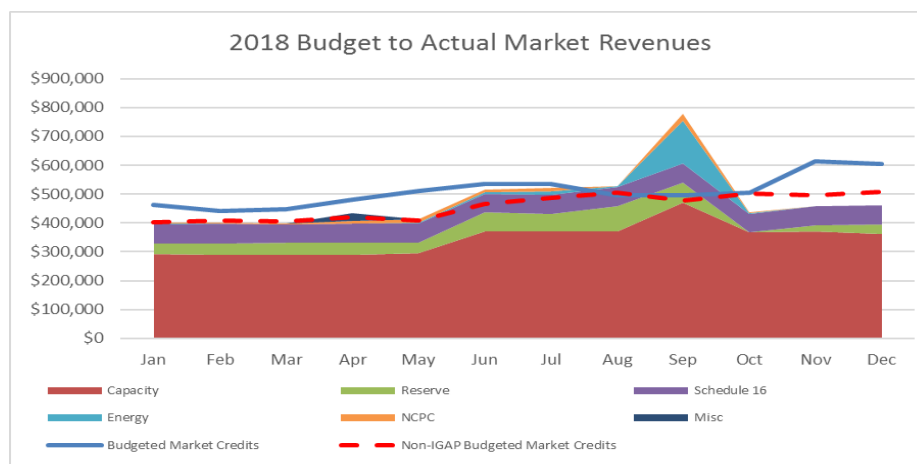
Shawn Enterline, Sr. Power Supply Analyst

To: VPPSA Generation and Other Assets Committee
 From: TJ Poor, Senior Power Supply Analyst
 Date: March 8, 2019

Subject: **Agenda Item 5** – Project 10

- a. Capital Plan Update: VPPSA will give a brief update on the status of the 2019 Capital Plan.
- b. Project 10 Market Revenues

In calendar year 2018, Project 10 (P10) received market revenues greater than budgeted revenues. The chart below shows revenues from each major market relative to total budgeted revenues. The original budget (blue line) included IGAP revenues, the revised P10 budget (red dashed line) does not. Consistent with treatment of other power supply resources, VPPSA no longer reports estimated IGAP value (See April 2018 Generation and Other Assets Committee Minutes & Materials for detail). **Over the course of 2018, P10 Revenues were approximately \$250,000 greater than budgeted market credits (non-IGAP).** As the chart shows, positive (good) variances through the first three quarters of the year were offset slightly by lower than expected capacity revenues from October through December, largely from lower capacity revenues than budgeted. These were related to lower clearing prices for monthly reconfiguration auctions than predicted.



VPPSA will also provide an update to the Committee on 2019 budget to actual market revenues at the meeting.

- c. General Update. VPPSA will give an update of other P10 items, including a summary of the recent annual outage.

To: VPPSA Generation and Other Assets Committee
From: TJ Poor, Senior Power Supply Analyst
Date: March 8, 2019

Subject: **Agenda Item 6** – Load Reducing Resources

Beginning with the April 2018 Power Bill Summary, Members who own load reducing resources have received supplemental reports intended to illuminate the monthly performance of those resources. Valuation reports can be found within individual Member Power Bill Summaries. VPPSA will summarize for discussion the total VPPSA load reducing hydro resources Network Load and Capacity performance by month during the Asset Committee Meeting.

To: VPPSA Generation and Other Assets Committee
From: TJ Poor, Senior Power Supply Analyst
Date: March 9, 2018

Subject: **Agenda Item 7** – Project Updates

VPPSA has several projects in progress, as described below. No actions are requested of the committee.

- a. VPPSA Solar RFP. VPPSA has continued to pursue several solar PV projects resulting from its 2017 Request for Proposals, with Encore Renewable Energy acting as Project Developer.

A Certificate of Public Good application is expected to be filed for the “Lawrence Brook Project in the Village of Morrisville Water & Light’s service territory off route 100. This project is one of the most competitively priced projects offered by Encore. VPPSA intends to enter into a PPA with the Developer, with MWL the expected primary off-taker via a Power Sales Agreement between MWL and VPPSA. This project is expected to be on the April Board meeting agenda for approval.

Also in Morrisville, the “Hess Auto” site, a potential 2.2 MW project on a brownfield, continues to be considered for a 2019 standard offer program bid. This project has been bid into the standard offer program by Encore previously but lost to a lower priced bid in the Developer Block; it has been vetted numerous times. A System Impact Study will be underway to determine grid impacts (and interconnection costs) prior to submitting a bid to the Standard Offer solicitation.

Hardwick Electric Department (HED) continues review of Encore’s proposed site lease option; wetlands delineations have been completed by HED prior to ground freezing. Once the site lease is executed, PPA negotiations can continue. It is expected that the Developer will contract directly with HED.

Northfield Electric Department has determined it will not move forward with the Cheney Farm project, following vocal objection from some town residents. Encore has offered an alternative site within Northfield for consideration, VPPSA is evaluating the PPA rate offered.

Sites in the Village of Johnson Water & Light Department will not move forward at this time. Encore continues to evaluate potential sites in other Member territories on VPPSA’s behalf.

b. Standard Offer Projects.

- a. *2015 Standard Offer Contracts.* The Lyndonville Standard Offer projects completed construction and testing and began operating on May 17, 2018. Through the end of 2018 the projects netted nearly \$29,000 to VPPSA to reduce Member costs.
- b. *2017 Standard Offer Contracts.* Encore has purchased the LLC that owns the Certificate of Public Good for the Trombley Hill Project. VPPSA and Encore have finalized a PPA; construction has begun but was delayed somewhat due to significant snowfall and some machinery failures. Commercial Operation is now expected in May.

The Blackberry Lane project in Green Mountain Power's territory was withdrawn by VPPSA. GMP increased their estimate of interconnection costs to over \$400,000 – roughly 4 times their initial estimate.

- c. *2018 Standard Offer Bid.* VPPSA submitted a successful bid for a 1 MW facility on Randolph Road in Morrisville. However, the Agency of Natural Resources has disagreed with the wetlands delineation completed by Encore's consultant, VHB, indicating that much of the field (currently used for grazing) is in a wetland. Encore continues to make appeals to ANR, however there is a significant chance that this project is withdrawn from the standard offer program. A determination of whether to request an extension of filing milestones, or to withdraw the project should be made by the end of June.

To: VPPSA Generation and Other Assets Committee
From: TJ Poor, Senior Power Supply Analyst
Date: March 9, 2018

Subject: **Agenda Item 8** – Power Supply Staff Transition

As the Board is aware, TJ Poor has recently tendered his resignation to become the Director of Energy Services & Efficiency at the Department of Public Service. VPPSA will discuss the power supply staff transition with the Committee.