

**APPROVED**

**Vermont Public Power Supply Authority**  
**GENERATION AND OTHER ASSETS BOARD COMMITTEE**  
**MEETING MINUTES**  
September 12, 2018

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

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

Other Directors present:

John Morley, Orleans	
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Alternates present:

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Others present:

Ken Nolan, VPPSA	James Gibbons, VPPSA	Crystal Currier (Item 5)
Dave Gagne, VPPSA	TJ Poor, VPPSA	

(numbers below correspond with agenda item numbers)

- 1) The meeting was called to order at 2:03 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 Myotte made a motion to accept the minutes of the 07/11/18 committee meeting. The motion was seconded by Director Morley. Motion approved.
- 5) Resource True-ups
  - a. McNeil Capital Reserve True-Up. Ms. Currier explained that a charge for McNeil capital improvements is included in the monthly McNeil invoice billed to participants each month. The purpose of the charge is to collect funds for the payment of capital improvements at the McNeil Generating facility. This billing was previously required under the General Bond Resolution as a mechanism to

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protect the bondholders. The bonds have since matured and while VPPSA is not “required” to collect funds for capital improvements under the Resolution, VPPSA has continued this billing methodology to alleviate large swings in the monthly billing to participants since the cost of capital improvements can be significant.

The capital reserve fund is trued-up each year on June 30th. This calculation indicates an excess fund balance of \$592,998. The significant balance is primarily due to the 2017 decision to retain true-up funds for future capital improvements based on information from BED that significant expenditures (turbine overhaul) would occur during the annual shut-down in May of 2018. While some of the improvements were completed (and materials purchased), the major components were delayed until the scheduled shut-down scheduled for May 2019. The overhaul was delayed so that more information could be gathered with regard to the feasibility of district energy in Burlington using the McNeil plant – if such an effort is pursued efficiencies will be gained in delaying the overhaul until next year.

Given that the overhaul is still expected to be completed, VPPSA recommends that the excess funds be retained for future capital expenditures; however, since the 2018 budget did include a significant increase in capital costs (amounts billed to participants), VPPSA staff will review the 2019 capital budget once it is received from BED and adjust the 2019 McNeil budget accordingly. It is the expectation that the prior reserves held will primarily offset what is required to be billed in the 2019 budget.

After some discussion by the Committee there was no objection to the recommendation by VPPSA.

- b. Project 10 Fiscal Year True-Up. Ms. Currier refreshed the Committee that costs related to Project #10 are billed based on the annual P10 budget. Each fiscal year (ending June 30th) the actual costs are trued-up to the budgeted revenues received. The true-up for the period covering July 1, 2017 – June 30, 2018 totals \$84,510.22. Currently, the P10 reserve fund holds approximately \$3.1 million, by the end of the year including interest and deposits the fund should grow to approximately \$3.3 million. If this true-up is dedicated to the reserve fund, just under \$3.4 million will be held.

The Committee discussed that the reserve fund target has been \$3 million. VPPSA noted that some major investments are planned during the 5-year capital budget cycle. Ms. Currier noted that it may be possible to reduce the amount collected for capital reserve in the annual budget (the Project now collects ~\$400,000/year ) while maintaining sufficient funds to complete projects in the capital budget. VPPSA staff recommends the true-up be transferred to the P10 capital reserve fund. The Committee agreed. VPPSA will make a recommendation as to the amount to continue to collect for the capital reserve within the Project budget.

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### 6) Project 10

- 2018 Capital Plan Update. Mr. Poor provided an update on the status of items contained in the 2018 capital plan. Sonicwall Firewall Hardware has been installed, as have the pump room ceiling fans in the mechanical building and other Efficiency Vermont recommended improvements such as lighting upgrades. Mr. Gagne clarified the Lube Oil Pump project – VPPSA has determined the lube oil pumps are in good shape and do not need to be rebuilt, instead VPPSA is replacing relays as part of its general maintenance program. In addition, VPPSA is placing the order for new servers for the week of Sept 10, to be installed during the Fall Outage (first week of October), and is finalizing the design contract for the new bathroom. Mr. Gagne is also in discussions with the state regarding the permit allowing for the holding tank.

Mr. Poor then reminded the Committee that following the Borescope report, the Committee requested additional information with regard to the number of starts and run hours on each unit. Mr. Poor described that each of the units, upon purchase, had approximately 700 starts and 2,200 run hours. Since then, each unit has been started less than 150 times for less than 350 run hours.

Mr. Poor described the specifications for major maintenance inspections for GE Frame 5N:

- Before Combustion Inspection - earlier of:
  - 12,000 operating hours
  - 800 starts
- Before Hot Gas Path Inspection:
  - 1,200 starts
- Before Major Inspection – earlier of:
  - 48,000 operating hours
- P10 Market Revenues Update. Mr. Poor provided an update on the market revenues received by P10. Not counting budgeted IGAP value (such value is no longer being reported by VPPSA as “market value” attributable to a single resource), year-to-date (through July) revenues are ~\$88,000 above budget, largely due to Forward Reserve Market (FRM) revenues greater than budgeted. Mr. Poor reported that these above-budget FRM revenues (\$40,000/month) will continue for August and September.
- General Update. No other items were discussed (operation of P10 during regional scarcity conditions was discussed under Agenda item 10).

### 7) Load Reducing Resources

- a. Valuation Report Summary. Mr. Poor described the VPPSA-wide value associated with the Load Reducers, summarized by facility owner. Mr. Poor noted in particular that resources had significant production during the 2017 peak – which affects 2018-19

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capacity charges. The expected annual peak of 2018 occurred on 8/29 (Hour Ending 18), with very little hydro generation. All else equal, this would translate into higher capacity charges for load in 2019-2020. However, capacity prices begin to decline in that year.

- b. Highgate Falls. Mr. Poor reported that there has been no status change with Highgate Falls' retirement process. Early 2021 remains the target date to be fully retired from the market.
- 8) McNeil District Energy Update. Mr. Gibbons reported that there has been little recent progress on the project. Anchor tenants for the project continue to evaluate the economics of becoming a district heating customer.
  - 9) Project Updates. Mr. Poor provided a brief update on the following projects.
    - a. VPPSA Solar RFP. VPPSA has continued to negotiate a Purchase Power Agreement (PPA) with Encore Renewable Energy that can be used as a basis for all potential agreements between either Encore and VPPSA or Encore and the host system, to be reviewed and modified as appropriate for individual projects.

Northfield Electric Department held two public town hearings on the proposed site on Cheney Farm. The Electric Commission and Select Board have recommended that the determination of whether to proceed on the project should be made by vote of Northfield Residents on Town Meeting Day. In the meantime, Encore has identified via desktop review potential alternative sites and is beginning to reach out to interested landowners.

Hardwick Electric Department (HED) and Morrisville Water & Light are awaiting VPPSA negotiations on PPA to move forward with a potential PPA between Encore and the respective utilities.

Finally, Encore is looking for sites in the service territory of the Village of Johnson Water & Light.

- b. Standard Offer Projects. Mr. Poor provided a brief update on the progress of the following projects.
  - *2015 Standard Offer Contracts.* The Lyndonville Standard Offer projects have resulted in approximately \$20,000 in net revenue to VPPSA through August. However, Lyndonville East was struck by lightning in early September and is currently out of service as a new transformer is ordered and installed.
  - *2017 Standard Offer Contracts.* The Trombley Hill project LLC is in final stages of purchase by Encore. Encore and VPPSA are finalizing the PPA for construction to be complete targeting January 2019. Stumping and other site work has begun in anticipation. Regarding the Blackberry Lane project in Green Mountain Power's territory, GMP has clarified that the

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interconnection costs are due to another project in the queue ahead of Blackberry. It is looking likely that this project will need to be withdrawn due to extremely high interconnection cost estimates.

- *2018 Standard Offer Bid.* VPPSA executed the PPA with VEPP Inc on behalf of the state) and is negotiating the PPA with Encore for development in late 2019.

- 10) Regional Capacity Deficiency September 3<sup>rd</sup> Event. Mr. Poor described that on Monday September 3, 2018, ISO New England implemented Operating Procedure #4 (OP#4), Action During a Capacity Deficiency, due to numerous forced generator outages and loads running over the forecast curve. Over the course of the day, several resources had significant outages and reductions totaling approximately 1,600 MW, which included a large loss of approximately 1,000 MW of capacity occurring between 15:00 and 15:30. In addition, the load exceeded forecast by over 2,500 MW due to higher than forecast temperatures and dew points across the six-state region.

Mr. Poor described that VPPSA bid its forecasted load into the day ahead market – this load cleared at “normal” prices. Similar to the region, its real-time load was significantly higher than forecasted. This created a deviation across members of approximately \$40,000 in additional charges.

Mr. Poor described that Project 10 also operated during the deficiency hours at 28 MW over 5+ hours. At the high real time prices, this resulted in ~\$145,000 of gross revenues. After accounting for over 20,000 gallons of fuel spent, P10 earned approximately ~\$98,000 in net revenue for the run.

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

The meeting was adjourned at 3:08 p.m.

Respectfully submitted,

*TJ Poor*

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TJ Poor, Secretary  
Generation and Other Assets Committee