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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:

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| John Morley, Orleans | |
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Alternates present:

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Others present:

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| 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)

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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

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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

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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