

APPROVED

Vermont Public Power Supply Authority

MINUTES OF THE BOARD OF DIRECTORS MEETING

February 6, 2019

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

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

Alternates present:

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| Lynn Paradis, Swanton | |
| | |

Others present:

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| Ken Nolan, VPPSA | Crystal Currier, VPPSA | Amy Parah, VPPSA |
| Melissa Bailey, VPPSA | TJ Poor, VPPSA | |
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(numbers in bold type correspond with agenda item numbers)

- (1) The meeting was called to order at 9:36 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 Morley requested a discussion under other business related to NEPPA dues.
- (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 Fitzhugh made a motion to accept the minutes of the Regular Board of Director's meeting held on December 5, 2018. The motion was seconded by Director Morley. Motion approved.
- (5) Director Morley made a motion to accept the Treasurer's report as of December 31, 2018 as presented. Director Humphrey seconded the motion.

VPPSA staff provided a brief update related to the operational budget vs. actual summary of VPPSA's operational costs. The financial results for the period ending December 31, 2018 indicate operational expenses being under-budget by approximately 5.8%.



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This includes payroll and overheads that are under-budget by 3.7% and office supplies and expenses are under-budget by approximately 7.3%. Revenues exceeded expenses by approximately \$128K for the year (excluding capital project cost). A brief review of Project #10 and McNeil project activities was reviewed as well.

The motion was approved.

(6) Director Morley made a motion to approve Resolution 2019-01 (Ratification of Prior Actions) as presented. The motion was seconded by Director Sullivan. The motion was approved.

(7) Director Fitzhugh made a motion to approve Resolution 2019-02 (Project #10 R&C Annual True-up) as presented. The motion was seconded by Director Morley.

VPPSA staff reviewed the Resolution and corresponding Project #10 Reserve & Contingency true-up for the period ending December 31, 2018. It was noted that there were actual capital expenditures in the amount of \$41,428 (transformer upgrade), leaving excess funds in the amount of \$53,482. The bathroom project at the site was budgeted and started in 2018 (permitting) but will not be completed until 2019. Therefore, the recommendation is to transfer excess funds to the reserve to be used for future capital expenditures.

The motion was approved.

(8) Director Sullivan informed the Board that he recently contacted VPPSA to determine if VPPSA accepted credit cards as a form of payment for its various billings. After some discussion it became clear that the primary reason for the inquiry was related to the “unlimited cashback” cards that are becoming available. VPPSA has not accepted credit cards in the past and had not really considered doing so. Director Sullivan explained that this concept was something he thought could benefit HED, but he would not recommend VPPSA do so unless it was beneficial to those who wanted to participate and did not harm those who did not. The General Manager indicated that some initial research indicated that VPPSA would need to charge approximately 1.50% for using credit cards and that would leave a minor amount available to the entity receiving the cash back reward.

Director Humphrey requested that the discussion be tabled to the next Board meeting to allow time for him to discuss the topic with his staff. Director Elwell indicated that his utility does not have a credit card for purchases and Director Fitzhugh also indicated that he did not believe Northfield had credit cards. The General Manager indicated that he would leave this as an open item and staff will pursue the topic as time allows. It will be placed on the April agenda for further consideration.

(9) The General Manager noted that reports from Lemmerhirt Consulting related to the AMI readiness visits are complete and staff is reviewing the draft reports for each of the participating members.

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The General Manager provided a general overview of the “readiness” assessment topics such as meter reading, billing, customer engagement, outage management, telecommunications, etc. Initial reviews find most member readiness to be “Fair” with only a couple of “Difficult” and a couple of “Good” results.

Next steps include – 1) finalizing the individual “readiness” reports and distributing them to each member, 2) holding a phone meeting to review the overall results and answer any member questions, 3) each member determining if they desire to move forward to the RFP phase, and 4) VPPSA issuing an RFP for AMI services. Director Sullivan asked what the potential savings are for moving forward through joint action (VPPSA) or entities like Hometown Connections. The General Manager indicated that the savings are unclear at this time, and RFP results would be needed in order to develop business cases for each option. It was noted that the AMI topic may be impacted by present legislative discussions underway – this will be further discussed below under agenda item 12.

(10) The General Manager indicated that in a recent discussion with Director Robertson, she expressed that Hyde Park saw value in working with VPPSA on regulatory and legislative issues and she felt that having VPPSA become the vehicle for a centralized public power voice could be quite powerful. Director Robertson suggested that VPPSA offer its regulatory and legislative services under a subscription-based approach rather than as part of normal member dues or hourly charges. She further noted that this structure type could attract participation from other non-members. The General Manager noted that since legislative issues have been managed a number of ways over the years, both inside and outside of VPPSA, and only recently became embedded in member dues, this suggestion warranted Board discussion and direction.

Director Fitzhugh indicated that non-members can participate in the process as it currently exists and the issue appears more about the cost rather than those participating. Director Robertson noted that the issue is about looking at the “big” picture and creating a structure that gives public power as a whole a stronger voice. There was a short discussion as to how VPPSA currently works with non-members, such as Burlington Electric Department, VEC, WEC and others. The Board expressed satisfaction with the way the structure exists and there was no interest in change. Board members reinforced that VPPSA staff can and should work with other public power utilities to develop joint positions whenever possible, but that doing so did not require a change in how VPPSA managed legislative and regulatory services for members.

Director Sullivan made a motion that the Board reject Hyde Park’s recommendation to segregate VPPSA’s Legislative and Regulatory services. Director Elwell seconded the motion. The motion was approved.

(11) The General Manager noted that the first Renewable Energy Standard compliance report for VPPSA (for 2017) has been approved by the PUC and VPPSA is now required to move forward in complying with the customer notification provision in the statute. These provisions require that two charts are developed - 1) representing the sources of power before any REC transactions and 2) VPPSA’s portfolio after REC transactions that were reported for compliance purposes. These charts must be posted to the VPPSA website and notice of where to find them must be sent to all customers.

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It was noted that the charts are prepared in aggregate for all members participating in VPPSA's RES project and therefore, the aggregate results could look much different than each individual member's results. A good example of this is Swanton Village - as an individual member they would show 100% renewable but once included in VPPSA's aggregate, VPPSA would demonstrate a much lower overall renewable percentage. Since this disconnect could create confusion, the General Manager wanted the Board to have the opportunity to discuss the possible implications and then to determine a process for moving forward.

Director Sullivan initially suggested that the information be distributed for VPPSA in aggregate and as individual members. There was a short discussion as to how the information could be compiled so that there is no confusion as to how the final numbers are derived. Director Sullivan clarified that if the "requirement" is to file VPPSA's information in aggregate, then that is how it should be displayed. After further discussion it was decided that the information will be prepared and distributed in aggregate (as required by statute) and if a member needs an individualized report, those can be developed for that member as requested. All members will utilize the VPPSA aggregate chart related to compliance after all REC transactions, and that chart will be footnoted reflect significant individual member deviations. An aggregate VPPSA chart will be posted on the VPPSA website, but individual member pre-REC transaction charts will be provided to members upon request.

(12) The General Manager informed the Board that several legislative "reports" have recently been issued by the PUC and sent to the legislature where they are expected to be turned into Bills. Since the number of reports could potentially result in significant impacts, the General Manager felt a broader discussion was warranted. An update on the following issues was discussed:

- Section 108 Revisions – After revisions, the PUC and DPS are now supporting VPPSA's proposal. A Bill is being crafted and it is expected to be introduced in the Senate Finance committee. This is a top priority and it is expected to move quickly.
- Standard Offer Exemptions – The PUC has recommended that no further Standard Offer Exemptions be allowed and that the existing exemptions only remain in place if those utilities meet the test every year. This change could impact all three exempt utilities. It is expected that BED, VPPSA and WEC will oppose the PUC's recommendation and work to retain the exemptions.
- EV Chargers – The PUC is recommending that third-party EV charger owners be exempt from regulation but utility chargers be fully regulated. One concept is for utilities to collect a per/kwh usage tax by EV chargers. There is a lot of activity on this topic and significant testimony is expected this week.
- Rate Design – There is currently a rate design case underway that proposes to require utilities to develop more dynamic rates/pricing and potentially granting a "demand holiday" to EV chargers to make them economical. This issue could become problematic and is being monitored by VPPSA staff.
- Broadband – At a recent presentation to the House Energy & Technology committee, VPPSA was asked if the VPPSA members were considering broadband service within their communities. It was noted that the VPPSA members had little interest in "providing" broadband service.



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The concept of providing the infrastructure for third parties to use in providing broadband service is gaining traction. Several Bills have been introduced to support expanding broadband and the Governor has made it a priority in his budget address. It was noted that there are coops and utilities in other parts of the country that have implemented broadband and it has worked, so now the question has risen as to why Vermont utilities cannot do the same. There was a brief discussion about broadband and how it is evolving.

- VW Settlement – The next round of VW grant applications is due in April. If members want to apply VPPSA would need to get that process moving.

The Board took a short recess for lunch at 12:18 p.m.

The meeting reconvened at 12:45 p.m.

(13) The Generation and Other Assets committee did not meet in January; therefore, no report was available.

(14) The Legislative and Regulatory Affairs committee did not meet in January; therefore, no report was available. The majority of legislative topics were addressed in agenda item #12.

(15) The VELCO Board meeting is Thursday, February 7th. VELCO has started their strategic planning process and it is expected that will be a large part of the discussion at the meeting this week. VELCO is changing the strategic planning process slightly so that the Board will be more involved in that process. The General Manager provided a brief update on various transmission topics. VELCO's annual meeting will be held in April.

No report of the VELCO Operating committee was available.

Director Fitzhugh reported that voting related to the public power seats on the VELCO Board of Directors was complete and that there was unanimous support for Susan Anderson and Steve Kaminski to continue for another year. Director Fitzhugh will notify VELCO of the decision.

(16) Staff Reports – The General Manager informed the Board that the building insulation project is complete. The final testing was complete this week and the test showed significant improvements. Staff is currently working with Alliance Mechanical to address some other issues with a goal of structuring a long-term capital/maintenance plan.

The General Manager indicated that he has been nominated to the APPA Board (nominated by Swanton Village). Nominations close on February 11th and the nominating committee will make a decision on February 27th.

The General Manager informed the Board that VPPSA has become a member of the Utilities Technology Council. As a member, all of the VPPSA members can automatically receive membership services. VPPSA staff will be sending out membership packets for those who are interested.

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(17) Other Business:

Director Morley indicated that the NEPPA dues just came out so he asked those VPPSA Directors who are currently on the NEPPA Board if they could describe what services NEPPA provides. Director Elwell provided a brief description of the organization and indicated that the dues do not cover a significant portion of NEPPA's organizational costs. Other revenues are received for specific programs/services such as legislative activities, safety training, lineworker training, etc. Other workshops include finance, customer service, and leadership. There was a short discussion regarding the dues and the benefits that the utilities receive. Director Morley requested that the VPPSA member Directors of NEPPA provide recurring updates regarding NEPPA activities. In response, the General Manager suggested that a NEPPA report be added to the Board meeting agenda as a recurring item. Director Elwell also noted that he will ask the NEPPA Executive Director, Bonnie Biocchi, to reach out to those members who had expressed concern.

The meeting was adjourned at 1:45 p.m.

Respectfully submitted,

Crystal L Currier

Crystal Currier, Secretary