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**Vermont Public Power Supply Authority
GENERATION AND OTHER ASSETS BOARD COMMITTEE**

MINUTES
July 10, 2019

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

X	Craig Myotte, Morrisville	P	Mike Sullivan, Hardwick
		P	Reginald Beliveau, Swanton

Other Directors present:

John Morley, Orleans	
Bill Humphrey, Lyndonville	

Alternates present:

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Others present:

Ken Nolan, VPPSA	James Gibbons, BED	Shawn Enterline, VPPSA
Heather D'Arcy, VPPSA	Julia Leopold, VPPSA	

(numbers below correspond with agenda item numbers)

1. Call to Order

The meeting was called to order by Director Morley (standing in as Chair for the meeting) at 2:03 PM.

2. Consideration of changes/modifications to agenda

There were no changes to the agenda.

3. Public comment

No members of the public were present.

4. Review of 05/08/19 Meeting Minutes Draft

Motion was made by Director Myotte, second by Director Sullivan, to approve the minutes of May 8, 2019. Motion was approved unanimously.

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5. Project 10

P10 Capital Plan Updates

Mr. Nolan reported that the bathroom project at P10 was complete, that quotes for the backup generator were expected this week, and that quotes had been received to upgrade the computer components of the control system. Staff was considering a proposal from Ethos Energy (the control system designer) to only upgrade the computer hardware and associated HDMI software as the first step to a full controls upgrade. This approach would allow removal of end of life hardware without requiring a full control system upgrade with associated sensor replacement and reprogramming. Mr. Nolan is meeting on site with Mr. Gagne and Mr. St. Amour to review this option.

P10 Market Revenues update

Mr. Enterline reviewed a slide showing the project's budget and actual market revenues to date. It was noted that the difference between the Projected and Actual revenue for the Project for CY 2019 to date is due to the revenues from providing Black Start services dropping sooner than expected (they were projected to drop materially in June).

General Update

Mr. Nolan reported that despite a recent bad start, the Project is performing well. Mr. Gibbons noted that VPPSA and BED had been able to trade obligations for ten and thirty minute reserves such that this is not having a material revenue impact on VPPSA, and that accordingly there is no reason, at this time, to attempt to restore the rating which would incur fuel costs. There followed some discussion on the implications of a bad start and the cause of this bad start and it was noted that an occasional bad start is not unusual and the possibility of one was factored in when the Project was bid into the Forward Reserve Market.

6. Load Reducing Resources

Mr. Gibbons presented a series of slide summarizing the reduction in capacity and transmission costs due to the operation of behind the meter assets (in particular the members own hydro plants). The capacity savings beginning June of each year are based on the production of these resources at the time of the ISO-NE summer peak hour from the prior summer. As the production in summer 2018 was low, the capacity value of these resources will fall materially

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in June 2019 (which will be exacerbated by a concurrent fall in the capacity market prices. Director Myotte asked if the fall in capacity value was reflected in the 2019 budgets and Mr. Enterline responded that it was included. The transmission savings are based on production of these resources at the time of the VELCO peak for each month and had been as expected.

7. Project Updates

a. VPPSA Solar RFP.

Mr. Nolan reported that progress continues, in partnership with Encore Renewable, on a number of solar projects resulting from the Solar RFP.

b. Standard Offer Projects.

Mr. Nolan reported that two VPPSA sponsored Projects were accepted in 2019, but that individual appeals of all the awards had been made by Allco Renewable Energy out of NY (they are a developer who has developed several Standard Offer project but commonly opposes other awards). In VPPSA's case the claim was that VPPSA violated the Sherman Act and that any bid by VPPSA was de facto collusion. Mr. Nolan expressed that Allco's claims were unfounded and that VPPSA had made a filing refuting the assertions. All parties are now waiting for the PUC to rule.

8. Results of Five-Year Purchase

.Mr.Gibbons provided a graph summarizing the changes in market prices leading up to and following the purchase and noted that even though the market prices had fallen some more following the purchase, the purchase seems to have been timed well. All product prices were below both the price the systems had authorized, and all save the winter on peak product were below the expected price. Mr. Nolan added that this was in fact due to splitting Product #2 (winter product) into on and off-peak components to improve the fit to the needs of individual members and that in aggregate Product #2 declined in price as well. Depending on a member's share of the winter on peak products the effect on individual members could be different. Mr. Gibbons noted that individual summaries for each system were being reviewed and would provide each system with the effect on budgets of their systems entitlements.

9. Potential Improvements to Purchase Approval Process

There was a brief discussion on potential improvements to the purchasing process based on experiences from this iteration. There was general satisfaction with the communication provided and its content with Director

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Myotte noting that it actually had more information than he required. Some Directors present could approve the purchase on their own authority, while some needed (or wanted) to present the recommendation to their governing bodies first. To accommodate these members, whose meetings may be monthly, VPPSA will endeavor to provide 30 days' notice whenever possible or otherwise try to accommodate these members though it was noted that sometimes market conditions can change rapidly.

10. Renewable Energy Standard Compliance Position - 2018

Mr. Gibbons showed a series of slides summarizing each system's compliance with Tiers 1 and 2 of the RES for 2018. All systems ended the 2018 period with RECs that will be banked for use in 2019 (and potentially beyond) for both Tiers 1 and 2. Mr. Nolan noted that this could reduce future budgets for the RES project. Mr. Gibbons added the note that the VPPSA members will first have Tier 3 obligations in 2019 and that a portion of the banked Tier 2 RECs would almost certainly be used for meeting Tier 3 obligations. Mr. Nolan added that a large share of the banked Tier 2 RECs were attributable to Lyndonville's hydro asset. Some discussion about potential additional REC market qualifications followed.

11. Other Business

Mr. Gibbons and Mr. Nolan reported on a potential lease of up to five years, of the entitlements to the Phase 1 transmission line held by some members (the members who participated in this Project in the mid 80's hold rights, but actual ownership resides with a VELCO affiliate). Under the arrangement, the members holding rights to his asset would need to assign those rights to VPPSA. VPPSA would in turn transfer the aggregated rights to the leaser in order to avoid rounding effects otherwise occurring due to the transfer system rules. Members would continue to receive the capacity credits they get today and would acquire a significant new revenue stream. Mr. Nolan noted that the selection of a five-year term was based on the potential leaser's desire to have renewal rights on the Hydro Quebec TransEnergie system which require contracts of five years duration or longer. There was broad support for the proposal.

The meeting was adjourned at 3:25 pm.

Respectfully submitted,

James Gibbons

James Gibbons
Acting Committee Secretary