



Board of Directors Meeting Minutes

May 3, 2023

Board of Directors:

X	Denis Fortin, Barton	X	Jonathan Elwell, Lyndonville
X	John Dasaro, Enosburg	X	Scott Johnstone, Morrisville
X	Mike Sullivan, Hardwick	X	Stephen Fitzhugh, Northfield
	Vacant, Jacksonville	X	John Morley, Orleans
X	Erik Bailey, Johnson	X	Bill Sheets, Swanton
X	Thomas Petraska, Ludlow		

X indicates attendance in person, P indicates attendance by phone.

Directors present:

Abbey Miller, Enosburg (P)	Lynn Paradis, Swanton (X)

Others present:

Ken Nolan, VPPSA (X)	Alex Nicholson, VPPSA (P)	Amy Parah, VPPSA (X)
Grace Sawyer, VPPSA (X)	Conner Daley, VPPSA (X)	Amber O'Neill, VPPSA (X)
Sarah Braese, VPPSA (X)	Steve Farman, VPPSA (P)	Heather D'Arcy, VPPSA (X)
Lance Woods, VPPSA (X)	Amanda Simard, VPPSA (P)	Ken St. Amour, VPPSA (X)

Numbers in bold type correspond with agenda item numbers:

- 1.** Chairman Fitzhugh called the meeting to order at 9:30 a.m. Chairman Fitzhugh requested all attendees introduce themselves as there were multiple new people in the room.
- 2.** Chairman Fitzhugh asked if there were requests for changes and/or modifications to the current agenda. There were no changes.
- 3.** Chairman Fitzhugh asked if there were public comments and/or individuals who would like to address the Board. There was no public comment.
- 4.** Director Elwell made a motion to accept the minutes of the Board of Directors meeting held on April 5, 2023. The motion was seconded by Director Sullivan. Motion approved.
- 5.** Director Petraska made a motion to approve the Monthly Financial report for the period ending March 31, 2023. The motion was seconded by Director Johnstone.

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The Controller provided a summary of operational revenue vs expenses for the period ending March 31st, 2023. It was noted that YTD net income is \$630K. VPPSA's Operational loss is \$33K year to date, which is less than the budget by \$41K primarily due to Personnel salaries being below budget by \$35K related to the delayed hire of the new IT position and the lag time in hiring replacements for vacated positions. Other items of note: There have been no REC purchases yet this year resulting in a net income of \$404K over budget. However, purchase contracts have been signed for \$1.1 million RECs to be delivered in 2023. McNeil generation is under budget 13.25% for the year resulting in revenue being below budget by \$121K. P10 income is over budget by \$109K primarily because of Property Insurance being underbudget by \$24K, fuel expenses were less than anticipated so far this year and interest income is \$41K greater than budgeted year to date.

The motion was approved.

6. Director Bailey made a motion to authorize the General Manager to proceed with the \$10,000 RES Tier III credit incentive to Rural Community Transit as presented. The motion was seconded by Director Johnstone.

The General Manager presented that staff has been working with Rural Community Transportation ("RCT") in Lyndonville for several years to try to obtain electric buses. RCT applied for grant funding to cover the majority of the costs but still has a local match of between \$40,000 and \$50,000 toward the buses and charging stations. Even with the most recent analysis, staff continue to believe VPPSA should provide the proposed incentive. Doing so would maintain the relationship with RCT for other potential projects. The credit cost is comparable to other options, and members will require the credits in future years (under the RES statute they never expire). A brief discussion ensued. Director Johnstone asked if Lyndonville had an issue with VPPSA providing the incentive. Director Elwell indicated that there was no concern on their part. Director Sullivan asked if Hardwick would own any of the expenses for this incentive because they had an excess amount of Tier III credits already. The General Manager provided a brief review of the way the incentive would be allocated to the members.

The motion was approved.

7. Heather D'Arcy, VPPSA's Power Analyst, provided an overview of the power supply markets, the primary driving factors related to power costs, actual and future energy prices, and the budget vs actual for each member. There was a brief discussion on the coverage ratios and how the load costs were lower than budget, but the resource credits were also less than budget with a net effect of almost zero. The Chairman asked for clarity on the new purchase policy and how it came into play in the market at this time. The General Manager provided a brief review of the new policy. Ms. D'Arcy presented a detailed review of the Mystic Station costs and how the LNG prices are affecting the individual members. Ms. D'Arcy shared data that indicated that March was the second most expensive month to date but is anticipating relief in April. Director Sullivan asked what the long-term outlook on Mystic was and a brief discussion ensued as to what would be replacing the Mystic Station expense in 2024. The General Manager provided additional details on the drivers for the Mystic Station costs and future expenses. Ms. D'Arcy also gave an overview of the Renewable Energy Credit revenues for each member for the calendar year 2022 and the budget for 2023. She also provided an overview of the forward sales already under contract for 2023 and 2024.

8. The written Executive Summary and regulatory update was provided to the Board. Sarah Braese, VPPSA's Assistant General Manager, provided a brief update on various regulatory hot topics. VPPSA continues to negotiate a MOU with VEIC/Efficiency Vermont under the DRP proceedings for 2024-2026 and the 2027-2029 performance periods. Director Johnston asked for more detail on the negotiation with EVT. Ms. Braese and the General Manager shared the concerns about EVT wanting to take over more control and VPPSA's strategy to maintain autonomy and local control. The General Manager also disclosed that VPPSA will be reaching out to all the public utilities about evaluating putting together a public power EEU. Utilities outside of the VPPSA membership have recently expressed interest. A brief

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discussion ensued. VPPSA proposed an amendment to expand the scope of eligible work under our existing VLITE grant which was approved this week. Negotiations continue for the Advanced Metering Infrastructure, ACRE grant, and the FY2022 Sander's grant agreements. VPPSA has submitted the Grid Resilience & Innovation Partnership Program (GRIP) grant application and there are other funding opportunities that are being monitored and investigated. Director Johnstone asked what was the level of confidence that VPPSA had of being selected if the DOE called the representatives to ask which GRIP application should be chosen. The General Manager provided his view on the discussions with various representatives and that VPPSA feels like it has a good shot at being awarded the funding. VPPSA is also participating in a statewide grant request: Energy Storage Access Program. The PUC opened the investigation on PEV charging rates and VPPSA is actively working on getting its position solidified. Director Morley asked about the status of the ACRE program and what the next steps were to move forward with the engineering analysis. The General Manager provided a brief update and will follow up further with the development partner.

9. The Chairman presented information that he received from the tax department's consultant, Brian Fogg, about the Property Valuation Review that is being conducted by the State. Mr. Fogg indicated that the state wants to incorporate the new model for tax year 2024 and he needs to complete his work by August of this year. Mr. Fogg is trying to build a model based on Replacement Cost Less Depreciation to fairly assess utility assets. The original data request was sent to the utilities in early 2022, but only VELCO and GMP responded. Without continuing property records there are potentially two options: 1) use GMP's cost in dollars per customer (which is likely more than the municipalities' cost per customer); or 2) a formula based on the number of customers in non-exempt portions of the DU territory and the billing by rate class. Mr. Fogg claims that he is not seeing large swings in the values using the new model for GMP and VELCO. A brief discussion ensued among the members. Treasurer Paradis described what the consultant suggested that she use for Swanton's calculations and information to provide to the state. Each utility is in a different position with their assets and data. The GMP and VELCO models do not make sense to apply to the utilities, so it is important to provide information and/or reach out to Mr. Fogg directly.

10. The General Manager provided a brief Legislative update and overview to the Board of several bills that VPPSA is monitoring including: S.5 Affordable Heat Standard, H.289 Renewable Energy Standard, H.320 Renewable Energy Standard, 23-0107 Renewable Energy Standard, S.112 Misc. Changes to the PUC, H.437 Energy Storage, the Act 151 extension and S.140 Energy Storage Cost Benefit Study. The General Manager noted that Conner Daley, VPPSA's Manager of Government and Public Affairs, has hit the ground running and is going to be testifying later today. The General Manager provided an overview of several RES bills that are currently being proposed and under review in both the House and the Senate. There is a lot of pressure to have the Joint Fiscal office complete a study about the impact of the various proposals. and the utilities are seeking a summer working group instead of an external study. It appears that the Senate and the House are not in sync with their demands. A veto session has already been scheduled for June. Both versions of the Transportation bill came out with a mileage-based tax instead of a kWh-based tax.

11. The General Manager provided a brief update related to Project 10 activities. P10 has still been able to cover BED's reserve obligation and receive additional revenues whenever forecasts indicate energy markets will be stable. The NERC has acknowledged our self-reported violation and other parts of the audit review continue. Ken St. Amour provided detail about the violation and the potential non-compliance resulting from it. Discussion on the planned capital projects for 2023 continues. The plan to install a steel storage building is moving forward as well as the discussion and analysis on the possibilities for a transformer reconfiguration. A contractor has been hired to design the foundation of the storage building. It was recommended that VPPSA get the Swanton Planning Commission to sign off on the storage building to ensure that PUC approval is not required for the project. The 10-year capital projection plan is in the process of being updated and expanded to help analyze the funding amount in the Reserve account.

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12. The General Manager provided an overview of the AMI project status. The member contracts have been sent out and the staff is now answering questions. Meetings with various governing boards are now scheduled. Ludlow has returned their signed contract and Swanton had a couple of changes requested by their lawyer. Morrisville and Northfield noted that they would probably have the same changes that Swanton is requesting, because they all use the same lawyer. The Aclara agreement is ready to execute. The state grant is under final review by the state fiscal office before the DPS executes. The petition for PUC approval is in final development. The General Manager noted that Hardwick's Commission decided not to proceed with the VPPSA project at this time and will not be signing the member contract. Ken St. Amour reiterated that there will be tasks to complete upfront for all the members in the project regardless of what tranche they are currently in. He suggested that all the members in the project should be a part of all the initial design and information collection meetings. The General Manager noted that several members had asked if the communications network and water meters could proceed while awaiting the electric meters. VPPSA will be moving forward with the project Statement of Work as-is with Aclara and will discuss change orders once the design meetings begin.

13. Alex Nicholson, VPPSA's GIS Administrator, provided a written overview of the overall GIS program and project plan update. In person and virtual training continues at various members and the first training session with lineman has been completed. VPPSA's data sharing agreement is in progress and anticipates some members allowing Third-Party access to some of their data soon. The General Manager will be reviewing the recent changes to the proposed NDA with VPPSA's lawyer, Bill Ellis, this week. UVM organized a LIDAR collection project with the intent to collect all pole and line geometry from across the state. Successful collection will result in VPPSA gaining access to pole locations and line data updated from the current year for each of our members. More information will follow on this project.

14. The General Manager provided a brief update on the status of the rate case submittals and IRP's. More than half of the rate cases for the members have now been filed. Negotiations are underway on the rate cases already filed. The department is taking a hard line on the allowed Net Income, wanting to push the municipalities to borrow for capital expenditures. Director Johnstone gave a brief update on the status of the Morrisville rate case and IRP. Director Elwell asked if there were any other political options that we could exercise to get the policy on Net Income changed. He believes that this measure is really putting Vermonters at risk. The General Manager noted that the DPS position is not unreasonable for most utilities. Municipal utilities have a different business model and view debt as a bad thing. Bringing the Governor in for a conversation will not likely change this view. Director Elwell feels that the state is trying to micro-manage the municipal utilities and taking away the local decision. The discussion continued. Director Johnstone noted that this was the reason Morrisville was using the IRP to argue this point. The General Manager observed that the cycle we are currently in has brought about the filing of multiple rate cases for members and this has happened in the past. The whole state is feeling the pinch of recent power market prices. VPPSA is investigating the possibility of a legislative fix such as a fuel adjustment. The discussion briefly continued. The VPPSA IT cyber review is final and identified several areas for improvement. Work is progressing through the individual members. Director Dasaro and Director Sheets briefly discussed their experience with the cyber review. Director Dasaro suggested that the members form collaboration based on the results of their reviews so that no one is recreating the wheel. The General Manager reminded the group that the reviews will help provide a launching pad to file for additional grant money to update security measures. Director Johnstone suggested that reviewing the physical security at the same time as the cyber security may make sense. The hiring of three of the four open staff positions has been completed. The General Manager introduced Lance Woods and Conner Daley, both of whom started since the last board meeting. The power supply position is still being advertised with a broad experience range to try and get more applicants. VPPSA is revamping the position to more of an entry level position with the possibility of hiring two lower-level employees to help handle the workload. Staff continues to negotiate with the DOE and work through the last-minute surprise requirements in order to get access to the \$1 million in congressionally directed spending obtained by Senator Sanders. The General Manager gave a brief overview of the items still under negotiation.

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15. Board Member Updates: None.

16. Executive Session:

Director Elwell made a motion to enter Executive Session to discuss contract negotiations as allowed under the provisions of Title 1, Section 313 (1)(A) of the Vermont Statutes, given that premature public knowledge of the Authority's discussions and/or negotiations with potential counterparties would place the Authority in a position to suffer a substantial disadvantage because it would expose proposed terms of the contract negotiations.

The motion also includes further executive session under the provisions of 1 V.S.A. §313(a)(3) to discuss personnel issues and to finalize the evaluation of the General Manager.

The motion was seconded by Director Sheets. The motion was approved.

The Board entered Executive Session at 11:45 a.m.
The Board returned to Regular Session at 12:45 p.m.

17. Other Business: None.

Director Sheets made a motion to adjourn the meeting. The motion was seconded by Director Dasaro. Motion approved.

The meeting was adjourned at 12:45 p.m.

Respectfully submitted,



Grace Sawyer, Secretary