

VELCO Operating Committee Meeting Minutes

Thursday, December 16, 2010

11:00 a.m.

Location: Burke Mountain

Committee Members present: Ken Mason (LED), Clay (LED), Ken Nolan (BED), Ken Couture (GM-phone), Greg White (CVPS-phone), Ellen Burt (Stowe), Tom Dunn (VELCO), Frank Etori (VELCO-phone), Hantz Presume (VELCO-phone), Allen Stamp (VELCO-phone).

Others present: Allan Stamp, Hantz Presume

I. Site Visit to new Lyndonville Substation

- Ken Mason, Dave Mullet, Jeff Wright, Ellen Burt and Tom Dunn met at the new Lyndonville substation to review the new station. It was cold.

II. Minutes of November 18, 2010 meeting

- Under motion duly made and seconded, the minutes as amended of the November 18th meeting were approved.

III. Update on ISO NE VT/NH study-Hantz Presume—Forward Capacity Market-Frank Etori

- Mr. Dunn provided an overview of the VT/NH study process and its current status.
- Mr. Presume presented an update of the N-1-1 results of the ISO study. He cited numerous overloads many of which were consistent with VELCO's 2009 study. Other new problems have been identified for the first time. The process is still evaluating whether these issues are "real"—that is they need to be corrected. Mr. Presume reviewed the various conditions that are affecting the VT transmission system (e.g., west to east flows, Phase II import levels, etc.). Problems have identified with and without VY being on line.
- Mr. Dunn initiated a discussion about the financial impact of the Forward Capacity Markets auction for 2013-14. Mr. Etori reviewed a recent Reliability Committee meeting where the cost of VY de-list was discussed. VY indicated its desire to de-list in the 2013-14 period. Due to reliability reasons identified by ISO, it was determined that VY was needed to support the grid. As a result VY will receive \$11M in 2013-14 to provide this reliability benefit (VY bid: \$3.9 kw-mo.—auction price: \$2.53 kw-mo.). If VY is not there then there would be no payment. VELCO has asked ISO-NE to look at the interpretation that VT is solely responsible for this cost given that many of the reliability problems are outside of Vermont.
- Discussion ensued about potential outcomes, VY situation and whether it will continue to run. Mr. Etori indicated that preliminary discussions have occurred with representatives from CVPS and GMP. He mentioned that VELCO will assess potential scenarios and to convene a group of Vermont utilities to discuss. He indicated that Kerrick Johnson was developing a meeting of interested parties on January 14th.

IV. Telecom Sub Committee (review of Charter) Allen Stamp

- Mr. Stamp reviewed the status Telecom Subcommittee. Mr. Stamp discussed the technical issues that the group covered at its recent meetings. The subcommittee intends to meet weekly (Wednesday mornings).

V. Fiber Project Status (including cost allocation)- Allen Stamp

- Mr. Stamp reviewed the cost of the various components of the fiber project (e.g., core network electronics cost, dispersed network electronics, etc.)
- Mr. Stamp reviewed the results of the recent Executive Committee where direction was provided with respect of the treatment of costs associated with the dispersed network—namely that these costs (net of ISO-NE contribution) will be the responsibility of the respective Distribution Utility. He indicated that he and others from VELCO would be working with the affected DUs to develop an appropriate payment mechanism to recover these costs.
- Mr. Stamp reviewed the status of the Fiber deployment project. Multiple segments are under varying stages of development (engineering, make ready, stringing). Reviewed the fiber tracker worksheet. Mr. Wright asked Mr. White if there has been any easement associated issues with fiber deployment—so far most issues have involved access concerns expressed by landowners.

VI. VTA PDP load credits-

- Mr. Dunn reviewed the results of Mr. Omand's group evaluating PDP credits. Mr. Perry provided a very helpful historical perspective of this analysis. He expressed a concern that the changes in treatment of the PDP credits is forward looking while the resolution of VEC credit issue (Taft Corners) involves a repayment to correct a past billing error. OC authorized VELCO to begin billing under terms discussed at the November and December OC meetings (backup must provide 100%). Mr. Dunn will bring a resolution to memorialize the PDP credit treatment at January's OC meeting.

VII. VEC Repayment of Taft's Corners Metering Error-Tom Dunn

- Mr. Dunn introduced a proposed repayment plan to compensate the under-billing of VEC that was paid by the remainder of the DUs. Mr. Perry provided another helpful historical perspective of the events leading up to the under-billing and the proposed repayment plan. The repayment is approximately \$500,000 and will take place over 6 months. Discussion ensued about how this will be prevented in the future—VELCO has implemented steps to ensure that meters are on line when the projects are commissioned. Mr. Perry expressed a concern about retroactively repaying VTA costs as part to the Taft's Corners event and asked that the proposal be amended to specifically exclude any reconciliation of transmission costs as part of this resolution. Mr. Mason asked where this credit will show up in each month's VELCO bill.
- The motion of the repayment (w/o VTA credits), as amended, was approved.

VIII. Other business

- Mr. White expressed a desire to move forward on resolving the allocation of the B-22 losses. He reviewed the information presented on the cost of the losses incurred. Mr. White indicated that he would contact Mr. Myotte to initiate discussions on resolving the B-22 loss issue. He noted that treatment of the losses associated with Lyndonville also needed to be addressed. Mr. White will also contact Mr. Omand to develop a straw proposal on how losses will be treated for the January meeting. Ms. Burt indicated that Stowe views the B-22 agreement has expired and that any losses reconciliation will need occur through tariffs.