

**VELCO Operating Committee  
MINUTES (Draft)**

March 15, 2012, 11 a.m. – 3 p.m.  
VELCO, Rutland, VT

**Participating members:** Dawn Bugbee (Green Mountain Power, *by phone*), Ellen Burt (Stowe Electric Department, *by phone*), Ken Couture (Green Mountain Power, *by phone*), Ken Mason (VPPSA-Lyndonville Electric Department), Tom Dunn (VELCO), Ken Nolan (Burlington Electric Department, *by phone*), Kevin Perry (VT Electric Cooperative, *by phone*), Paul Renaud (VELCO), Greg White (Central Vermont Public Service, *by phone*) and Jeff Wright (VT Electric Cooperative, *by phone*).

<p><b>Next meeting</b></p> <p>April 19, 2012 11 a.m. – 3 p.m.</p> <p>GMP, Montpelier Office</p>
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**Other VELCO participants:** Allen Stamp, Deena Frankel, Mike Loucy, Thad Omand, Karen O’Neill, Hantz Pr sum  and Kim Pritchard.

**Minutes approval**

- Mr. Mason moved, Mr. Wright seconded and the minutes were approved without dissent.

**Agenda**

- The group agreed to take up the matter of the true-up agreement at a time certain – 1:30 p.m. – to accommodate schedule conflicts.

**Metering issues**

- **Accounting for losses:** Mr. Omand explained it was recently discovered that a discrepancy exists between the Vermont and ISO-NE planning load calculations. Specifically, ISO-NE includes hourly losses from the border to the Highgate converter in the losses provided to VELCO daily. VELCO does not include the losses in its hourly load calculation. This may be causing a double deduction of four to five megawatts per hour that has been occurring for a number of years. The error was discovered when VELCO and ISO-NE were reconciling loads used by each entity for planning purposes.
  - Next steps: VELCO is working to verify that there was, in fact, an error. This question should be answered in the next month. At that point, the 90 day ISO resettlement provision will apply if the error is verified. In addition to resettlement, ISO and VELCO will need to reconcile how to handle Highgate losses going forward.
  - Magnitude: The magnitude of the error is approximately \$8.8 million, so the amount subject to the 90-day resettlement look-back is an estimated \$300,000.

- **Block load calculation:** A second potential issue was discovered during the ISO-NE planning loads reconciliation concerning how Vermont handles the block load for metering and settlement calculation. The current method was set up in 2003. ISO is now questioning whether it is appropriate to use the contract value for metering and settlement, rather than actual deliveries in the vicinity. VELCO will set up a face-to-face meeting with ISO to resolve the issue. The issue mainly affects VEC because the variance between the contract and actual energy deliveries would be added to their settlement load at ISO-NE. Mr. Kieny and Mr. Perry are involved in the discussions and will be included in the face-to-face meeting with ISO-NE.

#### **Update on VT/NH Study**

- Mr. Pr sum  reported that the March 15 Planning Advisory Committee (PAC) meeting at ISO included an agenda item for ISO to present its follow-up study. The results do not differ from what Mr. Pr sum  presented at the last meeting of the Operating Committee. The northwest Vermont and Jay area reliability deficiencies continue to be pushed beyond the 10-year horizon. The Connecticut River and central Vermont issues are current or arise very soon.
- The distribution utilities and VELCO, through the Vermont System Planning Committee process, are currently conducting a full non-transmission alternatives (NTA) analysis, which should reveal by year end whether an NTA solution to the central Vermont reliability deficiency is viable.
- VELCO continues to work with ISO-NE to reconcile our load forecast with theirs. If ISO accepts VELCO's input, the ISO-NE load forecast will increase somewhat.

#### **Telecommunications**

- Mr. Loucy and Mr. Stamp presented the slides in the meeting package. They reported that the DWDM was approved by challenge board that morning (3/15/2012). The team will now evaluate how to get the equipment installed and in service. The project is moving forward with no barriers in view.
- They reported (as discussed in the February meeting) that VEC is asking to defer to 2013 four radial taps. The determination of how to handle the deferral is central to determining the critical path for finishing the project. By the next Operating Committee meeting the approach will be laid out.
- Splicing may begin earlier than originally projected, drawing into 2012. Readiness scopes are very sensitive because the work is occurring in a live environment. The work involves creating space for electronics in live substations to install these electronics. While the telecom racks in current substations are in tight spaces, there is space in the racks. Because of the sensitivities, the work needs to be performed by people with intimate knowledge of VELCO substation to do the work, preferably a VELCO person, but that may not be possible.
- Coordination on the installation will occur with the distribution utilities in next couple of months.
- Mr. Couture asked for update at next month's meeting on the radio project. Mr. Dunn committed to having Dan Nelson provide a formal update in April.
- Mr. Mason asked whether CVPS will participate, post-merger, in the Radio Project. Mr. Couture indicated CVPS and GMP and looking at whether the CVPS territory would participate post-merger.
- Mr. Mason asked whether participants will be buying and installing their own radios. Mr. Loucy stated that they will buy their own radios, but he does not know about installation. For the buy, it will be possible for participants to take advantage of bulk purchasing. Mr. Loucy will address this issue in next month's update. Mr. Mason stated the utilities' need for information about prices and other background so utilities can make decisions by deadline.

## VGS Expansion

- Mr. Dunn presented slides on the VGS expansion plan included in the meeting package. The presentation shows that, until 2008 gas and oil prices moved together, but as of 2009, oil has gone up while gas has gone down. This trend is likely to persist for years to come. Mr. Dunn stated that the price differential has been very persuasive at public meetings on the project and subscription rates are high where gas is extended because of customer savings. The long-term goal for VGS is to tie its gas supply into US system.
- Mr. Wright observed that the project appears to provide a good opportunity to get archaeological, environmental and maintenance work done in the corridor. He asked if VGS is reaching out to potential generation developers. Mr. Dunn did not know what conversations VGS has had with developers. He reported that they have considered larger capacity pipe, but 12- or 16-inch pipe raises cost of materials greatly. If no anchor tenant exists for the additional costs, the project will not work at the larger size. They can accommodate future generation with 10-inch, but it is unclear what magnitude of generation could be accommodated. For example, the current design could perhaps fuel peaking generation at Omya. VGS does not seem interested in any speculative building.
- Ms. Burt asked if gas lines currently share any electric transmission line right-of-way. Mr. Dunn stated that the gas line comes close to transmission in some places but is in separate corridor. While there are line crossings, there is little if any shared corridor.

## True-Up Agreement

- Ms. O'Neill presented the final revision of the true-up agreement. She explained the changes, based on the discussion from the February Operating Committee meeting:
  - The agreement applies to energy charges, not ancillary charges.
  - Refunds will take form of billing credits.
  - The agreement incorporates a 72-month look-back period.
  - Language has been added to the termination clause so the Operating Committee can terminate with 30 days notice. Termination would only be effective going forward, not to charges identified before that time.
- Ms. Burt asked, referencing page 3 of the draft agreement, what is difference between VELCO and the Operating Committee. Ms. O'Neill responded that the language provides maximum flexibility to all parties.
- Mr. White asked whether the document will apply to the pending GMP billing error issue. Ms. O'Neill responded that the agreement would apply to the GMP issue and that VELCO's FERC counsel would be identifying that error to FERC in proposing this agreement.
- Mr. Couture asked whether this agreement would give VELCO the authority to carry out the reconciliation of the GMP issue. Ms. O'Neill stated that it would do so and that the reconciliation would happen through the monthly settlement process unless otherwise agreed. However, it is not possible to guarantee how fast FERC will act. VELCO's FERC counsel will reach out to ISO first, prior to filing; then talk to FERC staff before filing. We hope for approval within a couple of months.
- Mr. White asked whether approval is likely before June 30 (the likely date for completion of the merger if approved). CVPS has a large customer it wants to be sure is made whole in the process. Ms. O'Neill reiterated that there are no guarantees for the timing of approval. She pointed out that CVPS will still exist between June 30 and Sept 30. After that time, monthly settlement will be with new GMP. During the July-September window, CVPS and GMP will need to work out how to take care of that customer. It is

likely that approval and implementation of the true-up agreement will occur within the period when CVPS is still a legal entity but has been acquired.

- Ms. O'Neill was asked whether there is latitude in current draft to make the payments to different parties after June 30 or September 30. She responded that the agreement allows lump sum payment if agreed by all, although agreement generally provides for a three-month payout. GMP would like to get this issue off the books before merger completion.
- Mr. Mason moved and Mr. Wright seconded approval of the true-up agreement. The motion passed unanimously approved.

#### **Next meeting agenda**

- Mr. Dunn proposed and the group agreed to schedule an in-depth presentation on Docket 7081 MOU at next meeting.
- Mr. Mason proposed to agenda a discussion of losses between the Lyndonville Electric Department Higgins Hill Substation and CVPS. Mr. Mason and Mr. White agreed to discuss this matter prior to the Operating Committee meeting and question whether the matter was an Operating Committee issue.

#### **CEII and FERC Standards of Conduct Presentation**

- Ms. Pritchard presented the Critical Energy Infrastructure Information (CEII) slides that were included in the meeting package. She stated that the content is based on the ISO-NE Participating Transmission Owners—Administrative Committee (PTO-AC)) guidelines on CEII. Several participants asked for copies of the guidelines and VELCO agreed to send them to the entire Operating Committee.
- The CEII restrictions are applicable only to bulk electric system assets and other elements that can cascade to the bulk electric system.
- Ms. Pritchard was asked whether the restrictions on sharing material containing CEII apply when the exchange involves VELCO information shared between two utilities that have both signed a non-disclosure agreement (NDA). She responded that release is made for a specific purpose to the first utility. A request to share the information with another utility in connection with another purpose should come back to VELCO to decide.
- Mr. Renaud asked for clarification of what a landowner can see, e.g., line location is not CEII. Ms. Pritchard stated that an NDA would only be needed if the landowner was seeking other, more detailed info.
- Ms. Pritchard also presented the FERC Standards of Conduct slides that were included in the meeting package.
- Mr. Dunn asked whether the FERC Standards of Conduct apply to long-term planning information, to which Ms. Pritchard answered no.
- Mr. Wright noted that VEC has an exemption from Standards of Conduct, as has GMP. How does this apply to VELCO info held by VEC? Ms. Pritchard will review and follow up with the group. Mr. Nolan observed that a reason for exemptions is that the small size of Vermont utilities requires people to do multiple jobs. The exemption helps ensure we are not creating a reliability problem as a result of the walls. FERC has applied a de minimus exemption to certain utilities.

#### **Online Access**

- Ms. Frankel presented a proposal to increase the use of the Operating Committee website ([opcom.velco.com](http://opcom.velco.com)) for posting and distribution of the meeting materials. Some members prefer email

attachments. Others would like to use the online library and not maintain their own copies. Going forward, staff will update individual access accounts and distribute new passwords. No password is needed to access the site except for material that contains CEII or is otherwise confidential. Meeting emails will continue to include attachments, but will also include links to access meeting materials from the website.

### **System Assessment Project**

- Mr. Dunn provided an update on the status of the System Assessment Project. (See meeting package.)

### **Other business**

- Ms. Frankel noted that the Long-Range Transmission Plan was finalized following the March VSPC meeting and includes some changes in the affected utility determination from the first draft.
- Mr. Mason asked whether the Operating Committee membership composition will change as a result of the merger. This question will be placed on the next meeting agenda.

### **Future agenda items**

- Regular/periodic updates:
  - Billing and power accounting report (including change of control process)
  - NTA study update
  - VT Control Center Operating Forum (quarterly)
- Radio project update (Dan Nelson)
- Docket 7081 review (Deena Frankel)
- Effect of merger on Operating Committee membership

### **Next meeting:**

April 19, 2012  
11 a.m. – 3 p.m.

GMP, Montpelier Office