

**VELCO Operating Committee
MINUTES (Draft)**

February 16, 2012, 11 a.m. – 3 p.m.
Green Mountain Power, Montpelier Office

Participating members: Ellen Burt (Stowe Electric Department, *by phone*), Ken Couture (Green Mountain Power), Ken Mason (VPPSA-Lyndonville Electric Department), Tom Dunn (VELCO), Ken Nolan (Burlington Electric Department), Kevin Perry (VT Electric Cooperative, *by phone*), and Jeff Wright (VT Electric Cooperative).

Other participants: Karen O'Neill (VELCO), Deena Frankel (VELCO), Thad Omand (VELCO), Mike Loucy (VELCO).

Next meeting

March 15, 2012
11 a.m. – 3 p.m.

At VELCO

Minutes approval

- Approval of the minutes of the January 19, 2012, and January 25, 2012, meetings was moved by Mr. Mason, seconded by Mr. Wright and approved without dissent, with Mr. Wright and Mr. Mason abstaining because they were not present at the January 25 meeting.
- Mr. Wright asked for clarification of whether the Network Access Agreement approved January 25, 2012, had been approved subsequently by the VELCO Board of Directors. Mr. Dunn clarified that Board approval was not required, but that the Board had approved the budgets for distribution utility (DU) electronics and VELCO electronics. Mr. Wright asked, and Mr. Dunn affirmed, whether the same access agreement would apply to all DUs.

True-up agreement

- Ms. O'Neill reported on her **review of the true-up agreement** draft developed based on the resolution of the committee.
- **Look-back period:** The current draft includes a 54-month look-back is a long look-back. Original resolution called for a 72-month look-back. The group's intention was to provide a long enough period to cover the GMP-specific current look-back issue. Agreed solution is to amend paragraph 6(b) to incorporate the 72-month time frame.
- **Subject charges:** Ms. O'Neill pointed out that the resolution was explicitly limited to energy charges only, but the draft agreement is not limited to energy only. The draft provides the opportunity for the Operating Committee to discuss resolution of VTA charges. The limitation to energy charges only in the resolution recognized the complexity of application to transmission charges and the existence of a true-up mechanism under the VTA. Ms O'Neill expressed concern that FERC might object to a provision that was not adequately defined. The group agreed to a revision of the draft to limit to energy charges only.
- **Draft for action at March Operating Committee:** Ms. O'Neill will prepare a revised draft for a vote at the March Operating Committee meeting. Participants were asked to be prepared to vote in March. If approved at the March meeting, VELCO FERC counsel will talk with ISO-NE and FERC staff prior to filing and will then file for approval, which is expected in a July time frame based on the expectation of approximately 60 days for FERC action. Mr. Couture expressed GMP's desire to complete resolution of the open true-up issue by September 30, the end of its fiscal year.
- **Summary of agreement for VPPSA:** Mr. Mason asked Ms. O'Neill bullet-point summary to share with VPPSA members. Ms. O'Neill agreed to prepare a summary, but asked that the agreement not be

circulated before VELCO FERC counsel has a chance to talk with FERC and ISO-NE staff. Mr. Mason asked and Ms. O'Neill agreed to have the summary a day or two before VPPSA Board meeting.

- **GMP payback timing:** Mr. Couture will let the group know for planning purposes of GMP's intention regarding the timing of payback for the current issue following approval of the true-up agreement by regulators. Payback will be remitted to VELCO as intermediary which will pay out to utilities in net settlement. Ms. O'Neill will verify that this approach is workable under the language in the current draft, which states that distribution will be to the entities.
- **Withdrawal notice period:** Ms. O'Neill pointed out that it may be desirable to lengthen the provision allowing any participant to withdraw with 30-days notice.

ISO-NE Vermont/New Hampshire

- **Two ISO studies:** Hantz Pr sum  presented an update on the ISO-NE VT/NH Study. He reported that ISO is simultaneously completing the needs study and developing an addendum study, resulting in a revised solutions report based on a new load forecast and new forward capacity market auction. The report to stakeholders in March will be obsolete a few weeks later when the addendum study is released.
- **Study results** (slide 2): Results of the addendum study are shown in Slide 2 of the presentation. The year of need for northwest and some central Vermont issues, as well as the Jay area, will be postponed beyond 10 years. The study concludes there is no pre-existing reliability issue in the Jay area.
- **Demand response treatment changing** (slide 3): Treatment of active demand response will change from being a resource called upon under extreme conditions, e.g., OP4, to being dispatched as an energy resource, like generation, beginning in 2016. If the price of DR is more favorable than generation, for example, DR will be dispatched. The forecast assumes the DR currently in the market will remain in the market over the next three years. The group discussed the potential for large customers not to want to stay with the program if they are called more frequently in response to price signals, rather than system conditions.
- **Load forecast alternative scenarios** (slide 4): Two alternative forecast scenarios are shown. The lower forecast will affect timing of some upgrades. Lower load scenario postpones southeast Vermont upgrades but has no effect on timing of the Connecticut River upgrades. Central Vermont issues can be addressed with a non-transmission alternative and more time is available to develop the solution. (See slide 7 for timing with and without DR in the forecast. Vermont Yankee out of services reduces the need for upgrades, but VY in service helps with the Vernon/Southeast VT issue. For the Northwest and Central areas, PV 20 is more beneficial than additional generation.
- **PV 20 solution status** (Slide 9): VELCO described the letter recently received from NYPA regarding the separation of the double-circuit towers (DCT) in New York that prevent an assumption of power flow over the PV 20 post-contingency. NYPA states that it is working to fix the DCT issue but that NYISO will not agree to assuring back-up power to Vermont over the PV 20 in an emergency. Mr. Renaud described plans for VELCO to meet with ISO-NE shortly to address New York issues, VELCO's expectation that ISO-NE will play a key role working with NYISO on the PV 20 issue.

Affected utility determination in VELCO Long-Range Transmission Plan

- Ms. Frankel discussed the process for conducting Non-Transmission Alternative (NTA) analysis and how "affected utility" determinations are made under the MOU in Docket 7081. The purpose of this agenda item, she stated, was to determine whether agreement exists on the designation of affected utilities in the VSPC draft of the 2012 Long-Range Transmission Plan. If participating utilities can resolve any

disagreements at the Operating Committee it will simplify the VSPC input process at the March 14 VSPC meeting.

- Mr. Wright asked if all the potentially affected utilities were aware the ongoing discussions and whether they had attended recent meetings. Ms. Frankel responded that all of the utilities have been notified and many had attended the meeting where the Plan was reviewed and/or the NTA study group meetings.
- Ms. Frankel then referenced the memo she circulated in advance of the Operating Committee meeting. Mr. Wright discussed situations where affected DUs have not participated in resolving reliability problems. Ms. Frankel indicated that the MOU has dispute a resolution mechanism that could be used for this situation.
- Mr. Presume reviewed table detailing reliability deficiencies, including VELCO's proposed designation of lead DUs and affected DUs. Mr. Nolan asked a question about the Colchester subsystem issue. Mr. Presume indicated he would address bulk system issues first. For the bulk system issues most of the Vermont's DUs are affected utilities.
- The group discussed consequences of a non-Vermont utility being identified as an affected utility. Ms. Frankel noted that Vermont has no ability to get such an entity to engage in a Vermont-only process.
- The group discussed what happens where NTAs are not effective in resolving a reliability deficiency and when NTA consideration can be ended. Ms. Frankel noted that the VSPC process of NTA analysis can stop if a deficiency is screened out using the Docket 7081 screening tool. If the screening tool screens a deficiency in, a more detailed NTA analysis must be completed. Even where a project has screened out, VELCO generally completes at least a limited NTA analysis in connection with preparing a Section 248 case.
- Ms. Frankel led the discussion about the process used for designation of affected utilities for bulk system issues. VELCO's LRTP, due to be filed with the PSB July 1, must list affected and lead utilities. Ultimately, the DUs will determine the final designations, with any dispute resolved by the VSPC. VELCO is seeking guidance on the preliminary determinations that were made in the initial draft plan.
- The 7081 MOU allocates cost based on how costs would be shared in a transmission solution, so if all utilities would pay a portion of the transmission solution, all are affected. The costs of the NTA analysis can be recovered by the lead utility from the affected utilities. There was an extensive discussion about how allocation disputes are addressed by the 7081 MOU and how long it might take to resolve disputes.
- Ms. Burt addressed the affected utility determination for the Stowe sub-system reliability issue identified in the table on page 35 of the draft LRTP. She stated her belief that all the utilities be that participated in the Lamoille cost allocation should be affected utilities for this deficiency.
- Ms. Frankel note that next VSPC meeting is 3/14/12, which is proposed to be the end of the comment period. She encouraged the DUs to provide comments as soon as possible.
- The group agreed that all Vermont DUs are affected utilities for purposes of the bulk system projects. This continues the assumptions applied in the 2009 Plan, and is consistent with the Docket 7081 MOU.

Telecommunications

- Mr. Loucy presented the fiber project slides. He showed a map of project status from VELCO's Infoguide.
- Mr. Wright discussed three radial lines in VEC territory that VEC would like to delay until 2013. VELCO and VEC are discussing seeking an approach that will allow these elements to be done as a discrete element past the April 2013 end date for the DOE grant.
- Mr. Loucy reported that the central fiber ring is almost ready to light up today. The northern ring will be next. Southern has only two locations, simplifying completion of that segment.

- Mr. White expressed the need for certainty on the timing of completion as CVPS will need to make provisions if the new system will not be ready in time for their AMI roll-out. Mr. Stamp indicated VELCO will communicate firm schedule information very shortly.
- Mr. Couture asked if compensation for lit fiber back to the DUs timing will occur as installation is complete. Mr. Loucy indicated discussion has started with project controls and finance about how to minimize carrying costs. Options are to create project numbers for each substation, or to parse by area, which may reduce administrative burden. Reimbursement is contingent only on electronics being connected and ready for service. VELCO will be working out the details with CVPS, which has more than 70 sites ready, and then will roll over the process to the other DUs. Access agreement are ready to be signed and must be in place before reimbursement.

Outage coordination

- VELCO and DUs have held two of three scheduled joint operator training sessions. Based on direction from the Operating Committee, the group is forming a VT Control Center Operating Forum. The group will report quarterly to the Operating Committee.

Future agenda items

- March:
 - Critical Energy Infrastructure Information (CEII) for March meeting
 - True-up agreement (action item for March meeting)
- Regular/periodic updates:
 - Billing and power accounting report (including change of control process)
 - NTA study update
 - VT Control Center Operating Forum (quarterly)