

Minutes of July 15, 2010, VELCO Operating Committee Meeting

I.) Site-Visit-Lyndonville 115 kV Substation

The Operating Committee meet at the new VELCO/Lyndonville 115 kV substation for a site visit starting at 11 am. The site visit began with an explanation of VELCO safety rules and then a brief explanation of the project. The committee ventured to an area near the new controls building and then a more detailed explanation of the project was given by Patrick Firliet, VELCO Site Manager, and Ken Mason, LED Manager. The committee members asked a number of questions and seemed quite impressed with what was going on. Patrick explained that about 1000 yards of concrete was going to be poured and about 875 yards had been poured to date. Ken explained the 34.5 kV relocation work that was being done by LED linemen that was going on as they watched and how the new sub will tie in with LED's existing four 34.5 kV distribution subs. Patrick pointed out the new VELCO 115 kV structures north of the sub and mentioned the two 115' tall poles in particular. There was some discussion about how the new sub will tie in with the existing Higgins Hill sub and how. Greg White, CVPS, joined in the conversation and gave information relating to the substation interconnect via the existing 34.5 kV overhead line from CVPS's perspective. Tim McGuire, Burke Mt. Ski Area Manager, joined the group for the site visit. The site visit lasted about 50 minutes and then everyone headed for the New Base Lodge at Burke Mountain for the balance of the meeting.

II.) Minutes of prior meetings : Meeting called to order by Vice Chairman Ken Mason at 12:30 pm

Motion made by Greg White and seconded by Ken Nolan to approve the minutes from the May 20, 2010, meeting at VEC and the May 21, 2010, phone conference.

No discussion. Approved

III.) Status of CFO Forum discussion of Load Ratio Share

Ken Mason led the discussion of with an explanation of the process that the Load Ratio Share discussion had gone through over the past month or so and in particular, the process taken by the CFO's in developing the Hybrid alternative. He handed out the spread sheet that showed the comparisons between the PDP, Network Load and the Hybrid and spent a little time going it with the group and a group discussion ensued. Most to the Committee members mentioned that they had a chance to speak with their respective CFO's and that their respective organizations supported the Hybrid alternative. Mason had also attached to the spread sheet several e-mails that he had received relating to the Hybrid. One was from Dawn, GMP, one from Michele, VELCO, one from Pat, Stowe, and one from Crystal, VPPSA.

The discussion then shifted to the e-mail received from Stowe and its contents. It appears that because of a B-22 settlement reached a couple of years ago and one that ran for 18 months and subsequently ended June 2010, that load had been shifted as part of the settlement and that it will result in a Transco Equity imbalance as the result for as long as any part of the 18 month settlement remains in the 24 month average from Transco. The benefitting utilities will be CVPS and GMP and the non-benefitting will be Morrisville, Hardwick and Stowe. The effect of the adjustment will be felt initially for the 2010 equity issue and carry onto 2011 and 2012 if equity is also issued during those years. Although the amount of

dollars are relatively small based on the 2010 equity amount, if the equity issued in succeeding years increase dramatically, then the dollars lost could increase proportionately.

It was pointed out that the CFO phone conference held the day before this meeting to address this concern resulted in the CFO's agreeing that the Load Ratio Share should remain simply based on the formula agreed to earlier and not address single issues such as this. Stowe mentioned that they were on the phone conference and that the phone conversation resulted in the five distribution utilities saying that they were going to get together and try and work something out. The committee took no action and voiced their full support to the CFO's to do a good job and wrap this up.

IV.) Source document for determination of IGAP credit

Thad, VELCO, handed out materials and led off the discussion.

1. Discussed which document to use in the future for the value of each generator receiving IGAP credit. The report previously used was eliminated with the implementation of the Forward Capacity Market. The seasonal claimed capability report has been modified to represent the five year average summer and winter peaks for the generator. The committee discussed using the forward capacity obligation or the revised SCC reports. The committee requested VELCO provide options for the committee to review and resolve at the next meeting.
2. The IGAP criterion was distributed with a brief discussion of the Kingdom Community Winds location. VELCO reminded everyone that proposed generation should be reviewed in light of the location and some zones have generation in excess of local load.

V.) Load data during recent heat wave

Thad, VELCO, handed out materials and led off the discussion.

1. The graph showing the past week system usage was reviewed. The peak value of 1063 MWH on Thursday July 8 was noted. It was mentioned that early on the 8th a DU had contacted VELCO to discuss their belief that a potential VELCO peak would occur that day. Because the DU was relying on preliminary load files that were provided as part of the ISO settlement process to develop the statewide load forecast, and those files were therefore 7-days old, the DU called seeking advice with regard to VELCO's expectation of real-time loads. VELCO informed the DU that it was not forecasting a new peak. The DU chooses not to run their demand response units as a result of VELCO's answer. The peak did occur and several thousand dollars of savings were missed. The DU informed the committee that it believed access to more real-time load information, such as inclusion of a table with actual load data on the VELCO website, would have allowed it to make a better decision. Several committee members added their belief that as the smart grid deployment is completed, the dynamic rates are implemented and access to real-time statewide data will become more important. The committee requested that VELCO change

its forecasting website to include a table showing values for both the actual and forecasted amounts for the operating day.

VI). Highgate convertor update

Thad, VELCO handed out a copy of the Highgate Budget and a lively discussion ensued.

1. The current budget for Highgate was reviewed. Two small changes of adding the battery upgrade and moving the valve spare parts to O&M were noted. The committee noted the 50% increase to the controls system upgrade estimate in a six week timeframe after some distribution utilities had finalized numbers was very frustrating. VELCO noted the final numbers will not be known until the RFP is completed near the end of 2010. The committee requested what VELCO provide the grade of the current estimate.

VII.) Bellows Falls transformer

1. VELCO reported on the Bellows Falls substation outage. It was originally thought that the transformer VELCO had sold to National Grid in April of 2010 had failed which would have pushed the liability of replacement to National Grid and saved VELCO and its owners over a \$1 million. However, after further review it was confirmed that the cause was actually caused by the catastrophic failure of a 46 kV breaker. Both transformers in the substation, including the one VELCO sold to Grid, were reenergized successfully after repairs were made.

VIII). Other Business

1. VELCO mentioned a metering and settlement forum will be formed to create transparency in the processes and iron out any issues. The process is meant to coincide with the new power accounting tool being built.
2. VELCO pointed out several substations are coming online in the near future. VELCO is organizing to insure the metering, billing, and unit costing will be transparent and timely.
3. CVPS noted they are currently leaning toward signing a traditional substation participation agreement for the Newfane substation.
4. CVPS provided an update on the Fiber project. A meeting is planned in the near future to iron out differences. Most DUs are opposed to the current plan. The outstanding issues revolve around ownership, ISO funding, transfer of assets, and service level.

Attended meeting: Ken Nolan, Ken Couture, Pat Householder, Greg White, Dave Mullett, Thad Omand, Ken Mason