

VELCO Operating Committee Meeting Minutes

Thursday, January 20, 2011

11:00 a.m.

Location: VELCO

Committee Members present: Ken Mason (LED), Ken Nolan (BED), Ken Couture (GMP), Greg White (CVPS), Ellen Burt (Stowe), Tom Dunn (VELCO), Allen Stamp (VELCO).

I. Minutes of November 18, 2010 meeting

- Under motion duly made and seconded, the minutes of the December 16th meeting were approved.

II. Update on ISO NE VT/NH study-Tom Dunn

- Mr. Dunn provided an overview of the VT/NH study process and its current status. Reviewed the ISO's 2-2-11 PAC presentation.
- There was a discussion about NTAs: What is the schedule for providing information on potential NTAs (2nd quarter), How NTAs might be funded—Mr. White offered a concept where generation is paid for as a transmission asset and any market revenues are subsequently credited against the revenue requirement of the generator.

III. Telecom Sub Committee - Allen Stamp

- Mr. Stamp reviewed the status Telecom Subcommittee which met 3 times since the December's OC meeting. Subgroups have been formed to look at various equipment and substation issues. These groups are meeting to reach decisions on these issues as soon as possible. Mr. Couture noted that GMP is anxious to resolve these issues so that deployment can begin immediately. The group intends to offer a cost allocation proposal for consideration at February's OC meeting. Mr. Wright noted that VEC is prepared to sign the attachment agreement once cost allocation is resolved.

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

- Mr. Stamp reviewed a presentation on the fiber optic project. Cost to date \$6.2 out a \$53M fiber-only project cost. Various segments are under development (i.e., engineering, make ready, installation/stringing). There was a discussion about coordination on the project. Mr. White noted that, depending on the intermediate network option selected, coordination can be on the critical path. Mr. Wright noted that the cellular network has been effective for meter read data transport, but not effective for system operation and control needs.

V. Energy Losses B22 Update—Thad Omand

- Discussion about how the losses CV is experiencing for deliveries over the B-22 should be treated. Mr. White suggested that the terms of the VTA allow for

VELCO to develop an allocation for these losses. Ms. Burt noted that CV should consider filing at FERC for the recovery of the losses. There was a disagreement among the OC members how to treat these losses. There was a discussion about the parallels between the B-22 situation and the Lyndonville-St. Johnsbury situation.

- VELCO will research the VTA to develop an interpretation of Articles V & VI and particularly what VELCO's role is in the loss allocation. Options include: 1) VELCO calculates the losses and allocates accordingly, 2) parties agree to a loss allocation arrangement, or 3) the affected utility relies on its tariff to recover losses from its transmission customers. Mr. Nolan expressed a concern that option 1 exposes VELCO to a challenge at FERC which could be very expensive. Mr. White and Mr. Dunn will contact Mr. Myotte to determine the status of negotiations among the affected Distribution Utilities.
- Mr. Mason brought the issue of allocating the losses LED is incurring for deliveries to the CV system at St. Johnsbury. He noted that this issue needs to be resolved prior to February 12th (90 days after the energization of the new Lyndonville substation). Discussions are underway between the 2 parties. Mr. White expressed the desire to rely on a set of consistent principles to reach an agreement on this issue.

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

- Discussion of repayment for the Taft's metering error. Mr. Mason talked about the VPPSA letter. The message of the letter is that, on a prospective basis, any credits should include all costs (energy, VTA and ISO transmission costs). The issue of transmission charges was discussed. Group agreed that VTA costs would be waived in this case. On a going forward basis there is a need to have a protocol for future billing errors. Discussion around what elements need to be included. Mr. Nolan noted that there is a RBA process at the ISO that provides an opportunity for a utility to seek an adjustment of transmission costs due to errors. CV, GMP and BED want to pursue the RBA for the RNS charges. VELCO will ask ISO about flexibility of RBA repayment and whether the resettlement can consider exclusively RNS charges.
- VELCO will bring a straw proposal on how future billing errors will be handled. Definition of billing errors, treatment of energy, VTA and RNS costs. Duration of period for recovery was discussed with consideration of statute of limitations and that in many cases these costs were included in rates. With respect to energy, the parties should seek to develop a mutually acceptable repayment schedule.

VII. Real Estate Transactions:

- CV will evaluate whether affiliate transactions allow to address need to transfer assets, VELCO document its preference and where policy will reside.
- GMP is going to review their bond indenture to determine if it has the ability to transfer land to an affiliate at book value.

VIII. Other business

- Group discussed the frequency of future meetings and it was decided to keep the meeting on a monthly basis.