

VELCO Operating Committee MINUTES

April 19, 2012, 11 a.m. – 3 p.m.
GMP-Montpelier, VT

Participating members: Ken Couture (Green Mountain Power), Ken Mason (VPPSA-Lyndonville Electric Department), Ken Nolan (Burlington Electric Department), Kevin Perry (VT Electric Cooperative), Paul Renaud (VELCO), Greg White (Central Vermont Public Service) and Jeff Wright (VT Electric Cooperative).

Other VELCO participants: Allen Stamp (phone), Deena Frankel, Mike Loucy, Thad Omand, Hantz Pr sum .

Mr. Renaud chaired the meeting.

Minutes approval

- Mr. White moved, Mr. Mason seconded and the minutes were approved without discussion or dissent.

Report on the Root Cause Investigation (RCI) on the Jay Substation Accident

- Mr. Renaud, who is leading the VELCO-VEC joint RCI on the recent accident at the Jay Substation, gave a brief update on the events of the accident. A key learning he reported is the need to focus on the welfare of all the people involved in such an incident, since all will be affected by such a trauma. The focus of the effort going forward will be on how companies work together and harmonize work practices. Mr. Renaud will give a report at the next Operating Committee meeting. The RCI is working hard to gather information while avoiding jumping to conclusions so that a deeper understanding of causes can be achieved. A separate investigation is underway by the Vermont Occupational Safety and Health Administration. Operating Committee members expressed their interest in understanding what happened when the investigation is done. Mr. Renaud committed to reporting to the group when the report of the investigation is complete and accurate.

Metering update

- Mr. Omand provided an update on power accounting issues beginning with the **Vermont Electric Cooperative block load and Highgate metering issue**. VELCO is presently working to set up a meeting with ISO-NE to understand their calculations. The block load issue was identified during a discussion with ISO planning. The issue is whether the load attached to Canada should be included in the hourly metering calculation. Documentation shows that Vermont's approach to the billing is based on a written agreement with ISO-NE established in 2003. The resolution of this issue would impact VEC's transmission charges. The second issue is metering at Highgate. VELCO does not include losses from the border through the converter in the hourly load calculation. The current understanding is these are treated similar to losses on the 345 kV system and allocated to all of New England. ISO has mentioned that these losses are included in the daily loss report sent to VELCO. VELCO has not been able to confirm this. If this is true the statewide load calculation will increase by approximately 5MW per hour and spread to every utility based on load ratio share. This would increase Vermont's annual power supply by approximately \$1.2 million. No changes will be made in the method of calculation until Vermont gets clarity on what is included in the ISO-NE's loss calculation.

Next meetings

May 17, 11 a.m. – 3 p.m.
GMP, Montpelier Office

NOTE DATE CHANGE:

June 20, 11 a.m. – 3 p.m.
GMP, Montpelier Office

- Vermont Marble recently contacted VELCO disputing their VTA bill from its last two months of operations before they were acquired by CVPS. VELCO is evaluating whether a true-up correction is needed. The amount involved is approximately \$2,600. If VT Marble's claim is justified, the correction will be covered by the VTA true-up mechanism. The corrective action will be to ensure there is both a high and low metering value in the metering system for all required meter reads.
- Mr. Couture described communication among CVPS, National Grid and GMP in which NGrid identified that GMP changed a meter setting in 2007 but did not inform NGrid. As a result NGrid did not update its metering system and has significantly overbilled GMP since. NGrid has made a 90-day settlement request to ISO-NE to correct the error. Mr. Omand stated that VELCO is now working on the commissioning process to be sure all entities impacted by a change is notified and acknowledges notification at the time changes are made.

VT/NH Needs Assessment & 2012 Long-Range Transmission Plan

- Mr. Pr sum  presented an update on the VT/NH needs assessment and VELCO's 2012 Vermont Long-Range Transmission Plan update. He described the outreach activities planned for April, May and June, including four public meetings hosted by VELCO at presentations at the majority of the Regional Planning Commissions around the state. The outreach effort is intended to gather public input to the plan in compliance with statutory and Docket 7081 requirements.
- Mr. Pr sum  presented ISO-NE's current energy efficiency forecast and discussed the discrepancy between the ISO-NE and VELCO approaches to forecasting load with respect to how energy efficiency is taken into account. He described how VELCO collaborated extensively with VEIC and DPS to produce a consensus forecast, and that stakeholders had agreed with a forecast that discounts 50 percent of the future funded energy efficiency because ITRON's forecasting method picks up a portion of the energy efficiency. ISO-NE, by contrast, is subtracting the full amount of future funded energy efficiency, resulting in what VELCO believes is some amount of double-counting. This presents a problem in planning efforts going forward. The ISO forecast will likely control, but practically speaking, the Connecticut River project is needed under either forecast. For other areas, the current Vermont NTA study will not be finished until the end of the year, and VELCO will work with ISO-NE to resolve the forecast discrepancies during that period. Under the revised forecast, the northwest Vermont solutions will not be needed in the first ten years under this load projection.
- Mr. Mason raised the issue of changes in ISO-NE's approach to black start resources. ISO is changing from a bottom-up to a top-down approach to black start restoration, and will in the future restore the 345 kV system first. In order to qualify for black start capability payments under the new system, units will have to comply with binding, bulk system Critical Infrastructure Protection (CIP) requirements that involve significant cost. The cost of compliance will be approximately \$300K, and black start credits will increase from \$180K to \$900K, but uncertainty remains about whether a facility that makes the compliance investment can be assured participation and therefore receipt of the credits. Discussion revealed conflicting information about the feasibility and economics of Vermont facilities participating in the new program. Mr. Renaud agreed to arrange with Dave Haas for an appropriately timed update on the black start program changes.

Telecommunications

- Mr. Loucy presented the meeting slides on the **statewide radio project**. He indicated that drive-test data is matching the modeling data very closely because of the system's 200 MHz design. CVPS is beginning to use the system and WEC is beginning testing. Mr. Mason indicated VPPSA's continued interest in the

system. Mr. Loucy will follow up with Dan Nelson when Dan returns from vacation to ensure follow-up with VPPSA. Following the last Operating Committee meeting, Mr. Loucy alerted Mr. Nelson of VPPSA's interest in radio availability and Mr. Nelson has been working follow-up.

- Mr. Couture indicated that GMP and CVPS are planning to adopt CVPS's radio system post-merger. Capital is budgeted post-merger to outfit GMP vehicles.
- Mr. Mason asked whether VELCO will offer radios for sale? Mr. Loucy said he understood VELCO would not purchase radios, but this may not be a closed decision. Mr. White stated that it may be possible when GMP is ready to purchase to join with the municipal utilities and all purchase under same competitive bid process. Mr. Couture offered to put municipals in touch with the radio vendor with which GMP is working or with GMP people who are working on the purchase.
- **Fiber project update:** Mr. Loucy presented the fiber project update. The group discussed when a Section 248 approval is needed for poll replacement where height is increasing or many structures are being replaced. Mr. White explained that CVPS obtained an advisory opinion that the height change threshold is 10 feet. He offered to share a copy of the opinion with GMP, which is working now with DPS on the same issue.
- Mr. White asked whether VELCO has any idea when a more concrete schedule will be available for the build-out of the DWDM. Mr. Stamp responded that the schedule will be prepared as soon as Mr. Loucy's team gets comfortable with the make-ready needed. Right now, the project team is meeting every two weeks with the CVPS team. DWDM equipment will be deployed in central ring in July.
- Mr. White discussed the safety issues of approach distances issue and poll roping for the fiber project, with particular sensitivity heightened by the recent accident. Mr. White stated that the appropriate steps are in place to ensure safety in that either the required clearances will be available or the project will use qualified line workers with appropriate protective equipment. Weekly meetings are now being held with VEC and GMP.
- Mr. Loucy discussed the need for billing detail from the DUs for work they are completing under the project. Mr. Wright suggested VELCO provide a template indicating the FERC codes and the essential level of detail needed. This framework needs to be in place before the billing begins.
- IBM is researching CIP compliance issues with the fiber project equipment. The equipment will not be ordered until the CIP question is answered.

Docket 7081 MOU Process

- Ms. Frankel presented the meeting slides on the process established by the Docket 7081 MOU. The purpose of the presentation is to get committee members to the same level of understanding prior to the issuance of the draft report of the NTA Study Group that is now considering solutions to the northwest and central Vermont reliability issues.
- The statutory foundation of the process is the requirement to do least-cost planning, including a 10-year plan every three years, and to advocate for parity of non-transmission alternatives with respect to regional cost recovery. Following the Northwest Reliability Project Docket 6860, the Board opened an investigation (Docket 7081) into VELCO's responsibility to explore and implement cost effective NTAs. The stated objective of 7081 is full, fair and timely consideration of cost-effective NTAs. The docket also expanded from the statutory obligation of a 10-year plan to a 20-year horizon, and the Board obligated all utilities to participate.
- Ms. Frankel explained that, although the 7081 process provides a year following publication of the Long-Range Plan update to complete NTA analysis, this timing does not match well with ISO-NE's planning

process. This mismatch has driven the agreement of the VELCO and DUs to proceed with the NTA analysis on the northwest and central Vermont reliability issues before the plan is published.

- Project-specific action plans will be developed for each identified deficiency or group of deficiencies that screen in for full NTA analysis. The current study group is helping to define what these action plans will look like. The ad hoc process reform group is also working to define the project-specific action plan concept. Mr. Pr sum  observed that this piece of the process is different from in the past and it appears that the VSPC is now playing a larger role. Ms. Frankel pointed out that the VSPC has no legal standing, and that the obligation to choose the least-cost solution is on the utilities. All VT utilities are affected parties for the bulk system deficiencies since all would share in the cost.
- The NTA Study Group identified 21 alternatives to be screened for evaluation. A public outreach process step was done at the beginning of the study to ensure all relevant resources had been identified. Another public outreach will be done in the fall with the results. A draft of the study is due out in July; however, this appears to be an optimistic date. If the study identifies a viable NTA solution and the utilities cannot agree on solution selection, cost allocation, and implementation strategy, the VSPC has an advisory voting role. Mr. Mason asked if this process has ever worked. Ms. Frankel responded that this is the first real test. The group discussed the challenge of reaching consensus on solutions and cost allocation, and the consequences if it did not.
- The group discussed how the VTAM relates to the Docket 7081 process in determining cost allocation. One of the objectives of the VSPC process is to prevent transmission as a default; the VSPC has the obligation to provide a recommendation. The VTA defines cost allocation for transmission solutions. The Docket 7081 process states that, if the least cost solution is an NTA, the allocation of above market costs will be done in the same manner as the costs of the transmission solution would have been allocated.
- Ms. Frankel stated that all parties are participating in the study, but that some are reserving the right to challenge the determination of affected utilities. Ms. Frankel stated her opinion that the language in the MOU is not ambiguous on the definition of “affected utilities” since the allocation of above market costs is done in the same way as the avoided transmission costs would have been allocated.
- Ms. Frankel described the NTA study requirements including lead DU and study cost recovery, cost allocation, and which projects screened in and out of the current study. The draft of the NTA analysis should indicate by July whether or not a viable NTA exists to defer or avoid transmission solutions for the central Vermont reliability issues. The final report is due in October. Both of these targets are optimistic, but the study should be done by the end of the year.
- Mr. Mason asked what the issue with Stowe is since we just installed a new substation. Mr. Pr sum  described the contingency and resulting deficiency.
- Mr. Pr sum  was asked to discuss the obligation of the DUs to study or to build NTA based on the results of VELCO’s study. VELCO is obligated to complete study. The DUs can opt not to act based on their own reliability criteria and may also state at the time of VELCO’s study that they disagree with the existence of a given subsystem deficiency. Ms. Frankel asked that committee members identify any disagreements about identified subsystem issues that were not already discussed in the VSPC input period so that such issues may be flagged in the 2012 VSPC annual report.
- The group discussed the viability of an NTA for solving single transformer reliability issues.
- Jeff Wright asked if NTA analysis should be done for capacitor installations. Committee members suggested that the cost threshold of \$2M would likely result in an NTA being screened out.

Rescheduling the June meeting

- Mr. Couture and Mr. White have a conflict for the June meeting and asked if the meeting could be rescheduled to June 20 at GMP in Montpelier. The group agreed to reschedule as requested.

Higgins Hill Substation issue

- Mr. Mason asked to reschedule the pre-meeting discussion among Lyndonville, CVPS and VELCO that was scheduled to occur before this meeting. It was agreed that the group would meet prior to the May 17 Operating Committee meeting. In the mean time, Mr. White proposed to open the switch now to avoid further losses.

Adjournment

- Mr. Mason moved and Mr. Couture seconded that the group adjourn.

Future agenda items (including carry-over items from February minutes)

- 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.
 - Fiber project update.
 - System Assessment Project
- Affect of merger on Operating Committee membership.
- Report on the progress and/or results of the Jay accident RCI.
- ISO-NE black start program changes (Dave Haas).
- Before the Operating Committee: CVPS, Lyndonville and VELCO to meet on Higgins Hill Substation issue.

Next meeting:

May 17, 2012
11 a.m. – 3 p.m.

GMP, Montpelier Office