

VELCO Operating Committee DRAFT Meeting Minutes

Thursday, August 18, 2011

11:00 a.m.

Location: GMP, Montpelier

Committee Members present: Ken Mason (VPPSA-LED), Ken Couture (GMP), Ken Nolan (BED), Greg White (CVPS-by phone), Jeff Wright (VEC), Dave Mullet (VPPSA), Tom Dunn (VELCO), Allen Stamp (VELCO), Hantz Presume (VELCO), Ellen Burt (Stowe), Chris Dutton (VELCO), Jose Sebastiao (VELCO), Dan Nelson (VELCO)

I. Minutes of July 21, 2011 meeting

- The minutes of the July 21 meeting were seconded and approved.

II. VT/NH Study Update - Hantz Presume & Mr. Sebastiao (presentation)

- Mr. Presume provided an update on the July PAC meeting where the VT portion of the VT/NH Study solutions was presented. He noted that various factors were taken into account in recommending solutions. ISO New England (ISO) noted the need to study new information (e.g., results of capacity auction) when evaluating system needs.
- Mr. Presume indicated that ISO is looking at operational actions as a means of mitigating voltage deficiencies (e.g., dispatching capacitor banks, generators, adjusting phase shifters).
- Mr. Presume discussed the need dates for various upgrades. He noted that the analysis did not take into account the reactive support that Kingdom Wind may provide. These resources may defer the need for the Jay capacitor bank.
- Mr. Presume discussed the needs in NW VT. Many of the need dates are immediate though non transmission alternatives (NTA) could materially affect the need date. In central VT the K-31 is needed immediately because there is no effective NTA available. In the Coolidge to West Rutland corridor overloads, the solutions could be affected by NTAs (e.g., PV-20 flows, generation north & west of West Rutland).
- Mr. Presume covered the next steps in the VT/NH study and noted that the ISO is planning on completing the work by the end of 2011. He discussed the upcoming VELCO LRP that will be starting later this year. Mr. White asked if VELCO expected to see different results. Mr. Presume indicated that the differences would be relatively minor and the same deficiencies would be identified.
- Mr. Nolan indicated that the proposed Fair Haven woodchip plant has contacted BED about buying power. He noted that the pricing was not very attractive and it is unlikely that BED would be interested in a contract. He suggested that VELCO maintain awareness about the status of the plant as it moves forward because it may become an issue in the upcoming legislative session. Mr. Dunn indicated that VELCO has been in contact with the proponents of the plant. He

noted that the plant is proposing to interconnect to the VELCO 115 kV system via a new 1 mile corridor.

- Mr. Presume presented information on the implementation of the proposed solutions. Mr. Dunn noted that \$200 million for the NW VT solution (rebuilding 115 kV from West Rutland to Tafts Corner) is not in the recently released capital forecasts.
- Mr. Sebastiao gave a presentation on VELCO's Capital Program. He discussed closeout projects, projects under permitting, and future projects. The presentation also covered the Highgate Converter Refurbishment. Mr. Mason asked about the nature of the cost estimates provided and the cost allocation to Vermont ratepayers. Mr. Sebastiao indicated that the estimates were the total costs of the substation and that the allocation of the project costs is reflected in the quarterly capital forecasts provided by VELCO. Mr. Mason asked about how the costs of the Sheffield project will be treated. Mr. Wright noted that ongoing O&M will be paid by the generator.
- Mr. Sebastiao reviewed the schedules for the upcoming projects noting that the central VT project is forecasted for completion by 2016.
- There was a discussion about the forecasts and the nature of the costs. Mr. Mason indicated that some of the municipalities may have concerns with respect to debt/equity ratio and their ability to raise capital to invest in VT Transco.

III. Telecommunications Update – Allen Stamp & Dan Nelson (Presentation)

- Mr. Stamp gave a presentation on the lit fiber electronics. He discussed the various technologies being evaluated for the lit fiber system. He reviewed the work that has taken place over the past three years to understand the design requirements of the system noting that there has been a substantial increase in the expected traffic on the fiber system.
- Mr. Mullet asked that VELCO provide information about what this system can do for the distribution utilities. Mr. Mason noted that the new system could introduce additional risk to the distribution business. Mr. Stamp will prepare examples how the fiber system can be used to assist DU operations and provided the deadlines for participating in the fiber system.
- Mr. Mullet suggested that VELCO cover the fiber project and lit fiber at the upcoming VPPSA retreat. Mr. Dunn agreed that Mr. Stamp, Mr. Nelson, and Mike Loucy should work with Mr. Mullet to provide a presentation for the retreat.
- There was a discussion about the overall cost of the lit fiber project. Mr. Dunn indicated that the cost of the lit fiber will be higher than the original estimate and that VELCO will bring the new estimate back to the OC in September. Mr. White asked whether the allocation methodology of the cost of the fiber electronics that the OC approved at the July meeting should be brought to the VELCO Board for approval. Mr. Dunn indicated that it should and will make sure a resolution is prepared and brought to the VELCO Board.
- Mr. Nelson gave a presentation on the status of the Statewide Radio Project. Mr. Nelson also reviewed how the system will function.

- Mr. Stamp provided an update on the fiber project. He noted that the project is on schedule for an end of 2012 completion and that the project is meeting budget expectations.
- Mr. Stamp provided an update on the SmartGrid project. He highlighted the progress being made by the DUs, the cost and schedule status, and the management of ongoing risks.

IV. GMP Metering Adjustment Update-Tom Dunn

- Mr. Dunn provided an update on the GMP metering adjustment. He noted that the ISO approved the Requested Billing Adjustment (RBA) for January, February and March of 2011. Mr. Dunn indicated that the VELCO Board of Directors approved of making a FERC filing to obtain FERC's support for the settlement and that GMP is preparing a repayment plan.

V. Service Quality Standards Clarification - Ken Couture

- Mr. Couture provided an update on the effort to clarify SQ standards. Mr. Couture and Mr. White are meeting with the DPS on September 2 to discuss the major storm definition. Mr. Couture indicated that he would update the group on the DPS meeting at the next OC meeting.

VI. System Assessment Project

Mr. Dunn provided an update on the progress of VELCO's System Assessment Project. He indicated that the multi-phase project is underway and that the scope of the later phases, which are dependent on completion of earlier phases, is ongoing. He noted that the project is scheduled for completion in 2Q 2012 though final scope definition may affect this date.

VII. Other business

- Mr. Mason noted that CV and LED have not reached an agreement on transmission losses allocation. He asked if VELCO was concerned about the position of the switch between CV and LED.
- Mr. Dunn discussed the need to improve outage scheduling among the DUs and VELCO. He highlighted the recent example where CV scheduled an outage on their Johnson bus with relatively short notice. He noted that this outage, in combination with the long-term outage of VELCO's Middlesex transformer (due back in November), created significant reliability risk to north central Vermont. It was generally agreed that additional coordination would be beneficial. Mr. Dunn offered to develop a straw proposal for improved outage coordination for the group to consider at the October OC meeting. The intent of this effort would be to reach agreement on an enhanced outage coordination procedure that would ultimately be approved by the VELCO BOD.