

**VELCO Operating Committee 10 a.m.
Joint Meeting with CFO Forum 11 a.m.**

MINUTES FINAL

September 17, 2012, 10 a.m. – 2 p.m.
VELCO Rutland Office

Participating members: Ken Couture (Green Mountain Power), Tom Dunn (VELCO), Pat Householder (Stowe Electric Department), Ken Mason (Lyndonville Electric Department & VPPSA), Ken Nolan (Burlington Electric Department), Kevin Perry (Vermont Electric Cooperative), Bill Powell by phone (Washington Electric Cooperative), Paul Renaud (VELCO), Greg White (Green Mountain Power), and Jeff Wright (Vermont Electric Cooperative)

Other participants: Mike Brusell (Vermont Electric Cooperative), Dawn Bugbee (Green Mountain Power), Brian Connaughton (VELCO), Crystal Currier (VPPSA), Chris Dutton (VELCO), Mike Fiske (VELCO), Deena Frankel (VELCO), Penny Jones (Morrisville Water & Light), Mike Loucy (VELCO), Craig Myotte (Morrisville Water & Light), Michele Nelson (VELCO), Thad Omand (VELCO), Daryl Santerre (Burlington Electric Department), Allen Stamp (VELCO), Donna Trombley, and Rick Twigg (VELCO)

<p>Next meeting</p> <p>October 18, 2012 11 a.m. – 3 p.m.</p> <p>At GMP Office Montpelier</p>

Meeting Opening

- Mr. Dunn opened the meeting at approximately 10:10 am.

Minutes Approval

- Mr. Mason moved and Mr. Wright seconded approval of the minutes of the August 16, 2012, which approved without dissent.

Telecommunications

Telecom Subcommittee Update

- Mr. Nelson reported on two ongoing areas of focus; development of a triage procedure and routine business process. The telecommunications subcommittee would like to improve real time visibility of the bulk and distribution electrical systems. VELCO will evaluate integrating mapping systems over the next several months.
- Mr. Nelson stated it's likely to take a year or so to develop an integrated mapping system primarily due to the differing levels of software capabilities across the Vermont utilities.
- Mr. Nelson also discussed that a third-party network management system is being evaluated to afford the VELCO telecommunications team time to enhance its knowledge of the new fiber network and network performance.

Fiber Project Update:

- Allen Stamp presented the Fiber Project update slides.
- Mr. Stamp reported that the execution of the third-party telecommunication fiber network swap agreements decreased VELCO's fiber construction scope by approximately 140 miles.

- Mr. Stamp discussed that approximately 70 miles of fiber construction is likely to be deferred into 2013 as a result of make-ready and easement challenges.
- Mr. Loucy added that, for the Barton–Orleans system, the subtransmission line upgrade is scheduled to be completed in 2014 per their bonding schedule. VELCO will provide the fiber and Barton-Orleans’ line contractor will install the fiber as they complete subtransmission line upgrades.

Statewide Radio Project (SRP)

- Mr. Nelson presented the SRP slides, reporting that 100% of sites are permitted and all but two sites are commissioned. Okemo is anticipated to be commissioned in September.
- Mr. Nelson discussed the Wells site in further detail. VELCO is currently constructing the site and has installed a temporary cell on wheels (COW). The strategy is to commission the site as soon as possible to minimize landowner challenges and allow for minimal interruption of existing telecommunication systems at the site.
- Mr. Powell states that Washington Electric Cooperative (WEC) is planning to use the SRP.
- Mr. Couture asked what has to occur by the end of the year related to existing radio systems. Mr. Nelson stated that by January 1, 2013, all non-narrow banded operators must cease operation or face potential fines of up to \$10,000 per day.
- Mr. Nelson discussed that, for GMP, developing a channel plan is the most important step in order to migrate to the VELCO statewide radio network.
- Mr. Mason asked if utilities keeping their current radio bands would they need new portable radios. Mr. Nelson explained they could but VELCO would need to have the radios programmed, likely using Burlington Communications, to manage the channel plans, switching, etc., and then the utilities would have access to the VELCO statewide radio network. Mr. Nelson further explained that the utilities would be able to directly communicate with VELCO operations while in the field (e.g., if performing switching, etc.).

Proposed Re-allocation of Income Tax Error

- Ms. Nelson reported that since the last Operating Committee (OC) meeting the Chief Financial Officers (CFO) forum has met and was in agreement with the proposed re-allocation strategy. Ms. Nelson stated GMP is preparing for an early October refund in the amount of approximately \$207,000.
- Ms. Nelson asked that the OC take a vote on the proposed resolution at this meeting.
- Mr. Mason moved and Mr. Wright seconded to approve the re-settlement resolution. The motion was approved without dissent.

Jay Incident Update

- Mr. Renaud said the VOSHA report of findings for the Jay incident identified six areas of concern that could potentially lead to citation. The primary finding was failure, under the General Duty clause, to protect a worker. The documentation of the safety review job hazards analysis, alternatives, etc., has been compiled and is under review.
- Mr. Renaud reported the secondary findings as:

- Tagging was incomplete; each crew should have had its own tag on both the 46kv and 115kv lines.
- Barricading from the energized 115 kV line was necessary
- Pole inspections prior to climbing were not documented
- Training & qualifications of all workers especially between organizations on site were not documented to ensure both organizations are assured that the workers are qualified for the work they are performing.

2013 Budget Presentation

- Mr. Dutton introduced the 2013 Vermont Transco LLC (VT Transco) proposed operating and capital budget. Mr. Dutton explained VT Transco's spend is declining over the five year capital forecast as a result of fewer large-scale system upgrades. Although some fluctuation in spend is anticipated year over year, the overall amount is declining and is driven by load forecasting analyses. VT Transco will transition its focus from construction to operation and maintenance of a much larger asset base.
- Mr. Dunn stated that approximately 3,000 structures are 50 years old or older. Our current change-out rate will increase from approximately 25 structures to more than 100 per year to effectively address aging infrastructure. The prudent step of inspecting structures in order to identify the necessary replacements will allow VELCO to prioritize and refine its replacement program.
- Mr. Wright offered that given the number of aged structures, the proposed increase in structure replacements may need to be higher.
- Mr. Dunn responded that VELCO will be in a better position to evaluate the structure replacement rate upon review of the future field inspection reports.
- Mr. Dutton said the headcount for full-time equivalents will decrease from 160 to 158 and efforts in future will need to shift towards compliance, especially in the area of EMS. The overall 2013 budget will increase by approximately \$44,000 when using an anticipated 3% merit increase.
- Mr. Dutton summarized that, although VT Transco's transmission costs will increase by approximately \$7.7M in 2013, this increase will be substantially offset by an increase in VT Transco's earnings of approximately \$7.3M
- Ms. Nelson provided a summary of the budget. It was reported the discount rate used for defined benefits plans in the 2013 budget is 3.4%. The 2012 budget assumed 4.7%. So the falling discount rates will result in an increase to the 2013 pension plan by approximately \$900,000.
- Mr. Brusell asked at what rate is the fiber depreciated. Ms. Nelson stated the communication equipment is depreciated over 15 years.
- Mr. Mason asked if VELCO would need to increase headcount to take on structure replacements. Mr. Dutton responded that the resource strategy is to reallocate existing internal and external staff from declining capital project load to this effort.
- Mr. Couture asked about the budgeted item for upgrading the security guard area. Mr. Twigg responded that the requirements come from the need to integrate the building entrance into this function, such as creating the capability to consolidate badging controls in one location.
- Ms. Nelson asked the attendees to review the budget information and provide comments over the following days to incorporate feedback into the budget presentation for VELCO's next BOD meeting in October.

New England Load Discussion and Impact on VT Transco RNS Revenue

- Ms. Nelson discussed the ISO-NE Monthly Peak Demand chart. ISO-NE is forecasting an increase in load while VELCO is forecasting a static load based on 2011 actual load. Regional Network Service (RNS) revenue in the 2013 budget is based on VELCO's load forecast. Following this methodology, VELCO should receive its full revenue requirement for pooled transmission facilities over a 12 month period.
- Mr. Brusell asked what steps VELCO could take to get ISO-NE onboard with using a consistent load forecasting methodology. Rate cases have high exposure as the Vermont rate processes and ISO-NE billing cycle are not aligned. Mr. Dutton mentioned VELCO continues to communicate with both the DPS and ISO-NE regarding the challenges and impacts of load forecasting variance. To date the parties have not resolved the issue, however state regulators are well aware of the complexities and all parties continue to consider the issue.

October OC Meeting:

- The October OC meeting will be held on Thursday, October 18, 11 a.m. to 3 p.m. at the GMP office in Montpelier.

Adjournment

- Mr. Mason moved and Mr. Wright seconded adjournment, which was agreed to without objection. The meeting adjourned at approximately 12:30 pm.