

VELCO Operating Committee Final Minutes

September 18, 2014, 11 a.m. – 3 p.m.
VELCO, Rutland

Participating members: Ellen Burt (Town of Stowe Electric Department), Ken Couture (Green Mountain Power), Frank Ettori (VELCO), Ken Mason (Lyndonville Electric Department, by phone), Craig Myotte (Morrisville Water and Light Department), , Kevin Perry (Vermont Electric Cooperative), Bill Powell by phone (Washington Electric Cooperative), Chris Root (VELCO, Chair), Jeff Wright (Vermont Electric Cooperative).

Other participants: Dawn Bugbee (Green Mountain Power), Brian Connaughton (VELCO), Crystal Currier (Vermont Public Power Supply Authority), Thomas Dunn (VELCO), Mike Fiske (VELCO), Kerrick Johnson (VELCO), Penny Jones (Morrisville Water and Light Department), Diana Lee (VELCO), Kim Moulton (VELCO), Dan Nelson (VELCO) Karen O'Neill (VELCO), Lynn Paradis (Swanton Village Electric Department), Dan Poulin (VELCO), Hantz Presume (VELCO), Daryl Santerre (Burlington Electric Department), Jaime Smyrski (VELCO), Eddie Ryan by phone (Green Mountain Power), Ron Welch (VELCO), Cheryl Willette (Washington Electric Cooperative).

<p style="text-align: center;">Next Meeting October 16, 2014—11 a.m. GMP Office, Montpelier</p>

Meeting opening

- Mr. Root opened the Operating Committee (OC) meeting at 11:10 a.m.

Safety topic

- Mr. Root presented a safety topic concerning daylight hours. With the days getting shorter everyone should be mindful of potential driving hazards associated with decreased visibility.
- Mr. Dunn discussed the benefits of routinely reminding ourselves and teams of the potential to become complacent with everyday dangers and that by increasing awareness hopefully accidents will decrease.

VELCO Budget

- Ms. Nelson presented the materials provided to the OC concerning VELCO's 2015 budget. She summarized VELCO's efforts to offset the use of external contractors with internal resources. This was a combination of absorbing the work tasks, substituting certain skill sets with more cost effective resources and headcount reallocation.
- Mr. Ryan asked for an explanation as to why the interest rate is decreasing from 2014 to 2015. Ms. Nelson responded that VELCO is using a combination of its line of credit and less equity as short term debt. Mr. Ryan asked if VELCO could evaluate possibly changing its borrowing methodology to one of more long term debt vs short term as this may be advantageous to keep the rates more favorable. Ms. Nelson agreed and will follow up with Mr. Ryan at a later date.
- Mr. Couture asked for an explanation of what was included within the contract services portion of the compliance budget line item. Ms. Nelson responded that this budget item includes VELCO's operations center and its employees, on-site security guard services and to a lesser degree external contract compliance support.
- Mr. Wright asked what was included within the easement budget line item. Mr. Connaughton responded that it includes modernizing existing easements to include clear rights and easement boundaries to allow for the maintenance of the rights of way and assets thereupon. Mr. Wright suggested that VEC may be able to assist VELCO with some of the right of way work within VEC's territory as they are also considering improving the easements along several lines as well. Mr. Connaughton agreed to follow up with VEC to evaluate potential synergies.
- Mr. Wright asked for a description of the Pinnacle Ridge facility budget line item. Mr. Dunn explained that these costs are associated with continuing to redesign and reconstruct existing space at this facility. The benefits are to improve communication and efficiency by creating an open office environment. One example is to design the space such that departments that perform coordinating functions can be closer together promoting enhanced cooperation. Mr. Root mentioned that the costs also include building out

additional server support space. Ms. Bugbee asked if VELCO has considered going to a cloud based solution versus expanding the server support services. Mr. Nelson responded that VELCO has analyzed this option but for reliability reasons, core business functions need to stay within VELCO's direct control and with the electrical grid becoming more sophisticated increased server capacity is required.

- Mr. Wright asked for an explanation of new Wenlock warehouse budget line item. Ms. Nelson responded that a significant portion of the materials stored at the Wenlock facility are associated with VT Transco business and that the facility is part of its strategy to improve material management efficiencies. She expressed the need for VT Transco to evaluate different ownership models to maximize the economic benefits of the facility. Mr. Loucy explained that the facility current utilizes several temporary storage units that are both a safety concern and not designed to manage materials. The new warehouse will allow the staff to better manage the material flows, be safer and improve visibility for financial reporting.
- Mr. Couture asked for an explanation of the Metering System Enhancements budget line item. Mr. Etori responded that ISO-NE is considering changing the current hourly metering settlement to a five minute interval. This change would require a rewrite of the power accounting software used to perform the metering settlement process. He discussed that if ISO-NE doesn't require this interval change, approximately \$2M of the line item budget may not be required.
- Ms. Bugbee asked how much internal labor is associated with the financial enterprise asset management system. Ms. Nelson responded that this budget item is primarily for a new software solution and any internal labor would be insignificant. More analysis is required to finalize the solution so this is essentially a high level estimate of what the team has been able to determine to date.

Minutes approval

- Mr. Mason moved and Mr. Wright seconded approval of the August OC minutes as posted. The minutes were approved without objection.

Pentachlorophenol issues update

- Mr. Connaughton provided an update to the OC concerning the Pentachlorophenol issue. VELCO is coordinating a day long workshop with interested utilities that will include an expert speaker from one of VELCO's wood pole manufacturers. The purpose of this workshop is for knowledge exchange and to share lessons learned both in Vermont and the industry.
- Mr. Connaughton discussed that VELCO anticipates the closure of the open spill case associated with the detection of pentachlorophenol at a residential property in Monkton that is crossed by a VELCO transmission line. The ongoing sampling program at this property and properties associated with the Vermont Gas line project have indicated that no significant environmental impacts associated with pentachlorophenol are present. Based upon this sampling data, we anticipate that additional work these areas will not be required.
- Mr. Connaughton also discussed that ongoing sampling efforts by Vermont Gas along the proposed VELCO corridor indicate that pentachlorophenol is not present in these sample areas.

Kingdom Community Wind Losses

- Mr. Perry presented the materials provided to the OC concerning the Kingdom Community Wind loss analysis. The conclusion is that the settlement issue only impacts VEC and GMP and VELCO will utilize its power accounting system to provide support in bringing closure.

VELCO Lock/Key Replacement project

- Mr. Fiske provided an update to the OC concerning the progress of lock deployment. The current forecast to be completed by the end of October.
- Mr. Mason asked if there is a plan to include any spare locks at the sites. Mr. Fiske responded that not at this time but the distribution utility should use one of their locks in the event they need to secure a site and VELCO would coordinate directly with the DU for future replacement.

Arc Flash project update

- Mr. Poulin presented the materials provided to the OC concerning VELCO's Arc Flash project. VELCO has completed the analysis for its switches throughout the system and as a baseline used the most reasonably conservative approach. The important thing for all to remember is the incident energy values are site and condition specific so using a conservative approach is considered to be most protective.
- Mr. Wright asked if VELCO is requiring all switchman to use the VELCO provided hot sticks at the substations. Mr. Fiske responded that VELCO has not made this a requirement but it would take this under consideration. VELCO does have hot sticks and personal protective equipment available today but an evaluation of the results from Mr. Poulin's team, the new requirements and the necessary protective equipment needs to be completed.
- Mr. Mason asked if any decision has been made as to which safety protocol will be followed when a DU and VELCO have collocated switches. Mr. Fiske responded that this will also need to be evaluated against the new regulations and coordinated with the impacted DU's.
- Mr. Welch explained the switchman training is currently on a two year cycle but a special refresher training session will likely be planned to address these new regulations.
- Mr. Root summarized VELCO's next steps regarding the new regulations. VELCO will determine what work practices need to be updated, develop a training program and plan to conduct a switchmen update training session before the end of 2014.
- Mr. Fiske mentioned these practices will also be extended to grounding and tree clearing contractors.

Power Accounting update

- Mr. Etori presented the materials provided to the OC concerning the Bridge Energy Group (BEG) contract, ongoing work and transition plans.
- Mr. Etori explained that a collaborative meeting has been established in October with interested DU's to discuss potential strategies moving forward regarding settlement accounting governance.

ISO-NE update

- Mr. Etori presented the materials provided to the OC concerning forward capacity market changes and changes for the Elective Transmission process.
- Ms. Burt asked if VELCO had any visibility into other New England (NE) markets where municipalities are providing natural gas for residential heating and does ISO expect prices to increase. Mr. Etori responded that residential use of natural gas in NE has increased which will likely result in increased prices but the extent is unknown.

Results of Vermont Portion of Vermont-New Hampshire ISO-NE 2023 Study

- Mr. Presume presented the materials provided to the OC.
- Mr. Wright asked if an overload event is identified, is it up to the impacted utility to correct the situation. Mr. Presume responded that yes the responsibility remains with the utility to evaluate an overload situation and determine the resolution.

VELCO Subtransmission Data Base project

- Ms. Lee presented the materials provided to the OC. She asked that the impacted DU's provide a point of contact for their organization that would be able to update system data necessary to improve the accuracy of the planning database.
- Mr. Couture offered that it's possible the impacted DU's have existing databases that could be transferred to VELCO for this effort. Ms. Lee agreed that this would be a good approach and will follow up with the points of contacts to investigate the most efficient manner to transfer the information.

Other business

- Ms. Burt asked for an update on Vermont Gas. Mr. Dunn responded that they are in construction in Chittenden County and that phase 2 has been filed with the Public Service Board. Beyond this some public resistance still exists, VELCO will have resources in the field supporting the inspection work during

construction, and VELCO continues to be diligent in its efforts to ensure Vermont Gas adheres to the executed agreement.

Proposed agenda items

- VELCO substation service
- Pentachlorophenol update
- Board of Directors Meeting update
- Third Party Transmission Project update

Motion to adjourn

- Mr. Wright moved and Mr. Couture seconded adjournment, which was agreed without objection.