

VELCO Operating Committee Final MINUTES

September 17, 2015, 11 a.m. – 3 p.m.
GMP Montpelier

Participating members: Ellen Burt (Town of Stowe Electric Department), Ken Couture (Green Mountain Power), Frank Ettori (VELCO), Ken Mason (Lyndonville Electric Department), Ken Nolan (Burlington Electric Department), Kevin Perry (Vermont Electric Cooperative), Bill Powell (Washington Electric Cooperative), Chris Root (VELCO), Ken Weishaar (Town of Stowe Electric Department), Jeff Wright (Vermont Electric Cooperative).

Other participants: Dawn Bugbee (Green Mountain Power), Mike Bursell by phone (Vermont Electric Cooperative), Brian Connaughton (VELCO), Crystal Currier (Vermont Public Power Supply Authority), Robert D'Arienzo (VELCO), Thomas Dunn (VELCO), Dave Hass (VELCO), Dennis Gravlin (Burlington Electric Department), Kerrick Johnson (VELCO), Scott Mallory (VELCO), Michele Nelson (VELCO), Dan Nelson (VELCO), Eddie Ryan by phone (Green Mountain Power), Kevin Weishaar (Town of Stowe Electric Department), Donna Trombley (VELCO), Greg White (Green Mountain Power).

Next Meeting
October 15, 2015—11 a.m.
GMP Office, Montpelier

Meeting opening

- Mr. Root opened the Operating Committee (OC) meeting at 11:05 a.m. The beginning of this meeting was jointly held the DU CFO's.

Safety topic

- Mr. Connaughton presented a safety topic concerning tree stand safety as we approach the hunting season. Additionally, with the increased human activity in the woods at this time of year wildlife becomes uneasy and more transient potentially leading to an increased risk of crossing roadways.

VELCO Budget

- Mr. Dunn provided an update of VELCO's budget process summarizing that VELCO has achieved a flat budget for two years in a row. This was accomplished by balancing the work effort across the enterprise while maintaining essential programs like investing in continuing to develop our employees, right of way maintenance, etc.
- Ms. Nelson presented the materials provided to the OC concerning VELCO's 2016-2017 budget. She explained VELCO's efforts to keep the budget flat which included repurposing headcount to maintain 2015 headcount level, savings being realized by right of way maintenance practices and utilizing overhead rate accounting methodologies to capture shifting costs from expense to capital.
- Mr. Connaughton expressed that some of the cost savings are the result of the vegetation inventory program as it allows VELCO to develop a more specific scope of work. This reduces risk in the work as VELCO is into multiple cycles of herbicide use which has stabilized the right-of-way floor. This improved scope definition allows VELCO to move to a time and materials contracting approach vs. lump sum.
- Mr. White asked how much of VELCO's rights-of-way are utilizing herbicides to control vegetation. Mr. Connaughton responded approximately 75%.
- Ms. Bugbee asked if VELCO had an estimate as how much this benefit has reduced the overall costs. Mr. Connaughton responded that he would research the data and provide it to the OC members.
- Mr. Bursell asked for explanation of a proposed \$70,000 budget reduction cost. Mr. Connaughton responded that VELCO is no longer going to be required to continue to conduct additional Pentachlorophenol (PCP) studies along the right-of-ways.
- Mr. Gravlin asked for clarification on the reduction on the block load associated with Highgate. Ms. Nelson responded that the contract we entered into has matured. The 10 year alternative transmission charge agreement with VEC ends December 31st of this year. It was explained that when VELCO purchased the VEC transmission assets and then upgraded the transmission system back in 2005, VEC was no longer

able to block load from Canada at the Highgate substation, and that VEC would be compensated for up to 10 years for the alternative transmission costs.

- Mr. Gravin asked if we have a fixed overhead rate. Ms. Nelson responded no, as VELCO generates this annually based primarily on estimates of capital vs. expense work efforts.
- Ms. Nelson discussed that forecasting Regional Network Service (RNS) is difficult at best since New England coincident peak has a lot to do with weather.
- Ms. Bugbee asked if the RNS revenue gets trued up. Ms. Nelson responded that it does not get trued up as we use the average of the preceding year's coincident peak values.
- Mr. Root provided an example that in one particular area of Massachusetts with a high level of solar installations experienced their coincident peak at 3 AM vs. 3 PM which is a significant shift from historical values.
- Ms. Currier asked if VELCO had a chart to compare the 2015 forecast and 2016 budget including the impact of the ROE refund. Ms. Nelson responded that in review of the ROE Complaint 1 – billing under the '91 VTA increased by \$4.5M. When coupled with the return from ISO NE the actual cost to Vermont was approximately \$1.6M.
- Mr. Couture asked if VELCO is assuming a consistent coincident peak and load with 2014. Ms. Nelson responded that is correct except that VELCO uses the average coincident peak.
- Ms. Nelson explained that the only budget item not included at this time is the continuation of the Weather Analytics project. As the direction becomes clearer, VELCO will bring any need for budget approval to its Board of Directors and share the results with the OC.
- Mr. Wright asked for a high level breakdown of the average structure replacement cost at \$85,000 per structure. Mr. Root explained that the costs are heavily contingent upon the need to build and improve access roads, matting and equipment crane pads. Mr. Connaughton discussed that many of these lines are located in very large wetlands requiring more matting and care be taking to access the structures.
- Mr. Dunn discussed that some risk to the budget does exist with the permitting of the PV20 upgrade as this will be a unique project for the regulators to evaluate. Ms. Bugbee asked what VELCO is doing to try and minimize potential confusion of this maintenance project vs. the investment projects like TDI. Mr. Johnson responded that VELCO has been working for several months to socialize this information with both the residents and state regulators. This has been a consistent approach that has proven to be successful over recent heavy capital build VELCO has been managing.
- Ms. Nelson discussed the efficiency gains associated with migrating to a financial platform created by PowerPlan. Much of the efficiency is being realized in the tasks associated with reconciling several disparate tracking systems for unit costing, taxation, auditing, etc. Mr. Ryan asked if the platform is retroactive and capturing historic costs. Ms. Nelson responded no that the new platform is looking forward and no retroactive costs will be loaded.

This ended the joint session with the CFO's

Minutes approval

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

Statewide Radio Project

- Mr. Nelson presented the materials provided to the OC summarizing that progress continues to be made with both new sites and channels being added. No discussion ensued.

Vermont Load Curves Follow Up

- Mr. D'Arienzo presented the materials provided to the OC summarizing the progress made to apply the Vermont load curve analysis to the region and explained the available public data is limited but an approximation of the solar impact can be made using the Diurnal Temperature Range (DTR).
- Mr. White asked if the 140 MW is attributed to solar only. Mr. Haas responded that is the assumption as no other significant sources are known.
- Mr. D'Arienzo also shared a few slides from ISO-NE which illustrated the current and forecasted amounts of PV for each New England state.

- Mr. Etori discussed that one important factor is that in Massachusetts has less behind the meter solar than Vermont so it would show up as a load reducer hence the difference in the results between Vermont and Massachusetts may not be as large.

Spare PV20 Project

- Mr. Mallory presented the materials provided to the OC summarizing that the cable plant installed in Lake Champlain is aged to the point where replacement is necessary to minimize future outages and improve reliability in northwest Vermont and northeast New York.
- Mr. Root expressed that this is a very important line from both operational and planning perspectives. This is a major connector to NY and supports various outage contingencies.
- Mr. Wright asked how the original agreement with New York Power Authority (NYPA) was structured. Mr. Dunn responded that it was a 50/50 ownership model whereby NYPA was responsible for maintenance.
- Mr. Wright asked for an explanation of the indirect costs. Mr. Mallory responded that the indirect costs include items such as mobilization and demobilization, transportation of the barges and new cable. These costs are then proportionally allocated across the installed assets as no one asset should be assessed the total indirect costs.
- Mr. Couture asked if the transportation costs associated with the spare cable would be allocated across the assets. Mr. Mallory responded that through the project estimating effort, costs of the spare cable, including transport costs, were obtained from the bidders and proper indirect costs were allocated proportionally to ensure fairness to any potential pooled transmission facility (PTF) accounting benefits.
- Mr. Couture asked if there are any potential conflicts with the proposed TDI project. Mr. Root responded that yes and VELCO is engaged in discussions with all parties involved from TDI to the regulators.

Rule 5.500, Act 56, New Solar Plants - Discussion

- Mr. Root summarized that VELCO is challenged with solar siting in areas where the electrical system is constrained, in particular the northern portion of Vermont. By comparison Maine has reported that they have approximately 3,500 MW of proposed wind projects that they would not be able to support transmitting the generation with the current infrastructure.
- Mr. Root offered, which was accepted by all, to provide the OC with an update at the next meeting.

Outage Scheduling

- Mr. Haas presented the materials provided to the OC summarizing that with the significant amount of system improvement projects throughout New England and New York has increased outage activities. These projects require much longer in duration transmission outages that are driving additional measures and strategies to manage the associated risk.

Other business

- No other business was discussed.

Proposed agenda items

- Rule 5.500, Act 56, New Solar Plants – Discussion
- Board of Directors Update
- ISO NE Update
- Power Accounting Update
- Statewide Emergency Preparedness Update

Motion to adjourn

- Mr. Powell moved and Mr. Couture seconded adjournment at 2:40 PM, which was agreed without objection.