

VELCO Operating Committee

FINAL MINUTES

August 18, 2016

Members and alternates: Ellen Burt (Stowe), Ken Couture (GMP), Frank Etori (VELCO), Ken Nolan (BED), Kevin Perry (VEC), Bill Powell (WEC), Chris Root (VELCO), Jeff Wright (VEC).

Guests: Tom Dunn (VELCO), Mike Fiske (VELCO), Deena Frankel (VELCO), Dave Notte (VELCO), Jonathan Mero (VELCO), Colin Owyang (VELCO).

Chris Root called the meeting to order at 11:03. Attendees introduced themselves.

Safety topic

Vermont's first West Nile virus cases have been reported. Be aware of need to use bug repellent, get rid of standing water, and take other measures to avoid mosquito bites.

Approval of minutes

Bill Powell moved and Ken Nolan seconded approval of the minutes of the July 21, 2016, Operating Committee meeting, which were approved without objection.

ISO-NE update

Frank Etori presented the slides in the meeting package.

IMAPP

Frank stated that the Integrating Markets and Public Policy (IMAPP) initiative is currently the hottest topic regionally. NEPOOL is seeking to develop a proposal to ISO-New England (ISO-NE) for the best way to ensure alignment exists between public policy goals and the regional markets. Creation of a Forward Renewable Energy Market may emerge as the leading proposal.

The concept of payment to nuclear plants to continue operation is unlikely to succeed and is essentially a cost of service mode. This approach is being considered by New York to prevent the closure of nuclear plants because energy prices are so low making them unprofitable.

In March, the region experienced the lowest energy prices and lowest lows for many years. It is thought that prices will increase with or without IMAPP, but the hope is that IMAPP will be able to moderate the increase.

Other potential models: payment for storage or a change in the Regional Greenhouse Gas Initiative (RGGI) goals to satisfy the demands of the IMAPP initiative.

Reliability

ISO will be clustering the wind projects in northern Maine for study. They will still use the Minimum Interconnection Study approach, but will consider all the clustered generators being studied on at a minimum interconnect level, rather than sequential studies.

The group discussed the fact that other states, like Vermont, are looking at ways of reducing peak to control Regional Network Service charges.

St. Albans/Nason event

Jon Mero of VELCO Operations presented the slides in the package. The 7/18/2016 event was caused by a failed 34.5kv Potential Transformer on the VELCO St. Albans 34.5kv bus. This led to reduced supply capacity to several GMP substations and a sub-transmission line overload. The situation did have impacts on customers.

The recommendations will be to put two 2.7 MVAR cap banks at Sheldon. This will be studied by planning. There will be further discussion with GMP about insertion of a tie switch between the two outside lines offering injection to N. St. Albans and Sheldon Springs. This is the lowest impedance route.

The particular type of transformer that was involved is installed elsewhere on the system including some that VELCO does not own and others that have already been replaced once. These all present potential issues. VELCO plans to replace the remaining units and some of the previous replacements. Mike Fiske said that the failed transformer was 2003 vintage. VELCO is expecting to receive Section 248 approval soon for an overhaul of the St. Albans substation, which will resolve the issue there. VELCO has reached out to the North American Transmission Forum and others to get feedback on planned replacements. VELCO has done seven replacements and has seven more planned. They will be completed taking advantage of maintenance outages to do the work, which is budgeted to take place between now and 2018. These transformers must be replaced because it is impossible to tell when they will fail.

Ken Couture said that GMP requests priority be placed on replacements at Essex and Berlin, areas that impact the most customers and can ripple into populous areas.

Mike reported that VELCO had talked at an IEEE conference with a vendor that repairs leaks on flanges, valves, etc. They use a process in which they drill into gaskets and pump in sealant. This is much less expensive than other approaches to fixing applicable problems and the guarantee their work for five years. The company is called Transmission Distribution Services (TDS). VELCO has begun working with them.

VELCO board meeting

Tom Dunn gave an oral presentation on the August board meeting.

A key focus of the meeting was the Regional Network Service tax issue. He described the steps being taken to mitigate the financial impacts of the issue and to communicate with FERC and Vermont regulators about the issue.

He reported that the VELCO Board approved the 2016 strategic plan, which maintains the existing initiatives: Champion, Transform and Deliver. Chris Root also reported to the board on current risk mitigation steps.

With regard to the Vermont Weather Analytics Center (VWAC), IBM considering strategies to commercialize the work they have done with Vermont through VWAC. They have approached VELCO as a potential investor and/or utility demo platform. Details of any transaction are to be determined. VELCO is currently utilizing a consultant to help evaluate the assumptions, risks and opportunities

associated with IBM's potential next steps. VELCO and ten other utilities have current contracts with IBM, but VELCO's project best showcases the cutting-edge work.

Gordon van Welie, ISO New England CEO, gave a presentation to the VELCO board with a primary focus on the loss of large, baseload resources, particularly nuclear plants that are retiring because they are not economically viable with energy prices so low. The current IMAPP process seeks to address this issue.

Peak management

The group discussed the New England peak demand that occurred on August 11th and the effectiveness of ISO-NE Operating Procedure 4 in reducing demand through demand response. A 25MW reduction was observed.

Efficiency Vermont Demand Resource Plan

Deena presented the slides included in the meeting package. She framed the issue of peak load management as a possibility for inclusion among the five scenarios to be evaluated in Vermont Energy Investment Corporation's Demand Resource Plan (DRP) proceeding. This is the Board proceeding that determines the activities and performance measures for Efficiency Vermont for the coming three-year period.

Deena underscored that the presentation mentions the VWAC peak reduction component because it deals with the same shared goal as the potential DRP scenario, but that the VWAC effort and the VEIC effort are not linked.

VEIC has a peak reduction quality performance indicator in its current DRP metrics, but the peak reductions in that case are a by-product of energy savings, rather than the result of specific peak reduction efforts.

The DRP proceeding that was opened in June will determine the scope of work and performance metrics, not the total budget, which has already been established. The first phase of the docket, this fall, is to establish the savings scenarios that will be fully analyzed in the spring, 2017. VELCO is seeking feedback from the Operating Committee about whether collaboration among the utilities and VEIC on a peak reduction scenario makes sense.

The utilities raised a number of concerns about the potential collaboration including:

- Who controls customer data.
- Who approaches customers about load control.
- Competition between VEIC and DUs to claim the same savings.
- Ensuring that VELCO is not speaking for the DUs or getting in the middle of the communication regarding customer relationships.
- Underscoring that any load control needs to be in the hands of the utility.
- The complexity of negotiating a collaboration while so many other efforts are currently underway, particularly the Tier III work under Act 56.

The group agreed that we share the goal of peak load reduction and the most efficient use of the grid (i.e., peak shifting). In addition, some in the group expressed support for the idea of collaborating so as

to have some influence over the shape of the program. If any collaboration were to be undertaken it would be essential for the DUs to be involved at every step of the way.

It is unlikely that there is sufficient time to work out a collaborative effort before the September 16th filing deadline for the proposed scenarios. It is likely that VEIC will propose its own peak reduction scenario, but the shape will undoubtedly look different if they are proposing independently.

It was agreed VELCO would convey the hesitations and issues, and that, if further collaborative to try to define a peak reduction scenario is to be undertaken, the appropriate people from the DUs will be invited to participate.

Substation access

Chris presented the slides in the package describing a specific unauthorized access event. He then described the process for the ongoing compliance and discussed how to incorporate substations classified as low-impact that will be covered at the end of the year.

Colin reported that NPCC has determined that the incident qualifies as a “CIP exceptional circumstance” so the potential noncompliance will be dismissed. We are incorporating storm response and other emergencies as exceptions and establishing the procedure to be used under those circumstances. Everyone agreed that we should avoid the need to use the exception under any but the most extenuating circumstances, but that it is necessary to have this procedure.

Ken Couture talked about the need for an effective notice process that recognizes that field personnel don't spend a lot of time looking at their computers. Also, some of the background check emails get caught in spam filters. Addressing this problem effectively will require a more “high touch” approach.

Rule 5.500 ride-through provisions

Deena reviewed the materials presented in the package.

Chris asked Ken Couture to verify that GMP's engineering team is comfortable with incorporating a requirement for following the IEEE 1547 ride-through standards from a distribution engineering standpoint. Deena reported that Carolyn Andersen is coordinating with GMP engineering, but that the additional check-in would be welcome.

Kevin asked if anyone from VEC is plugged in to this effort. Deena reported that Cyril Brunner was attending the workshops.

Other business

Stowe will give its solar report at the September meeting of the Operating Committee. The agenda will also include:

- Rule 5.500 update
- Emergency planning
- Schedule for fall radio test
- Dan Nelson quarterly radio update

It was noted that the September meeting is the joint CFO Forum–Operating Committee meeting.
The meeting was adjourned at 2:25 p.m.