

Minutes:

Stowe Electric Commissioners' Meeting:

September 21, 2022 at 8:30 am at Town of Stowe Electric Department Conference Room with remote participation available via Zoom.

Present:

BOARD MEMBERS: Richard ("Dick") Marron, Chairman; Larry Lackey, Vice-Chairman and Heidi Scheuermann, Commissioner

STAFF: Ellen Burt, General Manager; Brent Lilley, Director of Operations; Sarah Juzek, Controller; Michael Lazorchak, Manager of Regulatory Compliance; Amber Ives, Interim Clerk of the Board

Call to Order: Dick called the meeting to order at 8:30 am

Approval of prior Meeting Minutes:

On a motion made by Larry Lackey and seconded by Heidi Scheuermann, the meeting minutes from all prior meetings were approved as a group (August 17th special meeting, August 19th special meeting, August 22nd special meeting, August 24th regular meeting, August 26th special meeting, September 2nd special meeting and September 7th special meeting) and the motion carried.

Financial Report:

July 2022 preliminary financial results pending completion of the audit: Sarah reported that Stowe Electric Department (SED) ended July with a \$999,727 loss, which is \$585,004 more than the 2022 seasonally spread budgeted loss of \$414,723 year to date. The overall Operating Revenue was \$287k favorable to the budget. Electric sales were \$281k above the budget with Residential Sales being up \$77k from the budget and combined Commercial Sales being \$208k favorable to the budget.

The overall Operating Expense was \$867k unfavorable to the budget. Purchase power costs were \$716k over the budget due to the increase in Electric Sales, RES Compliance and the overall cost of power. Other Operating Expenses were \$151k over the budget due to the cost of materials, replacement of failed underground, credit card fees and conference expenses.

Heidi asked Sarah to remind her of the percent increase in the cost of purchased power in general, what SED had budgeted for the cost, and what the cost increased to. Sarah

responded that at the reforecast in March, the cost increased by 34% and that Purchase Power is 70% of SED's costs, so it is a substantial amount. Dick noted that SED's current rate increase of 13% and proposed 2% increase in January 2023 (15% overall) does not cover the cost increase. Sarah and Ellen let the Board know that they were planning on inviting Dave Lamont (rate consultant) to the Board Meeting in October to discuss the rate case.

The Board and Staff discussed the increased rates of other VT utilities, the doubling of utility bills in New Hampshire and New England's dependence on natural gas. Heidi voiced her concern about continually charging SED's ratepayers more and more in order to keep up with the rising costs of energy and asked the Board and Staff if there were other ways to reduce projected expenses, including considering delaying capital projects for maybe 12 to 36 months. She voiced that it was important for SED to mitigate costs and to perform due diligence in regards to rate increases. Ellen and Sarah let the Board know that the numbers should start turning around starting in August as the rate increase is reflected in SED's financials. Ellen expressed that she understood Heidi's concerns and let her know that she felt the market would be shifting back to cheaper fuel sources for generation as there is a lot of concern in the industry regarding the cost of energy.

Heidi asked for clarification on the 13% rate increase (currently under review by the Public Utility Commission) and when ratepayers would see the increase. Ellen explained that the increase went into effect for usage rendered on August 1st 2022 and that under the PUC's rules, forty-five days after a utility files, it is able to start charging the new rate. It was further explained that if for some reason the requested rate increase of 13% was not approved by the PUC, that the ratepayers would receive a refund for the difference in the approved rate increase percentage.

Larry asked Sarah as to why the Purchased Power- RECs Compliance expenses were over budget. Sarah explained that in March the market price of RECs was low and due to that SED purchased more than originally planned. Sarah further explained that typically SED buys RECs in the next year for the previous year as the REC year is on a July-June fiscal year. Therefore, SED waits until the end of that REC year to buy the amount of RECs that SED needs for the fiscal year. Sarah also explained that she was trying to get the timing of the purchase of RECs in-line with the year that the REC's were being applied.

Sarah also informed the Board that the Auditors finished field work on September 20th and that there was no adjusting of entries needed (pending the recalculation of depreciation).

Operations Report:

Brent reported that the line crew received OSHA training this month: HAZCOM, Bloodborne Pathogens and Spill Prevention & Control.

SED received a total of 3 new service orders in August and energized one.

Along with other projects, SED relocated the 3-phase line on Town Farm Lane, replaced condemned poles, performed multiple customer disconnect/reconnects and executed make-ready work for Stowe Cable.

SED initiated 41 work orders and the Line Crew completed 31 work orders during the month of August.

No new CPGs were issued for Net-Metering and no new systems were energized.

SED received 66 dig safes during the month of August. January through August, SED has received 408 requests as compared to 440 requests last year.

Regulatory Report:

PUC Dockets: Michael reported that the distribution utilities, the Department of Public Service (DPS) and PUC continue to work through the net-metering rule updates, arrearages, and the federal spending package. He let the Board know that there has been some movement made in the Electric Vehicle (EV) and low-income rule-making dockets, however nothing of significance.

Larry asked Michael what he foresees in regards to a mandate from the PUC to implement these two plans. In regards to the reduced rates for low-income residential ratepayers, Michael guessed that it would probably be a combination of the GMP and BED plans where SED either would have to provide a specific rate reduction (a new rate), or a discount on their current rate if a ratepayer is low income. He let the Board and Staff know that the PUC will tell the utilities the structure and the specific income qualifications once they have completed their investigation. Michael also discussed the electric vehicle charging rates and that the PUC is investigating charging higher rates during peak hours, while offering credits for off-peak hours. Again, this is all preliminary and pending completion of the PUC's investigation.

Qualifying Rebates: Michael reported that the current program for heat pumps has matched the 2021 reporting year, but all other qualifying rebates have seen an increase from last year (primarily EVs and E-bikes).

Net-Metering (Solar): Michael reported that the net-metering rates changed as of September 1st and in the weeks before this rate change SED received a significant increase in net-metering applications (12) equal to 212 kW of PV generation. Larry inquired as to how many of the customers were installing battery storage along with

their solar. Michael let him know that it was pretty low- he guessed around 10% of applicants. Larry also asked if SED was aware of any customers installing batteries without solar. Michael let him know that SED had received some questions about it, but as far as he knows, no one has done it. Battery storage units are very expensive and SED would also have a hard time tracking battery storage not tied to solar as the customer doesn't necessarily need to inform SED that they have installed a power wall. The Board and Staff further discussed the advantages and disadvantages of battery storage- utility credits, difficulty in tracking, cost of tracking and software involved.

Michael also discussed that preliminary reporting to DPS shows that the utilities break even on residential net-metering customers and lose money when commercial customers install net metering projects. This reporting takes into consideration reduced retail sales revenue and power purchase costs. Larry inquired as to whether Michael thought the PUC would make any changes to the net metering rates based on the results of this study. Michael responded that he didn't anticipate a change, and if there was, that it would have to come from the Legislature.

Moscow Mill Restoration: Dick asked Michael about the progress in securing funds for the restoration of the Mill. Michael and Ellen let the Board know some of the various organizations that they were working with, along with some potential donors that had expressed interest in the project. Larry stated that SED has not fully committed to this project and that staff needed to ensure that donors didn't have any expectations in regards to their donations. He expressed his concerns over donations potentially being spent and the project falling through. Ellen and Michael let the Board know that the Hydro project and the Mill Restoration project are being treated as two separate financial projects and that any donations received were going into a separate account for holding and that no money was being spent. Michael explained that securing small donations was important as this proved that SED had the support and 'buy-in' of the community when applying for Federal grants.

Other Business:

Cady Hill Cold Storage Building: SED is in the early stages of planning a structure to be built on its Cady Hill parcel. Due to growth in Stowe and increased electric work, this structure is needed to house various equipment and transformers. Ellen let the Board know that she and Brent would be speaking with the neighbors on both sides of the property to inform them of the proposed storage facility. Heidi let Ellen know that as this is a residential area, she was glad to hear that Ellen was planning on speaking with the neighbors, as she got the feeling that SED may face some opposition as to the design of the building. The Board and Staff discussed the design, footprint, permitting, need for the building and possible alternative locations for the storage facility. Ellen let the Board know that this project would not happen until Spring and that alternate ideas could continue to be discussed.

General Manager Appointment: The Board and Staff discussed the retirement and succession of General Manager, Ellen Burt.

Heidi Scheuermann made a motion to appoint Jackie Pratt as new General Manager of Stowe Electric Department as of October 17, 2022, consistent with the accepted terms and conditions of employment, with a two-week period for transition of leadership with SED's current General Manager, Ellen Burt until her retirement on October 31, 2022. Larry Lackey seconded the motion and the motion carried.

The Board scheduled the next Commissioners' meeting for Wednesday, October 19th at 8:30 am.

There being no further business, the meeting was adjourned at 9:49 am.

Respectfully Submitted,

A handwritten signature in black ink, appearing to be 'AI', with a long horizontal flourish extending to the right.

Amber Ives

Interim Clerk of the Board