

Minutes:

Stowe Electric Commissioners' Meeting
December 1, 2021 at 8:30 a.m. at Town of Stowe Electric Conference Room

Present:

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

STAFF: Ellen Burt, General Manager; Brent Lilley, Director of Operations; Sarah Juzek, Controller; Mike Lazorchak, Manager of Regulatory Compliance; Trish Waugh, Interim Clerk of the Board

Dick called the meeting to order at 8:40 a.m.

Approval of the October 20, 2021 Meeting Minutes

On motion made and seconded, the minutes of October 20th were approved.

Financial Report

Preliminary September 2021 Financial Results: SED ended September with \$899,403 in total net income, which is \$615,102 above the 2021 straight-line YTD budget.

The Operating Revenue overall was \$1,000 unfavorable to the budget. SED Electric Sales were \$70K below budget. Once Snowmaking starts, SED will become more in line with the budget for Commercial Large Accounts. Commercial Net Metering Credits are now broken out separately from Residential Net Metering.

Contract Work Fees are \$66K over the budget as a result from the growing population. Consequently, SED also shows an increase in Materials and Project Labor expenses due to the increase in Contract Work Fees.

Operating Expenses were \$540K favorable to the budget. Purchase Power costs were \$475K under the budgeted amount. However, these savings will diminish once Snowmaking starts for the winter.

Transmission & Distribution expenses are also down by \$54K from the budget. Most of these savings are from Line Clearing. The savings this year will be added to the budget for next year to continue with SED's 12 miles of line clearing per year.

Non-Operating Revenue & Expenses overall were \$76k favorable to the budget. The VELCO Dividends are showing favorable to the budget by \$25K. The Gain on the Sale of Assets in the amount of \$29K was not included in the 2021 budget.

June 2021 Audit: The June 2021 Audit has been finalized. The Audited Financial Statement booklets were distributed to the Commissioners.

Proposed Budget for 2022:

With the below assumptions SED anticipates a Net Loss of \$387,910 in 2022, which is unfavorable by \$1.3M compared to the 2021 September Year End Forecast:

Operating Revenue overall is anticipated to be \$12.5M, which is favorable by \$291k compared to the 2021 September Year End Forecast. Electric Sales are estimated at \$12.1M for 2022. This is an increase of 1.43% over last year, which is a \$274K favorable increase. SED hopes to see more of an increase in Commercial Demand as the economy recovers.

Contract Work Fees are expected to stay just as busy in 2022 as was in 2021. The amount has increased \$14K due to an increase in labor and parts.

Operating Expense is estimated to be \$13.4M, which is unfavorable by \$1.5M compared to the 2021 September Year End Forecast.

Purchase Power costs are anticipated to be \$8.9M based on the Energy New England Budget. This is a substantial increase of \$1.1M over last year. The market power has increased by \$600K and SED has an open position of 16%. Snowmaking costs are also increasing by \$236K, McNeil Capital Upgrades are anticipated to be \$200K and the VELCO 91 Agreement for transmission is increasing by \$109K.

Payroll & Benefits include the increase per the Union contract. However, Blue Cross Blue Shield rates are decreasing for 2022 by about \$10K.

SED budgeted \$235K for Line Clearing costs, which is an increase of \$124K. The increase includes the unspent funds from 2021 of about \$60K. SED is supposed to clear 12 miles of line per year. Therefore, due to the inability to hire a tree trimming crew in 2021, SED will need to clear more than previously expected in 2022.

All other costs have been adjusted for inflation, with an additional increase in materials due to the supply chain constraints.

Non-Operating Revenue & Expense overall is estimated to be a Net Profit of \$512K, which is unfavorable by \$19K compared to the 2021 September Year End Forecast. VELCOM/T Transco Dividends are reduced by \$18K because SED earned additional dividends last year from non-utility operations that are not expected in 2022.

Operations Report

The linecrew is participating today in the monthly safety training, which is a 3-hour safety meeting conducted by NEPPA.

SED received a total of 45 new service orders in October (incl. a new construction with 36 units to be built on Mountain House Drive) and energized 8 new services. With a total of 150 customer service orders received so far, 2021 has been the busiest year in history and there

are still a couple months to go. The crews have completed 4 primary underground customer-initiated projects, removed several danger trees and replaced multiple older porcelain Chance cutouts. Right-Of-Way crews are now working on Taber Hill Road re-clearing lines along with removing danger trees and ash trees.

SED initiated 43 work orders and crews completed 38 work orders during the month of October. SED also received 77 Dig Safes in October, for a total of 605 so far this year (vs 513 YTD in 2020).

Regulatory Report

The previous month had activity at the Public Utility Commission and Department of Public Service on net-metering rulemaking revisions, low-income rate investigation, the Petition of GMP to modify their service territory to accommodate Global Foundries. SED filed its 2022 Tier 3 programmatic plan. Stowe staff continues to monitor each PUC docket for impacts on Stowe Electric and our customers.

The Stowe Energy Committee continues to support the Town Energy Committee. Stowe staff worked with Efficiency Vermont staff to conduct energy walkthroughs with Stowe customers and promote energy efficiency measures.

SED staff has 3 groups of UVM Engineering students working on projects related to Moscow Mill. The students presented their mid-term reports in October and are finalizing their projects for December.

SED to date has paid incentives for 1 used and 3 new all-electric vehicles, 5 new hybrid plug-in vehicles, 2 residential lawnmowers, 7 e-bikes, 133 heat pump rebates (105 cold climate heat pumps, 9 heat pump water heaters and 19 air source heat pumps). SED is in excess of its 2021 energy transformation projects budget by \$2,725. SED also anticipates rebate reimbursement requests from Efficiency Vermont for another 60 cold climate heat pumps (\$15,000).

Moscow Mill Project: The West Wall stabilization project was successfully concluded. Mike has sent a Notice of Intent to File for a Small/Low Impact Hydropower Exemption and Request for Consultation letters out. The next step is to prepare the Preliminary Application for FERC.

SED has submitted for the following grants: The State Hazard Mitigation Project Review Committee Building Resilient Infrastructure and Communities (BRIC) grant and Flood Resiliency Communities Fund grant; Preservation Trust of Vermont Timber Frame Restoration grant; VLITE utility grant; Animating Infrastructure community project support grant. SED has also received a tax-deductible donation from a customer for the Mill project.

Other Business

Houston Substation Upgrade: The capital cost for the Houston Substation Upgrade is anticipated to be between \$600,00 to \$700,000. SED has restricted funds that could be used for the upgrade of this constrained substation. Ellen is in contact with the engineer from Vermont Electric Coop, who has experience with upgrading substations with constrained circuits. Once SED knows what equipment is needed, different options can be priced out.

SED can start placing the necessary orders in early January. Hopefully, the Houston Substation Upgrade can be completed within a year.

Rate increase in 2022: A potential rate increase next year was discussed. Material costs as well as Purchase Power costs have increased considerably. Vendors are reporting various manufacturers had multiple price increases in 2021, for example the cost of an electric meter has increased 12%. Sarah is still waiting on what the final amount of the interest cost on the anticipated \$4M bond will be. A rate increase of less than 2% no longer needs a costly rate case.

Newsletter: SED's Fall 2021 edition of the Customer Connections newsletter was sent as a bill insert to all customers was discussed. SED hopes to produce and mail out a newsletter every 3 months. The next newsletter should be mailed to customers in late February and will outline what and why SED is borrowing.

The Board scheduled the next Commissioners' meeting for December 29th at 8:30am.

Executive Summary (Legal Matter)

The Board moved to go into Executive Session at 9:33 a.m. to discuss a legal matter and invited Ellen Burt to stay. Ellen Burt left the Executive Session at 9:43 a.m.

The Board made a motion to come out of Executive Session at 10:08 a.m. and the motion carried.

No action was taken or motion made.

There being no further business, the meeting was adjourned at 10:09 a.m.

Respectfully Submitted,



Trish Waugh
Interim Clerk of the Board