

Minutes:

Stowe Electric Commissioners' Meeting

March 4, 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 (via Zoom), Heidi Scheuermann, Commissioner (via Zoom)

STAFF: Ellen Burt, General Manager; David Kresock, Director of Operations; Kristin Winer, Controller (via Zoom); Mike Lazorchak, Manager of Regulatory Compliance (via Zoom); Lily Burgess, Clerk of the Board

GUESTS: Tim Hebert, Energy New England (via Zoom); Michelle Coscia, Energy New England (via Zoom); Christine Beaudry, Energy New England (via Zoom)

Dick called the meeting to order at 8:33 a.m.

Approval of the January 27, 2021 Meeting Minutes

On motion made and seconded, the minutes of January 27th were approved.

Approval of NextEra Energy 5MW Solar Project

Tim Hebert elaborated that Energy New England (ENE) talked to a number of solar developers involved in various solar projects all over New England during the past 10 years and the pricing stacks up with what ENE has seen in smaller solar projects 5MW and under. This is important to note since land costs and property taxes tend to be higher in Vermont. Dick asked for clarification on Ellen's statement that the project is expected to cost 25% less than the 1MW Nebraska Valley Project. Ellen confirmed that this new project will cost 25% less per MW.

There is a natural cap to receive credit under the Renewable Energy Standards (RES) in Vermont, which is just under 5MW. The other wrinkle in Vermont regarding RES is that SED will not receive Tier 2 credits for a solar project built outside of Vermont. This project therefore checks a lot of boxes: SED gets the Tier 2 compliance through the current period and into 2032, it slots in right about where SED starts to fall short with the Nebraska Valley project, and the price comes out both with the market for solar project and the energy plus credit value at a good price for SED's ratepayers.

Larry asked if there is anything in the works with Federal Legislation and support for solar that might substantially reduce the cost and add incentives for solar projects. Tim stated that part of the COVID relief package that passed right at the end of December was helpful for some renewable technologies, but not others. For solar, it extended the Investment Tax Credit (ITC) at 26% for an additional 2 years. NextEra however already safe harbored the panels and the equipment for this project when the ITC was 30% and

thus locked in the maximum ITC. The solar panels are currently such a commodity that prices have come down so much that the labor for the installation are now similar to the costs of the material. ENE already contacted the Department of Public Service (DPS) to inquire if VT utilities could receive a partial credit toward Tier 2 with cheaper, out-of-state solar projects. Unfortunately, ENE was told that this is not expected to be acceptable anytime soon.

Larry inquired if there is a clause in the Purchase Power Agreement that addresses the risk of a delay of the in-service date, and the possibility that SED would have to then make compliance penalty payments due to this delay. Tim answered that there usually are penalty provisions if a commercial operation date slides and that NextEra will provide quarterly updates on their schedule. Tim also stated that ENE would proactively recommend purchasing RECs on the market to avoid penalty payments.

Ellen confirmed that she started the conversation with NextEra about a solar farm about 3½ years ago. At this time, NextEra is waiting for SED to sign the agreement to commence with construction, since the material was purchased, and the land is leased. The tentative in-service date is 2022. The length of the PPA, with an option for renewal, was discussed in great detail. Larry asked if Ellen will work with Tim on the economics and the levelized costs to determine whether SED wants a 5, 10, 20 or even life-of-unit term option. Dick wondered what the technology and costs would be even 5 years from now. Larry asked Ellen what the suggested term of the PPA should be and Ellen responded it would be safe to start with 7 years (until the debt service is paid off) and then renegotiate for another 10 years, even if there may be an upcharge for that term. Dick stated that he has no problem with Ellen putting this contract in place and asked if Ellen wants approval to sign the contract without coming back to the Commissioners. Ellen stated that she is being pushed by NextEra since these discussions were started a long time ago and NextEra might be looking to enter into an Agreement with someone else. Ellen would advise and show the Commissioners everything after the fact. The Commissioners said they feel comfortable with Ellen and Tim negotiating what is best for SED and its ratepayers. Ellen stated she wants to continue to be careful, which is why she suggested an initial 7-year contract since so many things in the world are changing. Tim cautioned that these negotiations however will depend on NextEra a lot, because it is unusual to enter into a really short term contract for a project with a price tag of about \$7.5 million. The price might escalate considerably with a shorter term.

Larry asked if a Term Sheet is a common mechanism for dealing with the basic highlights of a contract laid out before drafting a PPA. Tim stated that Yes, that is common. Larry stated that he would like to see the Term Sheet before the Commission authorizes the General Manager to enter into a PPA. Dick responded that he has no problem with Ellen negotiating this contract but stated it would be helpful to see the Term Sheet before the Commission authorizes Ellen to sign the contract since there are uncertainties. Dick suggested to then schedule a Special Meeting to authorize Ellen to sign the PPA. Heidi agreed. Ellen stated she will get the Term Sheet, and then schedule a Special Meeting to approve the solar project agreement..

REC Revenue and factors determining price fluctuations were discussed in detail.

Tim Hebert, Christine Beaudry and Michelle Coscia exited the meeting at 9:16 a.m.

Financial Reports

Preliminary December Financial Reports: SED ended December with \$1.3M in net income, which is \$411,000 (40%) above the 2020 budget. Decreased electric sales to customers contributed to an overall 8% decrease to the bottom line of \$943K. Commercial sales improved in the last few months of the year due to snowmaking resulting in an overall decrease of 14% for the year, while residential sales ended the year within 0.3% (\$15K) of budget. The overall revenue decrease was offset by an even greater decrease in purchase power costs of \$1.35M (16%) from budget, with purchased power down by \$514K and transmission costs down by \$1.2M both due to lower overall energy usage and price, VELCO summer coincident peak credits and greater than budgeted RECs sold. Non-operating income finished the year at \$114K (25%) over budget largely due to the receipt of an unexpected VELCO depreciation correction disbursement of \$100K.

Cash Flow forecast remains good and where expected to be, with no significant changes.

Operations Report

It has been a fairly quiet month. Crew concentrated on make-ready work for Stowe Cable for the accelerated broadband installation throughout Stowe. SED has received 8 new pole attachment license applications so far and will expect to receive more during the year. Operations is looking at the upcoming spring schedule to finish up projects such as the High Farms Road and also the Circuit 6 & 7 tie-point. The process of the make-ready work and the pole attachments were discussed.

Consolidated has aggressively been working on removing the double-sets of poles

Regulatory Report

Case 19-2956-INV – Act 62 proceeding and report to the Legislature on the Commission’s consideration of the creation of an all-fuels energy efficiency program, expansion of energy efficiency utility programs and services, and funding options for those programs: The Department of Public Service (DPS) submitted their annual report to the Legislature. The Legislature is considering whether to fund certain efficiency programs based on this Report.

Case 20-3563-PET - Stowe Electric’s IRP: Stowe held a status conference on February 16th to set the approval schedule. SED will send its schedule to all customers when the DPS approves it. The DPS did not have the time to provide substantive comments to SED’s IRP yet.

Workshops and Community Outreach

- SED continues to promote Tier 3 incentives for 2020 and 2021.
- SED updated all its 2021 incentive forms and will published them on Stowe Electric’s website on March 1, 2021.

- Stowe High School reached out for support regarding environmental coursework in 2021-2022 academic year. SED will likely apply for a Green Mountain Fund Grant to support coursework for the High School through VEEP.
- SED continues to provide support to the Town of Stowe Energy Committee, and the Committee has identified e-bikes as public outreach planning for the Spring and Summer 2021.
- Stowe negotiated with ChargePoint and Tritium to replace the original fast charger at the Alchemist. The installation occurred in early February of the replacement fast charger and the system has been operational. We are working on improving the connectivity with ChargePoint. We have also requested an estimate for the cost of a warranty plan for our Level 2 charging stations.

Other Business

The Distribution Study and capacity constraints were discussed. Larry inquired if there is a table that shows each substation and its service area, with the typical load and the remaining capacity for distributed generation, and the cost to upgrade to accommodate more DG. He also asked what the cost to upgrade circuit 5 and 6 would be. David stated the Distribution Study included 27 options to help SED's grid. The cost to upgrade a Substation ranges between \$1M to \$6M. To upgrade Houston Substation to allow for the transmission ground-fault overvoltage protection system to allow further Net-Metering installations would cost between \$175K to \$250K. The Wilkins Substation which has about half of Stowe's load on it is almost maxed out and needs to be upgraded next. This crucial upgrade will cost millions of dollars. The need for a revised capital project list with the necessary borrowing was discussed.

Michael elaborated on his experience with customers asking about installing solar net-metering at their property. He reminds interested ratepayers about Vermont's Renewable Energy Standard obligations, and that Stowe's power supply is 80% carbon-neutral. About 50% of potential net-metering customers respond they won't pursue residential solar, because their motivation for going solar is to reduce carbon emissions for Vermont and future generations. Most of SED's customers that call about residential solar generation are surprised to hear how green SED's power supply already is and understand the best way to decarbonize their power supply is through utility scale projects. These customers are grateful that Stowe has a 1MW solar plant and SED is looking to increase solar power purchases by another 3-5MW.

The Board scheduled the next Commissioners' meeting for March 31st at 8:30 a.m.

There being no further business, the meeting was adjourned at 10:04 a.m.

Respectfully Submitted,



Lily Burgess
Clerk of the Board