

Minutes:

Stowe Electric Commissioners' Meeting

March 31, 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; Mike Lazorchak, Manager of Regulatory Compliance; Lily Burgess, Clerk of the Board

GUESTS: Tim Hebert, Energy New England (via Zoom)

Dick called the meeting to order at 8:37 a.m.

Approval of the March 4, 2021 Meeting Minutes

On motion made and seconded, the minutes of March 4th were approved.

Approval of NextEra Energy 5MW Solar Project

Tim Hebert elaborated that Energy New England (ENE) reached out to NextEra to relay SED's concerns about the size and term of the Purchase Power Agreement (PPA) relative to SED's requirements. NextEra remains committed to developing a project for SED and is interested in defining a deal structure that works for both parties and submitted 15, 20 and 25-year term price quotes. NextEra informed ENE that a 15-year term is the shortest they could offer and that this term may increase the PPA price by 10-15%.

Given SED's concerns, a positive development is that due to local limitations on GMP's distribution system where the Pittsford project will be located, the project has shrunk by 30% to 3.5 MW AC. GMP's Distribution Study is expected to be concluded within the three months. One big unknown remaining is the interconnection charge with GMP.

All else equal, the reduction to 3.5 MW AC would reduce the annual energy from around 8,400 MWh/year in the first year of production to about 5,850 MWh. ENE does not know yet how the smaller size will impact the PPA price. Typically, larger projects can support lower prices, but ENE should have an idea of this in the next week or so.

Given that there has not been a firm commitment to mobilize NextEra to move forward with the project, there is also a chance that the commercial operation date may slip into 2023. This may lead to a slight reduction in the PPA price, which would help counteract any price increase driven by the reduction in project size, if there is one. The reduction in size of the project would reduce SED's ability to meet Tier 2 requirements but would increase the diversity of projects or purchases that could be used to meet them in the longer term.

Larry stated that he liked the option of a smaller project for a longer term better than the larger project for a shorter term as there is value in buying into medium-size projects every few years to keep up with renewable requirements. Larry asked if there is a value in negotiating a 25 year contract with the option to purchase the project at the end of this term. Tim explained that after the Investment Tax Credit (ITC) window of 7 years, the PPA could have a buy-out option after the 7th year of commercial operation. However, due to current tax codes it would have to be without a pre-set purchase price and subject to bilateral negotiations.

Tim stated that most panel's guarantee state that they lose about 0.5% generation per year, therefore a 25-year warranty would include a 12.5% loss by the end of the term.

Dick stated he would opt for the 25-year term, with a provision to have the option to purchase after 7 or 10 years.

Ellen agreed with Dick that the 25-year term for the smaller project would be most advantageous, with the caveat that if the interconnection with GMP is cost-prohibitive SED could pull out, plus the option to purchase after 25 years of operation.

Larry Lackey made a motion to authorize the General Manager of Stowe Electric to negotiate a Purchase Power Agreement for a term of 25 years for a 3.5 MW solar project with NextEra, with the reservation that the interconnection costs with GMP be reasonable at the discretion of the General Manager and that the Commissioners get to review the final Purchase Power Agreement before signature and a Special Meeting would be held, if necessary. Heidi seconded the motion, and the motion carried.

Tim Hebert exited the meeting at 9:08 a.m.

Financial Reports

January 2021 Financial Reports: SED ended January with \$153K in total net income, which is \$122 above the straight-line budget. Operating revenue was over budget for residential by \$130K, and for commercial by \$240 due to seasonality and snowmaking. This overall revenue overage was partially offset by an increase in purchase power costs of \$210K from budget, with \$134K of the variance due to snowmaking. Ellen stated that the budget will be revised to show the monthly or a seasonal budget.

Cash Flow forecast remains good and shows that SED is not expected to experience cash flow challenges in 2021, especially with some lost commercial revenue from 2020 expected to return as vaccines for COVID-19 continue to be distributed.

The Audit went very well. Ellen was closely involved in the Audit this year and other staff was helping with reviewing all documents before they were submitted to the auditors. The A/P employee, working under Kristin, is very methodical and well organized. The audit was completed in 2 days. Ellen and Kristin then finished up answering all the auditors' questions.

Operations Report

Spring construction season has started. David spoke with Rick from Stowe Cable last week regarding the make-ready work for their seven pole attachment license applications. SED is moving its schedule around to accommodate him to get some of the smaller locations ready for Stowe Cable to come in sooner to allow them to put in their fiber earlier.

Heidi asked how long make-ready work takes in general. David responded that it really depends on the circumstances and requirements, and thus could take anywhere between 4 hours and 5 days.

The 750kVA transformer for the One Spruce Peak project was delivered and set by the line crews on Monday, March 22nd and the primary URD conductors were installed between the two vaults. SED will be installing the elbows and making the secondary connections over the next several weeks.

Larry asked about potentially installing conduit for communications cables and leasing access to communications providers on a non-exclusive basis. He stated that potential undergrounding of Taber Hill illustrates that SED could put in fiber at the same time and offer customers to "control their own destiny" with choice of communications companies. SED has not made a decision how to proceed with Taber Hill. The situation is more complicated since both are off-road Right-Of-Ways (ROW) and harder to get to and maintain than overhead lines. David checked with the Town about the ramifications of moving the lines out to the road. Unfortunately, both of those areas are designated scenic routes or scenic views in the Town Regulations. The lines thus would have to be buried along the roads. Harry Shepard indicated that this probably would require a full-blown Engineering Study to look at the road design, water & sewer lines and drainage. SED would also not be allowed to cut any trees because of the scenic designation. Undergrounding in the middle of the roadway would not be a good solution and the engineering study would cost at least 6 figures. Unfortunately, there is also a lot of ledge in the ground at the existing ROWs. SED could put communications cables into the conduit, and the homeowners would have to deal with Stowe Cable and Consolidated Communications to move their lines off the poles, at additional costs. To meet SED's construction standards for underground would furthermore add considerable costs.

Larry reiterated that with regard to the conduit for communications, the key point to keep in mind is that more than one company might want to use the conduit in the future. SED or the Homeowners Association ought to control the conduit. Heidi interjected that it should be SED that owns it, so SED can control it and lease the conduit. Dick stated that this is similar as when SED upgraded the line up to the Mountain and SED added dark fiber optic cable that now can be leased. Ellen and David have talked about this before, and when conducive in Town SED will consider adding the conduit for communications cables. Unfortunately, due to the pandemic, the price for conduit is very expensive. It is important to note that even if a Homeowners' Association pays to have conduit put in and control it, after 3 years SED is obligated to take it over as the utility.

Dick stated that there is a lot of money available from Washington to expand internet access in rural areas, as well on the State level. He is wondering if SED can access some of those Federal or State grants to help toward Broadband investments.

Ellen elaborated on the correspondence between Larry and her. SED met with Consolidated Communications in regard to purchasing the 719 poles in Stowe. Ellen made them an offer, and their CFO will consider SED's offer and contact Ellen. No regulatory approval or Commissioners' approval will be necessary. Ellen will forward the final purchase contract to the Commissioners to review before signing it.

Regulatory Report

Case 20-0203-INV – Investigation into the establishment of reduced rates for low-income residential ratepayers of Vermont electric utilities: The Public Utility Commission (PUC) scheduled a workshop for May 10, 2021. In the order dated March 9, 2021, the PUC asked the Vermont Department of Public Service (PSD), Green Mountain Power (GMP), and GDS Associates to give a detailed presentation of GMP's low-income Electric Assistance Program. The Distribution Utilities (DUs) held a workshop in January on the definition of low-income and low-income incentive reporting. There will be additional meetings in 2021.

Case 20-0703-PET – Moratorium on Involuntary Disconnections: The PUC extended the moratorium on involuntary disconnections until May 31, 2021.

Case 20-3304-PET - Department Petition for investigation re: a net-metering SHEI constraint mitigation grid adjustor: Discovery was filed, and comments were submitted by DUs impacted by the SHEI constraint. Several solar developers also filed comments. SED continues to closely monitor this petition, and the strategy is to comment only when SED's interests are concerned and avoid the broader legal/political battle between the solar developers and certain DUs. A workshop is scheduled for April 2nd.

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.

Interconnection Rules 5.100 and 5.500: Both are in the process of being updated.

S.60 Bill: This bill proposes to allow municipal and cooperative utilities to offer innovative rates and services. The PSD is concerned that municipal utilities do not file for rate increase often enough. To incentivize utilities to file more often, the PSD would allow annual small rate increases of 2% or less. A municipal utility would have to file an entirely new rate case before they could take advantage of this offer. SED's comment letter to the Senate was that SED should not be penalized for having just filed a full-blown new rate case 2 years ago. VEC filed a similar comment letter to the Senate. In response, the Senate removed that language to allow SED to take advantage of the intent of this rule. The bill is now before the House. VPPSA asked SED to file a letter of support with the Senate Committee. SED filed a comment letter in support of the

Senate's version. Heidi inquired if SED's letter to the Senate Committee needs to be updated before she submits it to the House to ensure SED's concerns remain addressed.

Workshops and Community Outreach

- SED continues to promote Tier 3 incentives for 2021.
- SED updated all its 2021 incentive forms and published them on Stowe Electric's website.
- 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 and have collaborated with the e-bike lending program (non-profit organization in Burlington) to increase awareness.
- Stowe High School reached out for support regarding environmental coursework in 2021-2022 academic year.
- SED staff are participating in the Replace Your Ride program that is supported by VTrans and funding will be available under the new transportation bill that passed the House.

Other Business

Moscow Mill Hydro Project: This project is expected to be addressed in two phases. Phase 1 entails the study and analysis of the present state of the dam, safety matters, and hydrology for turbine selection. Phase II of the project will focus on the restoration and preservation of the historic Mill Building. Dick Marron enquired about the size of the generation turbines and the anticipated costs. SED will have the initial scope of project work for engineering and design at the end of April. In early May, Ellen will have the cost estimates for two 250kW hydro generation turbines, overall project construction work to restore the dam as well as the restoration of the west wall of the Mill Building. The Board can then decide if they want to go ahead with the 500kW renewable hydro generation project.

The Board scheduled the next Commissioners' meeting for April 21st at 8:30 a.m.

There being no further business, the meeting was adjourned at 9:55 a.m.

Respectfully Submitted,



Lily Burgess
Clerk of the Board