

Minutes:

Stowe Electric Commissioners' Meeting:

October 19, 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; Jackie Pratt, General Manager; Brent Lilley, Director of Operations; Sarah Juzek, Controller; Michael Lazorchak, Manager of Regulatory Compliance; Amber Ives, Interim Clerk of the Board

GUESTS: Dave Lamont, Utility Rate Specialist and Lindsay George, CEO, Small Hydro Consulting, LLC

Call to Order: Dick called the meeting to order at 8:37 am

Approval of September 21, 2022 Meeting Minutes:

On a motion made by Dick Marron, moved by Larry Lackey and seconded by Heidi Scheuermann, the minutes of September 21st were approved.

Rate Consultant Presentation:

Dave Lamont, Utility Rate Specialist, provided the Commissioners' with information regarding rate case fundamentals, an overview of the regulatory review process and the data that was used to determine the rate percentage increase that Stowe Electric Department (SED) requested to the Vermont Public Utility Commission (PUC).

Dave explained that the rate change percent is based on a number of factors, including: cost, revenue, known and measurable changes to operating costs, forward pricing and increased electric demand.

The original rate model (presented to the Board on June 2, 2022) demonstrated a need to apply for a 15% increase. Dave informed the Board that the updated rate model forecasts a 16% rate increase as necessary. This updated percentage is based on: updated forward pricing (as of, 10/5/22), updates to the Wilkins Substation interest expense and adjustments to the load-following contract.

The Commissioners, Mr. Lamont and Staff then discussed SED's requested rate increase of 13% (currently under review by the PUC), the deficiency between the requested rate increase (13%) and the updated model (16%), and the best course of action to take regarding the timing and percentage of future rate increase requests.

The Staff informed the Board that they would be following up with the PUC as to the timing and logistics of any future rate increases.

The Commissioners' agreed that no action was necessary at this time, and Larry asked that the Board be updated regarding the rate case at the next Commissioners' meeting.

The Commissioners thanked Dave for his presentation.

Moscow Mill Financial Presentation:

Lindsay George, CEO of Small Hydro Consulting, LLC, presented to the Board the budget model for the restoration of hydroelectric at Moscow Mill.

Overall, SED is looking at a total project cost of \$3.8 million. This cost includes adding hydropower to the existing sluiceway, repairing the existing gate, adding a new screen and rehabilitating the dam with a rubber bladder to control the level.

Lindsay let the Board know that SED has been awarded a substantial amount of grants (\$1.425 million) that help pay for the cost of the project. Additionally, with the Inflation Reduction Act, tax credits are available for renewable energy projects that can be taken as a direct pay for municipal utilities, non-profits, and other non-taxpaying entities. This reimbursement would provide SED with an additional \$725,000 that would be credited once the plant is commissioned. An additional \$500,000 in funding is possible via the Department of Energy (DOE) Section 247, a new program that awards existing hydropower facilities funding for upgrades. The DOE is currently putting together draft guidance for Section 247 that is expected to be issued in the beginning of 2023. Once this guidance is issued, Lindsay will be able to determine whether Moscow Mill will qualify as an 'existing' hydropower facility under Section 247 and whether funding will be available. Another program that helps mitigate the costs for the Moscow Mill project comes from Section 242 of the Infrastructure Bill which provides payment of two cents per kWh for an expected eight-year period.

Based on the budget model and discussed potential funding, there is an additional \$500,000 to \$1,000,000 that needs to be raised to fund the Moscow Mill Hydroelectric restoration project. Lindsay demonstrated that over the 50-year lifetime of the facility, the total gross revenue would be about \$6 million and that SED would end up with a total potential net revenue of between \$3 and \$4 million on a \$500,000 to \$1 million dollar investment.

Lindsay and Staff also discussed with the Board future potential grants, community support surrounding the project, maintaining the aesthetics of the dam, the cost of dam removal in lieu

of restoration and the next steps involved for moving forward with the Moscow Mill Hydroelectric Restoration project.

Heidi Scheuermann made a motion to have Stowe Electric Department staff prepare and file the Federal Energy Regulatory Commission (FERC) exemption for the Moscow Mill Dam Restoration Project. Larry Lackey seconded the motion and the motion carried.

Heidi also asked the Staff to continue to provide updates to the Board on numbers and grants as the process continues.

Michael thanked the Board for their support and asked them to continue to speak about the Moscow Mill Restoration Project when they were out in the community to capitalize on the current momentum and encourage support for the project.

The Commissioners thanked Lindsay for her presentation, and she exited the meeting at 9:36 am.

Financial Report:

August 2022 preliminary financial results pending KBS Senior Management Approval of the audit: Sarah reported that SED ended August with a \$996,644 loss, which is \$475,157 more than the 2022 seasonally spread budgeted loss of \$521,487 year to date. Sarah reported that this number will continue to improve with the 13% rate increase that took effect on August 1, 2022.

Operating revenue, overall, was \$393,000 favorable to the budget.

SED Electric sales were \$398,000 above the budget with Residential Sales being up \$127,000 and Combined Commercial Sales up \$270,000 from the budget.

Contract work fees are \$6,000 below the budget seasonally as of the month of August, however several large jobs will close in September and October. As of October 12th, Work Fee Revenue is \$556,000 year to date, but these large jobs will bring the revenue above the budget by about \$250,000 or more by the end of the year.

Operating expense overall was \$854,000 unfavorable to the budget. Most of this was due to purchase power costs which were \$709,000 over the budget due to the increase in electric sales, overall cost of power, and Renewable Energy Credits (REC) as SED purchased them early and the budget was affected as RECs went from \$1.00 to \$10.00.

Larry asked if the purchase of the RECs earlier than the usual time frame will help SED's 2023 budget to which Sarah responded that it would.

Sarah reported that other Operating Expenses were \$145,000 over the budget, which consists of materials, replacement of failed underground, credit card fees and conferences. Sarah reiterated that some of this loss will be offset by the large service orders that are closing.

Non-Operating Revenue and Expenses overall were \$14,000 unfavorable to the budget. This was mostly due to the Wilkins Substation bond interest expense. The interest was initially budgeted to close at 2.21%, but then closed with a Net Interest Cost of 3.472%. This will cause SED to end the year with an unfavorable variance to the budget for the Wilkins bond of about \$40,000.

Dick asked the Staff when we are going to start working on the Wilkins substation and Staff let him know that SED is currently spending the money that was authorized for the upgrade and that the equipment has been ordered.

Sarah relayed to the Board that the June audit is now waiting for final approval from Senior Management and currently there are no adjustments to the original 2022 financials. There may be a slight change due to depreciation (roughly \$6 to \$8 thousand), but this is completely normal.

Sarah let the Board know that SED needs to renew its line of credit and that the interest rate will change from 1.09% to 4.99%.

Dick Marron asked for a motion to approve the line of credit at the amount of \$1,500,000 at an interest rate of 4.99%. Heidi Scheuermann moved the motion, Larry Lackey seconded, and the motion was approved.

Sarah stated that she was currently working on the budget for 2023 and that it would be presented in November.

Larry asked the Staff if a Capital Budget was approved last year as well as the Operating Budget. Dick responded that the Board approved the Capital Plan a while ago. Ellen let Larry know that the Capital Budget was usually on a 5-year cycle. Larry responded that he didn't think the Capital Budget necessarily needed to be on the same cycle as the Operating Budget, but that he would like to review the Capital Plan and that going forward, perhaps SED could consider adopting a Capital Budget annually. Sarah let Larry know that she would work on it for November.

Operations Report:

Brent let the Board know that SED performed no safety training in September.

Operations received a total of 23 new service orders in September and energized 17 new services.

SED set poles for make ready along the Mountain Road to accommodate Teleport Communications expansion. In addition, two projects on the Mountain were energized. One was for Vail's Sunrise lift and the other was temporary service for Spruce Peak Realty's new Condo development (The Treehouse).

Larry asked Brent if SED had received any new applications for microcells going up on utility poles. Brent let Larry know that SED has already received around 12 to 15 applications that have not been completed yet as materials are being delayed due to supply chain issues.

No new Certificate of Public Good (CPG) were issued for net-metering, however four new systems were energized.

SED initiated 47 work orders and the Line Crew completed 42 work orders during September.

Brent reported that Dig Safe requests continue to take up a lot of the Line Crew's time with 77 requests received in September. January through September 2022, SED has received 485 requests vs. 528 requests last year.

SED experienced one outage in September due to a tree being on the line.

Regulatory Report:

Michael reported that the Public Utility Commission (PUC) continues to work on Rule 5.100 and Rule 5.500 in regard to net-metering.

Ryegate Purchase Power Agreement (PPA) was extended for 6 months while the PUC evaluates the new PPA with Vermont Electric Power Producers, Inc. (VEPPI).

Michael let the Board know that SED has done quite a bit with Efficiency Vermont (EVT) on next year's 2023 Tier 3 plan. EVT is reducing the amount of heat pumps that they anticipate being sold. In addition, Washington Electric Cooperative (WEC) and Green Mountain Power (GMP) are likely going to reduce their incentives for heat pumps. EVT and SED are going to keep their rebate the same. Michael explained that the customer can get up to \$350 (up to \$500 if you qualify as low income) per heat pump, with a maximum of two heat pumps reimbursed per calendar year.

Michael noted that the PUC asked the utilities to evaluate allowing a 25% bill credit to qualifying low-income customers and how that will impact not only the customer, but the utility as well. Michael wanted the Board to be aware of this, as he feels that the PUC will soon be making decisions regarding the low-income bill reduction tariff.

Michael recounted that there has been a slowdown in net-metering applications since the rates changed on September 1st. SED has only received one new application since the last Commissioners' Meeting on September 21, 2022.

Dick asked Michael about the backlog of net-metering applications for Circuits 5 and 6 and how SED was proceeding. Michael informed the Board that the applications for bigger net-metering systems had been sent to our engineer for fast-track analysis as SED needed to perform an impact evaluation on the broader system.

Michael also discussed workshops, community outreach, the hardening of the Mountain Line and the installation of a new Electric Vehicle charger at American Flatbread.

Other Business:

Heidi thanked both Dick and Ellen for their service to SED as both will be retiring effective October 31, 2022.

Ellen thanked the Board for their support throughout the years and let them know that they have a great staff at SED, and with the addition of Jackie, Ellen feels SED is in a great position to advance the utility even further.

Heidi Scheuermann made a motion to approve the resolution that authorizes Jackie Pratt, the new General Manager, to have a credit card which will replace the card currently held by Ellen Burt. Larry Lackey seconded the motion and it carried.

Larry Lackey made a motion to remove both Ellen Burt and Richard Marron from the Union Bank checking account and to replace them with Jackie Pratt and Larry Lackey as authorized signers on the account. Heidi Scheuermann seconded the motion and it carried.

The Board scheduled the next Commissioners' meeting for Wednesday, November 16th at 8:30 am.

There being no further business, the meeting was adjourned at 10:10 am.

Respectfully Submitted,



Amber Ives

Interim Clerk of the Board