

Minutes:

Stowe Electric Commissioners' Meeting
June 16, 2011 at 7:30 a.m. Town of Stowe Electric Offices

Present:

BOARD MEMBERS: Art Lloyd, Chairman; Tom Evslin, Commissioner; Richard (Dick) Marron, Commissioner;

STAFF: Ellen Burt, General Manager; Pat Householder, Controller; Aimée Green, Director of Operations & Regulations; Dawn Foster, Clerk of the Board; Ed French, SED Attorney

Art called the meeting to order at 7:30 a.m.

Approval of the May 11, 2011 Meeting Minutes

On motion made and seconded, the Minutes of May 11, 2011 were approved.

F/S Review

Pat reviewed the Billing and Usage Summary for 2010 and 2009. He noted that the usage is up this year for commercial and residential as well as the Mountain Co. Generally speaking, over the past 5 years power use in Stowe has continued to show a slight increase. He reminded the Board that SED had a 6.5% rate increase effective October 2010, which has contributed to the increase in revenue in addition to increased consumption. For the first quarter of 2011, the Mountain Company energy use was up although the revenue was down slightly as the decrease in the cost of power was greater than the increased usage. The 2010 4th quarter revenue from snowmaking was up significantly over the prior year. Ellen added that the previous year the peak load was 15.5MW and this winter it was 18.3MW. Dick asked if there was a penalty when the Mountain went from 15.5 to 18.3. There is no penalty but the Mountain Co. contract provides for charges should any peak usage increase affect power costs to the utility resulting from increased peak demand.

SED's power costs for the 1st quarter of 2011 compared to 2010 were basically flat, but the revenue increase of \$242,000 with a nominal increase in other costs led to a bottom line increase of about \$227,000. He reviewed the Revenue and Expenses noting a few changes: "Billing and Collections - Wages" reflects a newly hired part-time accountant, and "Finance and Administration - Wages" reflects Aimée Green joining the Department. The decrease in Professional Fees from 2010 of \$25,000 reflected the costs of the AARP docket in 2010. The decrease

under Interest Expense is because we did not accrue interest for the first quarter payment on our bond. That entry should appear in the 2nd quarter.

Regarding the Balance Sheet, the line of credit under Current Liabilities that was \$650,000 at year end 2010, is presently zero. The Board commended Pat and Ellen on reducing the line of credit to zero.

Smart Meter Project Update

Aimée informed the Board that all of the Advanced Meter Infrastructure (AMI) bids have been received, and that we are currently focused on scoring the AMI bids, in addition to preparing to invite two to three potential vendors in for presentations in July. We have also met with two potential Meter Data Management (MDM) vendors, both of which are entirely capable of providing SED with a fully hosted, technically compliant solution.

Tom offered his time to help with the decision making process. Aimée thanked Tom and said she would very much appreciate his input on selecting the final candidates. She also noted that we are continuing dialogue with GMP with a view to their potentially hosting our AMI solution. At this point we are awaiting pricing and infrastructure information from GMP. She noted that if we do choose to contract with GMP to host our AMI head-end system, we would be subject to GMP's schedule for AMI deployment.

Aimée informed the Board that she gave a presentation to the Department of Energy (DOE) at VELCO on SED's project plans. All of the grant participants were in attendance, and also gave presentations. The DOE was impressed with the State of Vermont as a whole, and is looking to Vermont as a pilot in the nation as the first state to roll out the Smart Grid statewide. Ellen told the Board she had heard very positive comments from the meeting with regard to Aimée's presentation. Aimée also announced that SED has been invited to an all expenses paid trip to attend a municipal Smart Grid conference in July in Florida. Ellen and Aimée will be attending.

Aimée referred to the process of drafting a Memorandum of Understanding (MOU) with the PSB. She told the Board that this process would begin in earnest once we narrow down which MDM and AMI we will be selecting. She noted that SED's quarterly update to the PSB on the status of the Smart Grid will be submitted by the end of June. Tom then asked if we know what our policy or the State's policy is or will be on customers opting out of Smart Meters. Aimée noted that there has been some indication by GMP and CVPS that there will be a policy to allow for opting out of Smart Meters.

Options for financing VT Transco equity purchases:

Pat stated that this was not a request for approval but rather for informational purposes. Late last year VELCO was looking at some substantial capital projects coming up over the next three years. VELCO has pushed this out for a year; therefore there will be no equity issue in 2011. However, over the next 4-5 years they could be looking at issuing \$200 - \$300 million in equity which would mean \$4 - \$5 million to SED. Some Vermont utilities expressed interest in possibly setting up a separate financing company. The thought was that such a company might be able to provide financing at a more favorable rate than would be available to any individual utility. Additionally, the availability of financing sources in VT for this type of financing is extremely limited. Pat expressed concern about reaching a limit with Union Bank plus the benefit of having another lending source. Dick commented that Union Bank would work with SED to find another lender if the capital limit became an issue. The feeling we have gotten from the DPS is it would be imprudent to not buy VELCO equity because it is paying 12.5% dividends. Art made the suggestion to explore our borrowing options with Union Bank before pursuing any efforts to explore a separate financing company especially since at this point the IOU's are not interested in exploring that option. Pat indicated he would advise VPPSA and VEC that at this point SED chooses not to fund any costs for that purpose.

Other Business

Art informed the Board he had spoken with SED customer Joy Martini. Ms. Martini has been in communication with Ellen regarding being placed on residential demand rate 06. Art promised Ms. Martini he would bring up her demand issue at the Commissioners' meeting. He told the Board that she is going to file for a waiver. Aimée has given Ms. Martini the information she has requested and whom to speak with at the DPS. SED has made an investigation of all the facts and Art feels confident the Department has done everything in its power to accommodate Ms. Martini. Art said that he tried to explain the residential demand rate to her and said she was very complimentary to Susan Tinker for helping her in the past. He told the Board he felt SED has gone as far as we can go in this process.

Ellen noted that we have had other customers placed on residential demand because of space heaters/heating mats being used. After meeting with these customers and speaking with the Department regarding these issues she was told that if the customer removed the space heaters, SED performed a home inspection and the customer signed an agreement stating they will not use the heating source again the customer will receive a one-time pass and be removed from residential demand rate 06. If at anytime the customer goes over 2,000 kWh for 2 months they will be placed on rate 06. She continued that she had been working toward giving Ms. Martini the same benefit when she found out that she in

fact has baseboard heat and an electric hot water tank. Those would have to be permanently removed. Ms. Martini was unwilling to let SED do a home inspection.

Ellen noted she is working on changing our Tariff to clarify circumstances that may allow a customer to appeal a tariff condition for such things as one time events. Tom asked if we were looking into eliminating rate 06. Ellen said she has been looking into that option. However, any significant change along those lines would require a complete Cost of Service study to assure that any changes in revenue neutral to the customer classes. Tom commented that he understood having rate 06 before we built the 115 kV line but now that we have it we should consider removing it. Dick added that now we have the capacity to handle the load. Tom suggested investigating a cost of service study with the new Smart Meters. Aimée interjected that the Smart Grid deployment in Vermont will definitely drive studies statewide. The Board agreed that planning for a Cost of Service study after Smart Meters were in use made sense.

Art told Aimée he would be available to meet Tuesday afternoon, June 21, 2011 with Union Bank representatives regarding the Operating Procedure Manual for SED. Aimée said she would get in touch with UB and confirm that meeting.

Ellen presented each Board Member with an SED hardhat. All members thanked her.

Ellen asked Tom if he could get back to her on a time when SED's Plant Manager may possibly give him a tour of the substations. He said he would get back to her on a time.

The Board scheduled the next Commissioners' meeting for Wednesday, July 13, 2011 at 7:30 am.

There being no further business Art made a motion to adjourn the meeting at 8:35am; Dick seconded the motion and the motion carried.

Respectfully Submitted,

Dawn E. Foster
Clerk of the Board