

Minutes:

Stowe Electric Commissioners' Meeting
May 11, 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

GUEST: David Jaqua, SED Customer

Art called the meeting to order at 7:35 a.m.

Approval of the April 13, 2011 Meeting Minutes

On motion made and seconded, the Minutes of April 13, 2011 were approved.

Mr. Jaqua commented he felt the Minutes from the last Commissioners' meeting were extremely comprehensive and he thanked the Board for their attention to detail. Art stated SED strives to have the Minutes as detailed and thorough as possible for the ratepayer's understanding.

F/S Review

Pat reviewed the handouts of SED's Financial Statements that were included in the Board member packets. In 2009, there was a rate increase of 8.7% effective April 2009, and the year 2010 in its entirety was affected by this rate increase. In addition, October 2010's rate increase was 6.5%. Revenue for 2010 was up 5%, resulting from the rate increases as well as the commercial and residential energy use increase of 1.9%. The bulk of the usage increase has come from the Mountain Company as the result of two factors: first, when the 115kV line was constructed they planned to reduce the use of their diesel generators and thus use more electricity; second, as November and December were cold, the Mountain Company was able to begin snow-making early. Ellen said that the Mountain increased our peak load by 3 megawatts. Dick referred to the 115 kV line and that once it was built, he thought that they had requested to go from 15.5MW to 25MW. Per Ellen, this has not happened as yet, but is still the plan.

Tom asked if they would keep the diesel for back-up after they convert to electricity. Ellen said the plan was to remove the diesel generators. David Jaqua inquired if this was an efficient way of handling the situation. Dick responded that using electricity to make snow instead of diesel was safer, more efficient and reduced our carbon footprint. The Mountain Company has grants for efficient snowmaking. Tom asked if it would be beneficial to look into changing the demand rate for residential customers so they can essentially get out of the penalty box caused by the current tariff even if the power is being used for geothermal pumps to reduce overall fuel consumption as an example. Ellen responded that she had been looking into that project. SED is unique in that we have residential demand whereas most utilities do not. She explained the policy was put into action because Stowe has a large amount of second homeowners. It encourages the replacement of electric heat and discourages large consumption.

Pat reported on purchase power costs. He told the Board that 75% to 80% of SED's total costs are for power. He explained that it is difficult to compare 2009 to 2010 because of a few components, the first being power purchased by SED. The overcharges to SED (B22) for transmission costs in 2007 and 2008 were repaid in the form of free power in 2009 and 2010. Tom asked Pat if we had run out of that credit and Pat told him that it was paid off in June of 2010. Transmission losses decreased significantly in 2010 because of the 115kV-line connection. There are two significant components to the cost of power: the pure energy component that we purchase on the market, and the transmission cost to get the power here. Total power cost increased due largely to the \$1.1 million annual cost for 10 years we pay for the 115 kV line connection which started in 2010. Pat told the Board that he sees the power market staying soft in the foreseeable future. Depending on projects being built in New England, transmission costs could increase by 15% to 20% per year for the next 4 or 5 years. Tom asked if we were being charged per kilowatt-hour. Most costs are charged per kilowatt-hour. The 115kV-line, however, is at a capped cost of \$1.1 million per year until 2019, regardless of usage. A great deal of the power is bought at the Massachusetts hub, then transferred to Vermont. Our share of VELCO costs is on a load share basis.

Pat noted interest and dividends increased significantly from \$142,000 to \$315,000 for two reasons. We purchased an additional \$1 million dollars of Transco equity at the end of 2009 that generates a dividend of 11.5%. Secondly, we have the proceeds from the bond issue that we have invested and are earning interest on as well. Once the line went into service we began recognizing the income of the Spruce Peak contribution from the Mountain of \$2.1 million over a 10-year period. Tom asked if the \$2.1 million is paid to SED over 10 years. Pat informed the Board we have received \$750,000 and the remaining \$1.3 million will be paid over 10 years at \$135,000 a year. Dick asked if the \$750,000 we received is restricted. Pat responded the \$750,000 is restricted to use for the 115 kV line project.

In the accounts receivable department, an insurance claim was settled in April 2011 for \$127,000 resulting from the Luce Hill Substation fire. The new facility site has decreased from last year-end because we closed on the parcel of land sold to Mr. Roberts. SED's line of credit which in December 2010 was \$650,000 is now paid off.

Mr. Jaqua asked why there was a partial transfer from the exclusive facility fund to the money market fund. Pat noted that the partial transfer was for SED's portion of the exclusive facility costs in connection with the 115 kV line project. Originally the FERC settlement for those costs required SED to pay 100% of the funds. In the final settlement it was determined to divide the percentages of payment among the utilities that share the facilities. Ed informed David and the Board that Stowe's percentage is 50% and the rest allocated between the other utilities. David asked if this was a one-time transfer and what happens to the funds after this process. Pat said the monies are currently restricted and are in the bank. SED has requested the Public Service Board to allow us to amortize the funds over the 10-year project time frame. SED bonded for 100% of the original amount of the project, once it was negotiated between the other utilities to share in the cost the PSB approved the payment of percentages among the utilities and restricted the left over funds. Pat told the Board that the bonds do not have a provision for early repayment. We are waiting to hear from the PSB on our request.

Smart Meter Project Update

Aimée informed the Board that seven RFP's for the MDM were sent and that the MDM bidding process has closed. She added that we have received responses to three of the seven RFPs. Mark Day (our consultant), Pat and Aimée are at the beginning of the review process. The course of action includes scoring each response, and then comparing our needs and requirements against the scores. Tom asked if GMP was one of the three bidders who had responded. Aimeé told the Board that conversations are under way with GMP to consider having them host the AMI software, and potentially the MDM as well. As we are with all prospective AMI and MDM vendors, it will be important to identify all of the technical requirements and compatibility issues upfront.

Aimée then noted that the AMI RFP's have been sent out to 10 different vendors, and that we will begin review of proposals in early June.

Aimée welcomed the Commissioners' into the review process for both the potential MDM and AMI vendors.

Tom asked Aimée and Pat what their biggest concerns are with the entire MDM/AMI selection process. Aimée told the Board that a few of the MDM vendors were late in returning their proposals. Therefore, staying on schedule is a concern.

Cost is imperative without question as well as staying within our budget. She mentioned that some of the start up-vendors are more of a risk and that going with a vendor with more tenure would be critical. Mr. Jaqua stated it seems that the decisions being made now are extremely important and to not rush the process. Aimée told the Board that we would be taking careful steps while keeping in mind the deadline of March 31, 2013.

Rte. 100 Property Status Update

Ellen referenced an e-mail she sent to the Board from Sharon Bateman at Pall Spera requesting to lower the asking price of \$400,000 for the Kirchner property to \$350,000 or even \$325,000. Art asked what Sharon's suggestion was and Ellen said Sharon recommended \$350,000. The Board agreed to lower the asking price to \$350,000. David suggested we give Biddle Duke a call since he might be interested in connection with a project he is involved with. Dick made the suggestion that Sharon give Biddle a call. At the next Board meeting Ellen will inform the Commissioners of the result of that conversation.

Other Business

Art told the Board that he and Aimée had been constructing a code of ethics and potential fraud protection policy in light of the Hardwick situation. Ed made the suggestion the Board speak with Ken Gibbons at Union Bank and have his internal auditors take a look at the document. Everyone agreed it was a good idea to ask for Ken's recommendation and advice.

Ellen reminded the Board they needed to elect a Vice Chairman as a result of Denise's departure and re-appoint Dawn as Clerk of the Board. On a motion made and seconded Dick was appointed as Vice Chairman and Dawn was re-appointed as Clerk of the Board.

David asked if customers could get a copy of the Integrated Resource Plan before it goes to the Public Service Board in order for the public to have an input. Ellen said she was working on taking care of that. David said he felt there are people, such as StoweCan who are interested in what the Electric Department is doing for energy efficiency. He said he felt we would not get the public to engage unless we engage the public. Ellen told David it was a goal this year for the Electric Department to focus on educating the public about Smart Metering whether it be on the town website, through the local newspaper, etc. David thanked the Board for their help and concern. Art stated SED is making every effort to be transparent in hopes that our customers become more informed on our dealings.


Executive Session

Art moved to go into Executive Session at 8:36 a.m. to discuss legal matters and personnel issues; Tom seconded the motion and the motion carried. Art moved to come out of Executive Session at 9:35 a.m.; Dick seconded the motion and the motion carried. Art made a motion to increase the General Manager's salary by 2.5% and to increase the salary of the Controller to \$72,000 per year; Dick seconded the motion and the motion carried.

The Board scheduled the next Commissioners' meeting for Thursday, June 16, 2011 at 7:30 am.

There being no further business Art made a motion to adjourn the meeting at 9:37 a.m.; Dick seconded the motion and the motion carried.

Respectfully Submitted,



Dawn E. Foster
Clerk of the Board