

**Minutes:**

Stowe Electric Commissioners' Meeting  
January 12, 2011 1:00 pm Town of Stowe Electric Offices

**Present:**

Art Lloyd, Chairman; Denise Gutstein, Vice Chairperson; Richard (Dick) Marron, Commissioner; Ellen Burt, General Manager; Pat Householder, Controller; Ed French, SED Attorney; Dawn Haslam, Clerk of the Board

Tim Hebert, Energy New England  
David Jaqua, SED Customer

Art called the meeting to order at 1:10 p.m.

**Approval of the amended November 29, 2010 Meeting Minutes**

On motion made and seconded, the Amended Minutes of November 29, 2010 were approved.

**Approval of the December 8, 2010 Meeting Minutes**

On motion made and seconded, the December 8, 2010 Minutes were approved.

**Review of Power Contracts - Request of Mr. David Jaqua, SED Customer**

Mr. Jaqua informed the Board that he had met with Tom Evslin regarding the report on the potential sale of SED. On reading the report, he and Mr. Evslin both felt that the report could be read to support the proposed sale as well as provide evidence to be cautionary when moving forward. They proposed to take some time to construct a written response to the report and would then like to schedule a meeting with the SED Board sometime in mid-February. Dick told Mr. Jaqua that the Board welcomed any new information he could provide. Dick spoke about his concern with the utilities obligations regarding the McNeil and Stonybrook contracts, directly relating to the long-term

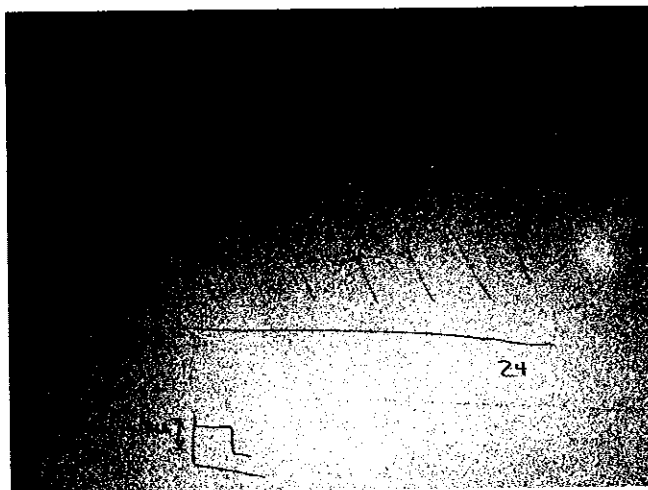
liability and the source of revenue to pay off those liabilities. Art explained that the Board went through two very well thought out proposals from the IOUs. He also offered to have SED's attorney, Ed French, explain the legal impediments that tipped the scale on whether to sell or to watch and wait. David interjected and told the Board that he did not want to have that kind of discussion at the current meeting because he was not prepared but would prefer to get a response to the report done and meet in February. The Board agreed to meeting with Mr. Jaqua in February. The Board then asked Mr. Hebert to give everyone an overview of SED's power contracts.

Mr. Hebert described the contracts that SED had entered into for Stonybrook and McNeil entitlements. He noted that since Stonybrook was built and paid for many years ago, the support costs are relatively modest. Looking at the cost purely on a per kilowatt-hour basis on a unit that does not run much of the time, the costs appear astronomical. However, the unit will only run 500 hours total in most years. SED has fixed support charges for Stonybrook that are less than what it would otherwise cost for buying on the current capacity market. SED also receives a capacity credit. If Stonybrook did not run all year long it would still provide a modest savings to SED. The unit is set to run at a particular price, but if the wholesale spot price on the market is lower than the cost of production it will not run. If prices increase dramatically, the unit will run. Basically, it only runs when there is a cost savings.

Tim explained that under the existing contract it is not easy to transfer an entitlement to another party. With a unit such as Stonybrook other players that share in the unit would have to be willing to acquire a larger share, and even then SED would still be on the hook for liabilities and obligations. Ellen asked Tim if he knew whether MMWEC had ever transferred any entitlements to another utility. Tim is not aware of that ever happening. Dick asked if the Town decided to sell SED and the entitlement were transferred, if the transferee later issued debt to make improvements, would SED be ultimately responsible for sharing in that liability. The answer was yes, from both Tim and Ed. Ed explained there are similar provisions with both Stonybrook and McNeil. Even though the bonds are paid in full for Stonybrook, there can be a re-bond if improvements are needed. Under the

ongoing liability provision SED would remain liable for that kind of action. If SED were to be sold there would still need to be an ongoing entity or existence to monitor this process.

The graph below is an example of SED's hourly load from midnight one day to midnight the following day (Stacking Order Profile).



When plants such as Stonybrook and McNeil were built 30-35 years ago they were efficient and ran more than they do currently. As time has passed, new plants have been built that are more efficient and are now the workhorses that are bearing the brunt of the generation. Stonybrook and McNeil have always been intermediate load. Tim explained that transferring entitlement to someone else would not be an easy task. There wouldn't be favorable feedback because there are not a lot of buyers as it is a little bit out of the market. Both of the plants were built in completely different market/regulatory climates then we have today. They were built at a time when they were less expensive than the alternative. Tim explained that the bond for Stonybrook was paid in 2008 and McNeil will be paid for in another 4-5 years. With the Vermont Yankee issue and whether it gets re-licensed or not he sees the dollar cost of purchased power for all VT utilities converging.

Mr. Jaqua asked Tim what would happen to SED's power costs if we were to get out of the McNeil contract and everything else stayed the same. Tim told David the costs would go down. Therefore, David told the Board that essentially if you are an investor and you had a situation as this it would be called an encumbered asset. It being an asset back when it was purchased at a favorable price and when bond rates went up you would still owe the bond and you are locked into a bond at a lower rate. If you carry out a transaction you have to realize the mark-to-market loss. He stated that it could be argued if SED were to get rid of the McNeil the transaction would most definitely need to be sweetened, but by selling it you have lower power costs. Tim interjected that either you will pay it now by selling it at a lower cost or over the 4 years and not sell it.

Art added that the Board supported language in the report that stated the door would stay open regarding the potential sale of SED. No one on the Board is against the concept of selling the utility if it is under the right circumstances. David said he felt the community as a whole deserved to get both points of view from the Board/Selectboard and his group of concerned citizens. Dick stated it is ultimately the decision of the taxpayers, first being recommended by the SED Board, then recommended by the Selectboard, and finally requiring a 60% vote from the community to pass. He would need to feel extremely comfortable with that decision before moving forward and at the present time does not.

Art complimented David and expressed to him that the Board was appreciative of his continued and thorough research. He thanked him for his conciliatory manner and for all of the thought he put into everything being discussed. Referring to the discussion at the last Selectboard meeting, he wanted to make sure it was clearly conveyed to Mr. Biedermann that during a public meeting we should try to restrict discussion to facts rather than suppositions. Mr. Jaqua said he would refer that suggestion to Mr. Biedermann. He added if the utility were to stay private he would hope SED would discover more effective uses for energy and find partners to engage with so that the Department can stay modern. Ellen interjected over the last five years SED has become very progressive and dedicated a great deal of time and resources to bring the methane farm digester to the Pike Farm. In

addition, the DPS sought to have all special contracts turned into tariffs and SED succeeded in keeping the special snowmaking contract with the Mountain Company. SED also accomplished parting with a Vermont Joint Action Agency (JAA) to join a Massachusetts JAA that operates with large utilities in CT, RI and MA. As a result SED has saved substantial dollars in power costs. David thanked the Board and said he was looking forward to meeting with them in February.

### **Infrared Electrical Inspection**

Everyone was given a handout containing color pictures and descriptions of the Infrared Thermographic Electrical-Mechanical-Steam Inspection conducted December 15, 2010. Ellen explained that SED does this every couple of years to maintain equipment reliability. In the spring the crew will work on any issues that need to be fixed.

### **Smart Metering Project Financing**

Pat explained that SED has a \$900 thousand grant we received for Smart Meters that is a 50% match. SED will spend \$450 thousand and the Federal Government will match that with \$450 thousand. For SED's \$450 thousand we will need to finance the amount. There are two options to consider, one being new financing, the second being reallocation of a portion of the \$2.4 million we received in 2009 for infrastructure repairs. The majority of the infrastructure funds will be used for the upgrade to the Mountain cable that was roughly 1 million dollars. Three projects that have been completed have come in at approximately \$200 thousand under projection. Pat explained that the second option is preferable to having to get new financing. It will have to go to the voters either way we decide to finance. Pat asked the Board if we should try to get this ready for the March meeting or plan a special meeting over the summer.

The Board agreed that it should be presented at the March meeting. Art asked if there was a cut off date in which we needed to have this done by and Pat informed him the grant expires March of 2013.

Mr. Jaqua asked if there was a Vermont standard for smart meters. If SED were to be sold would these new meters work along with GMP. Ellen said yes, the A.M.I. technology SED is purchasing is MESH Radio Frequency, the same technology used by the larger utilities in Vermont. Also David asked if the smart meter program was something a customer could tap into to see their reading. Pat indicated that was part of the project plan.

Dick made a motion to authorize the use of \$450 thousand from the 2009 Series bond issue for capital improvements for the Smart Metering project; Denise seconded the motion and the motion carried.

#### **Executive Session**

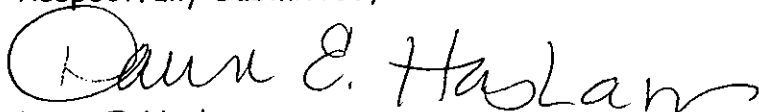
Art moved to go into Executive Session at 2:35 p.m. to discuss legal issues; Denise seconded the motion and the motion carried. Art moved to come out of Executive Session at 2:55 p.m.; Dick seconded the motion and the motion carried. There was no action taken.

#### **Other Business**

The Board scheduled the next Commissioners meeting for Wednesday, February 9, 2011 at 1:00 p.m.

There being no further business Art made a motion to adjourn the meeting at 2:56 p.m.; Denise seconded the motion and the motion carried.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Dawn E. Haslam". The signature is written in black ink and is positioned above the printed name and title.

Dawn E. Haslam

Clerk of the Board