

**Minutes:**

**Stowe Electric Commissioners' Meeting**

May 18, 2010 7:45 a.m. 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; Frank Radigan, Hudson River Energy Group; David Jaqua, Guest/Stowe Citizen

Art called the meeting to order at 7:45 a.m.

**Approval of the April 14, 2010 Minutes**

Dick moved to approve the April 14, 2010 Minutes, Denise seconded the motion and the motion carried.

**Review and Renewal of Rate Case with Frank Radigan**

Frank Radigan from Hudson River Energy Group began by introducing himself to the Board, noting his engineering background and his fifteen years' experience as regulator in New York, and subsequent fifteen years as a consultant. He currently represents approximately forty-seven municipalities in New York and Vermont. He distributed a handout breaking down the reasons for a proposed SED rate case. He summarized 2009 versus 2010 regarding revenue, expenses, interest expense, credits and new income. He explained by comparing 2009 to 2010, that there had been a turn of events that were directly connected to the Lamoille County Project and ISO New England, all of which occurred in the 2009 timeframe. VELCO has been building transmission on both the Northern and Southern loops. The Federal Government gave incentives for utilities to invest in transmission and

in turn utilities aggressively went after these incentives. Therefore, over the last few years, transmission costs have doubled and will continue to do so over the next five (5) years. This process is called the Pool Transmission Facility (PTF). In New England if one utility uses the power transmitted on a line that utility pays transmission costs; if more than one utility shares the transmission line all utilities pay accordingly. The step prior to officially filing for a rate case is to submit a detailed analysis to the Department of Public Service to get advice, counsel and to check for accuracy of our numbers. Frank also noted that Energy New England works with utilities to configure a percentage for the increase and they take a conservative approach on a normalized daily average to come up with this percentage.

Mr. David Jaqua, a Stowe resident observing the meeting, asked if the \$1.1 million increase due to LCP was a projection for the next 12 months ending June 2011 and was it being paid for through the equity deal SED received. Mr. Radigan told the Board and Mr. Jaqua that this was all contingent on timing. SED's equity deal happened in mid 2009 so after this rate case you will no longer see any rate changes due to the LCP.

Frank added that he and SED have been trying for quite some time to get this rate case underway. There have been numerous roadblocks that have delayed the process but he and Ellen went to meet with the DPS two weeks prior. During their visit they went over everything the DPS needs to know in order to be involved in the process. Frank told the Board he was looking to them to give direction. It was agreed that since this was a preliminary submission the numbers should be revisited and SED go back to the DPS and review everything again before filing the official rate case.

### **Review of 2009 Financials**

Pat reported that the financials show there were three non-recurring items that define our 2009 results. The three large items consist of FERC legal fees in 2008, the \$400,000.00 PGET settlement that was a recovery from a bankruptcy from years past, and we had a swing of \$1.5 million in power costs between 2008-2009. Pat also noted that direct system costs from 2009 that were \$995,000 and in 2008 were \$1 million plus. There was approximately a \$100,000 decrease reflecting Hal Ranney leaving, Steve Lambert taking his position and Steve's Foreman position being vacant for one year. The other part of the savings was in salary and administration. Pat and Ellen received raises in May of 2008 but did not receive any in 2009.

Pat further explained that SED had power contracts that expired in 2009, therefore, we had to purchase power after the fact on the open market. If you look at July 2008 to July 2009 there is a large swing in megawatt costs. He also noted that the loads in Stowe decreased 9% over the two years. He told the Board that the decrease in power costs has come from the decrease in demand, the \$480,000 B22 credit over 18 months, which ends in June of 2010 and lower power costs.

#### **Report on Task Force**

Dick informed the Commission that the Task Force met on Friday, May 14, 2010. The consensus of the meeting was to move forward to create a new entity that would include Stowe, Hyde Park and Morrisville. Art and Ellen both noted that as opposed to the atmosphere at the previous meeting, the three entities now appear to be working together as a group. Ellen told the Board that the Task Force was planning to meet again at the end of June. At that time all pertinent information regarding salary and equipment costs from all three utilities would be available for review.

#### **Other Business**

David Jaqua told the Board that he understood SED was looking at a 23% increase in rates. Mr. Radigan told David that the forecast currently was a 9% increase in rates.

David continued that he has received phone calls from other Stowe citizens encouraging him to attend the SED Board meetings. He stated that these citizens feel SED's rates are high and this should be no surprise to the Board. Art encouraged Mr. Jaqua to bring those individuals who may have concerns but from whom we have not had any direct feedback to the public meetings. We would welcome their suggestions and ideas. David said he would try to get other concerned citizens to join future meetings. Dick suggested in the future SED could consider having a public forum as to which citizens can ask questions.

### Executive Session

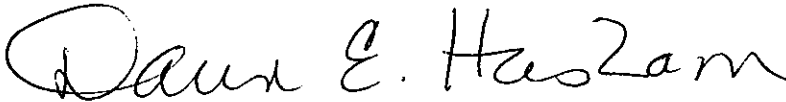
Art moved to go into Executive Session at 8:58 am to discuss legal matters and personnel issues; Dick seconded the motion and the motion carried. Art moved to come out of Executive Session at 10:18 am; Denise seconded the motion and the motion carried.

Art stated that during Executive Session Executive salaries were discussed. Art made a motion to increase both Ellen's and Pat's salaries by 4% effective May 1, 2010. Denise seconded the motion and the motion carried.

All agreed that the next Commissioners' meeting would be held Wednesday, June 9, 2010 at 7:45 a.m.

There being no further business the meeting was adjourned at 10:23 a.m.

Respectfully submitted,

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

Dawn E. Haslam  
Clerk of the Board