

VELCO Operating Committee
Tuesday, December 1, 2009
11:00 a.m.
Location: VELCO

Committee Members present: Neal Robinson, Don Rendall (GMP), Kerrick Johnson, Ellen Burt (SED), Greg White (CVPS) and Kevin Perry (VEC) were in attendance.

Others present: Pam Keefe (CVPS), Crystal Currier (VPPSA), Ros Cook (CVPS), Melissa Loughan (CVPS), John Hauck (sp?) (CVPS), Mike Bursell (VEC), Dawn Bugbee (GMP), Tony Kvedar (GMP), Daryl Santerre (BED), Thad Omand, Michele Nelson, Mark Sciarrotta, and Leslie A. Cadwell (who recorded the minutes following the Joint Session with the CFO Forum)

I. Joint Session with CFO Forum: VELCO 2010 Budget

Neal Robinson presented the proposed budget for 2010 and answered questions posed by members of the Committee and CFO Forum.

II. Stowe refinancing opportunity

Neal Robinson and Ellen Burt explained the refinancing opportunity Stowe has for the debt it incurred to pay for its share of the Lamoille County Project per the settlement agreement on cost allocation for the project. Stowe can sell the swap it purchased to fix the interest rate as required by the settlement and refinance the existing loan at a lower fixed rate.. It proposes a benefit sharing mechanism for the settlement parties, which will be vetted with all parties to the settlement within the next few weeks.

Following this discussion, the members of the Operating Committee (OpCom) left the joint session to address the OpCom's remaining agenda items. Frank Etori from VELCO joined the meeting by telephone.

III. Minutes of Meeting held on October 15, 2009

The minutes were approved as drafted

IV. SPA treatment re: Wilkins substation

By letter dated November 30, 2009, Ellen Burt of SED asked the OpCom to consider an issue related to the Wilkins substation and the Lamoille County Project (LCP). As part of the LCP, an underground 34.5kV feed from VELCO's Stowe substation to the SED Wilkins substation was put in place. The temporary for construction overhead/underground 34.5kV feed, which is de-energized, remains in place. SED would like to keep this temporary feed in place as a permanent back up in the event of a fault on the underground feed from the VELCO substation. It asked the OpCom to consider having SED assume responsibility for the O&M costs associated with the overhead/underground back up line and VELCO (Transco) to be responsible for the O&M costs of the underground line from the VELCO substation.

The Committee discussed the application of the Substation Participation Agreement (SPA) and the 1991 Vermont Transmission Agreement to SED's proposal and the configuration of the overhead and underground feeds. There is no dispute that SED's system would be more reliable with a back up to the underground feed from VELCO in the unlikely event that the feed would experience a fault. The costs of the alternative reliability solutions (leaving the overhead in place vs. installing a second new underground back-up cable) were not available at the time of the discussion. The Committee agreed that both existing feeds (the new underground and older overhead) are SED's cost responsibility, and that it is likely to be more costly to SED for either facility to be managed as an exclusive facility through the SPA. VELCO agreed to verify how the underground facility is currently classified.

The Committee agreed that SED should work with VELCO and bring the cost comparison of treating the underground feed from VELCO as an exclusive facility vs. a wholly owned and maintained by SED facility to the January OpCom meeting for discussion. In addition, VELCO will work with SED to develop an MOU on coordinating work on Stowe facilities in VELCO's substation. Finally, the VTam should be examined to see whether it would be beneficial to identify the cost responsibility for a DU facility that is not an "Exclusive Facility" under the SPA but which is located wholly or partially within a VELCO substation.

Respectfully submitted,

Leslie A. Cadwell, acting Secretary to the OpCom